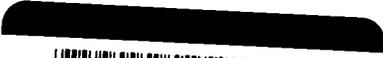


80 3/14/14

OMB APPROVAL
OMB Number: 3235-0123
Expires: March 31, 2016
Estimated average burden
hours per response . . . 12.00

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



14048146

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

SEC
Mail Processing
Section

MAR 04 2014

Washington DC

SEC FILE NUMBER
8-51866

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 01/01/13 AND ENDING 12/31/13
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

Aqua Securities, L.P.

OFFICIAL USE ONLY
FIRM ID. NO.

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

110 East 59th Street

(No. and Street)

New York

(City)

New York

(State)

10022

(Zip Code)

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

Douglas Barnard

212-829-4934

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT REGISTERED PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young, LLP

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

5 Times Square

(Address)

New York

(City)

New York

(State)

10036-6530

(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). SEC 1410 (06-02).

00
5/18/14

AFFIRMATION

I, Douglas Barnard, affirm that, to the best of my knowledge belief the accompanying statement of financial condition pertaining to Aqua Securities, L.P. (the "Partnership"), as of December 31, 2013, are true and correct. I further affirm that neither the Partnership nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.



Signature

Chief Financial Officer

Title



Notary Public

BINYOMIN KAPLAN
Notary Public, State of New York
No. 02KA6054207
Qualified in Rockland County
Commission Expires January 29, 20 15

Aqua Securities, L.P.

Table of contents

This report ** contains (check all applicable boxes):	Page
<input checked="" type="checkbox"/> <input type="checkbox"/> (a) Facing Page.	
<input checked="" type="checkbox"/> <input type="checkbox"/> (b) An Oath or Affirmation.	
<input checked="" type="checkbox"/> <input type="checkbox"/> (c) Report of Independent Registered Public Accounting Firm.	1
<input checked="" type="checkbox"/> <input type="checkbox"/> (d) Statement of Financial Condition.	3
<input type="checkbox"/> <input type="checkbox"/> (e) Statement of Operations.	
<input type="checkbox"/> <input type="checkbox"/> (f) Statement of Cash Flows.	
<input type="checkbox"/> <input type="checkbox"/> (g) Statement of Changes in Partners' Capital.	
<input type="checkbox"/> <input type="checkbox"/> (h) Statement of Changes in Subordinated Borrowings.	
<input checked="" type="checkbox"/> <input type="checkbox"/> (i) Notes to Statement of Financial Condition.	4
<input type="checkbox"/> <input type="checkbox"/> (j) Computation of Net Capital (Basic Method) for Brokers and Dealers Pursuant to Rule 15c3-1 Under the Securities Exchange Act of 1934.	
<input type="checkbox"/> <input type="checkbox"/> (k) Statement Regarding Rule 15c3-3 Under the Securities Exchange Act of 1934.	
<input type="checkbox"/> <input type="checkbox"/> (l) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.	
<input type="checkbox"/> <input type="checkbox"/> (m) 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.	
<input type="checkbox"/> <input type="checkbox"/> (n) A Reconciliation between the audited and unaudited Statement of Financial Condition with respect to methods of consolidation.	
<input type="checkbox"/> <input type="checkbox"/> (o) A copy of the SIPC Supplemental Report.	
<input type="checkbox"/> <input type="checkbox"/> (p) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.	
<input type="checkbox"/> <input type="checkbox"/> (q) Supplementary Report on Internal Control.	

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



Building a better
working world

Ernst & Young LLP
5 Times Square
New York, NY 10036-6530

Tel: +1 212 773 3000
Fax: +1 212 773 6350

Report of Independent Registered Public Accounting Firm

To the Partners of
Aqua Securities, L.P.:

We have audited the accompanying statement of financial condition of Aqua Securities, L.P. (the "Partnership") as of December 31, 2013, and the related notes to the statement of financial condition.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the statement of financial condition in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the a statement of financial condition that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement of financial condition 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 statement of financial condition is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in a financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the statement of financial condition in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of financial condition.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Building a better
working world

Opinion

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Aqua Securities, L.P. as of December 31, 2013 in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

February 28, 2014

Aqua Securities, L.P.

Statement of Financial Condition

December 31, 2013

(In Thousands)

Assets	
Cash	\$ 2,474
Receivables from related parties	624
Fixed assets, net	321
Intangible assets, net	145
Other assets	37
Total assets	<u>\$ 3,601</u>
 Liabilities, Subordinated Borrowings and Partners' Capital	
Accounts payable and accrued liabilities	\$ 343
Payables to related broker-dealer	13
Payables to related parties	383
Total liabilities	<u>739</u>
 Commitments and contingencies (Note 6)	
 Subordinated borrowings	
	2,000
 Partners' capital:	
Limited partners	912
General partner	<u>(50)</u>
Total partners' capital	<u>862</u>
Total liabilities, subordinated borrowings and partners' capital	<u>\$ 3,601</u>

See notes to the statement of financial condition.

Aqua Securities, L.P.

Notes to the Statement of Financial Condition

December 31, 2013

(In Thousands)

1. General and Summary of Significant Accounting Policies

Description of Business

Aqua Securities, L.P. (the "Partnership") is a limited partnership organized under the laws of the State of Delaware. The Partnership is 50.49% owned by Cantor Fitzgerald Securities ("Cantor Securities"), a limited partner which is a wholly owned subsidiary of Cantor Fitzgerald, L.P. ("Cantor"); 48.51% owned by BGC Partners, L.P. ("BGC Partners"), a limited partner; and 1% owned by Aqua Securities Holdings, LLC ("Holding Company"), the general partner, which is owned 51% by Cantor and 49% by BGC Partners.

The Partnership operates an Alternative Trading System ("ATS") to provide anonymous access to pools of block and basket liquidity to institutional buy-side and sell-side firms. The ATS' participants consist of broker-dealers and qualified institutional buyers within the meaning of the Securities and Exchange Commission ("SEC") Rule 144(a)(1). Only equity securities are traded via the ATS.

Basis of Presentation

The statement of financial condition is presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates

Management makes estimates and assumptions that affect the reported amounts of the assets and liabilities, and the disclosure of contingent assets and liabilities. Management believes that the estimates utilized in preparing the statement of financial condition are reasonable. Estimates, by their nature, are based on judgment and available information. As such, actual results could differ materially from the estimates included in the statement of financial condition.

Revenue Recognition

The Partnership derives its revenues primarily through commissions from brokerage services. Commissions are derived from agency brokerage transactions, whereby the Partnership connects buyers and sellers in the over-the-counter ("OTC") and exchange markets and assists in the negotiation of the price and other material terms of transactions. Commission revenues and the related expenses are recognized on a trade date basis.

Aqua Securities, L.P.

Notes to the Statement of Financial Condition (continued)

December 31, 2013

(In Thousands)

1. General and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Partnership considers all highly liquid investments with original maturity dates of 90 days or less at the date of acquisition to be cash equivalents.

Fixed Assets, Net

Fixed assets are recorded at historical cost and depreciated over their estimated economic useful lives, generally three to ten years, using the straight-line method. Leasehold improvements are amortized over their estimated economic useful lives or the remaining lease term, whichever is shorter. In accordance with FASB guidance, the Partnership capitalizes qualifying computer software costs incurred during the application development stage and amortizes them over an estimated useful life of three years on a straight-line basis.

Intangible Assets, Net

Intangible assets consist of costs incurred in connection with the filing and registration of patents. Capitalized costs related to the filing of patents are generally amortized on a straight-line basis over their estimated useful lives, generally three to five years.

Income Taxes

Income taxes are accounted for under FASB guidance, *Accounting for Income Taxes*, using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the statement of financial condition carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. To the extent that it is more likely than not that deferred tax assets will not be recognized, a valuation allowance would be established to offset their benefit.

FASB guidance, *Accounting for Uncertainty in Income Taxes*, clarifies the accounting for income taxes by prescribing a “more likely than not” recognition threshold that a tax position is required to meet before being recognized in the financial statements. In addition, the guidance

Aqua Securities, L.P.

Notes to the Statement of Financial Condition (continued)

December 31, 2013

(In Thousands)

1. General and Summary of Significant Accounting Policies (continued)

clarifies the measurement of uncertain tax positions, classification of interest and penalties, and requires additional disclosures on tax reserves.

The Partnership is taxed as a U.S. partnership. Under applicable federal and state laws, the taxable income or loss of a limited partnership is allocated to each partner based upon its 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 ("UBT") in New York City ("NYC") for which it records an income tax provision.

Payables to Related Broker-Dealer

Payables to related broker-dealer primarily represent amounts due on unsettled securities as well as other amounts related to clearance and settlement.

2. Fixed Assets, Net

Fixed assets, net consisted of the following:

	December 31, 2013
Software, including software development costs	\$ 4,186
Leasehold improvements and other fixed assets	223
Computer and communication equipment	173
	<u>4,582</u>
Less: accumulated depreciation and amortization	4,261
Fixed assets, net	<u><u>\$ 321</u></u>

Aqua Securities, L.P.

Notes to the Statement of Financial Condition (continued)

December 31, 2013
(In Thousands)

3. Intangibles Assets, Net

Intangible assets, net consisted of the following:

	<u>December 31, 2013</u>
Patents	\$ 271
Other intangible assets	<u>4</u>
	275
Less: accumulated depreciation and amortization	<u>130</u>
Intangible assets, net	<u>\$ 145</u>

As of December 31, 2013, the weighted average remaining life of intangible assets was three years.

4. Related Party Transactions

Under an Administrative Services Agreement, Cantor provides various administrative services to the Partnership, including accounting, tax, legal, human resources and facilities management. Cantor also provides network, data center, server administration support and other technology services. The Partnership is required to reimburse Cantor for the direct (compensation) and indirect costs (rent, maintenance, equipment and communications) of providing these services.

The Administrative Services Agreement renews automatically for successive one-year terms unless cancelled upon six months prior notice by either the Partnership or Cantor.

Cantor Fitzgerald & Co. ("CF&Co") provides clearing and settlement services, under contractual agreements, to the Partnership. In connection with these services, CF&Co collects the brokerage revenue and remits to the Partnership on a monthly basis.

A forgivable loan issued to an employee of the Partnership is held by CFLP. This employee loan is recorded at historical cost and is amortized using the straight-line method over the two year term of the forgiveness period through 2015.

Aqua Securities, L.P.

Notes to the Statement of Financial Condition (continued)

December 31, 2013

(In Thousands)

4. Related Party Transactions (continued)

Cantor provides grant units to certain employees of the Partnership that entitle the employees to participate in quarterly distributions of Cantor income and to receive post-termination payments equal to the notional value of the grant generally in four equal yearly installments after the employee's termination provided that the employee has not engaged in any competitive activity with the Partnership or its affiliates prior to the date each payment is due. Typically, the grant units vest during the period of requisite service up to four years. Under FASB guidance the grant units are re-measured at the end of every reporting period, and accordingly, any changes in the fair value of such post-termination payments are allocated to the Partnership.

Employees of the Partnership are provided with restricted stock unit awards from BGC Partners Inc. ("BGCP"). The restricted stock units are recorded at fair value on the date of grant based on the market value of the units, and are recognized, net of the effect of estimated forfeitures, ratably over the vesting period.

5. Income Taxes

As of December 31, 2013, the Partnership had a net deferred tax asset before valuation allowance of \$1,177 due to the NYC UBT net operating loss carryforwards and depreciation. Deferred tax assets are available for offset against future profits, if and when they arise. As of December 31, 2013, the Partnership believes that it is more likely than not that the deferred tax asset will not be realized. Accordingly, the Partnership has provided a full valuation allowance against this net deferred tax asset, including \$101 for the year ended December 31, 2013.

The Partnership has analyzed its tax positions with respect to applicable income tax issues for open tax years (in each respective jurisdiction) and determined no material tax liabilities existed as of December 31, 2013. As of December 31, 2013, the Partnership did not accrue any interest or penalties.

The Partnership is not presently under examination for United States federal, state, and local income tax purposes, and is no longer subject to examination by tax authorities for the years prior to 2010 in all jurisdictions.

Aqua Securities, L.P.

Notes to the Statement of Financial Condition (continued)

December 31, 2013
(In Thousands)

6. Commitments and Contingencies

Lease

The Partnership is obligated for a minimum rental payment under a lease for an office space expiring at December 31, 2014. As of December 31, 2013, the minimum lease payment under this arrangement is \$11 for the year ended December 31, 2014.

Legal Matters

In the ordinary course of business, various legal actions are brought and may be pending against the Partnership. The Partnership is also involved, from time to time, in other reviews, investigations and proceedings by governmental and self-regulatory agencies (both formal and informal) regarding the Partnership's business. Any of such actions may result in judgments, settlements, fines, penalties, injunctions or other relief. As of December 31, 2013, no such claims or actions have been brought against the Partnership.

Legal reserves are established in accordance with FASB guidance on *Accounting for Contingencies*, when a material legal liability is both probable and reasonably estimable. Once established, legal reserves are adjusted when additional information becomes available or when an event occurs requiring a change.

Risks and Uncertainties

The Partnership generates revenues by providing securities brokerage to institutional customers. 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.

7. Regulatory Requirements

As a registered broker-dealer, the Partnership is subject to the Uniform Net Capital Rule 15c3-1 (the "Rule") under the Securities Exchange Act of 1934. The Partnership has elected the aggregate indebtedness method permitted by the Rule which requires that minimum net capital, as defined, be the greater of \$5 or 6 2/3% of aggregate indebtedness. As of December 31, 2013, the Partnership had net capital of \$1,735, which exceeded its minimum capital requirement by \$1,685.

Aqua Securities, L.P.

Notes to the Statement of Financial Condition (continued)

December 31, 2013

(In Thousands)

8. Counterparty Credit Risk

The Partnership's exposure to credit risk associated with nonperformance of its clients in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets which may impair the clients' ability to satisfy their obligations to the Partnership. The Partnership does not anticipate nonperformance by clients in these situations. The Partnership, through CF&Co, seeks to control the aforementioned risk by monitoring counterparty activity daily. In addition, the Partnership has a policy of reviewing, as considered necessary, the credit standing of each client with which it conducts business.

9. Subordinated Borrowings

The Partnership has two subordinated borrowings. The first borrowing is with Cantor Securities in the sum of \$1,020 and the second borrowing is with BGC Partners in the sum of \$980. The current rate of interest on both borrowings is three month LIBOR plus 600 basis points. The scheduled maturity date on both borrowings is September 1, 2015. These borrowings are subordinated to the claims of general creditors, approved by Financial Industry Regulatory Authority ("FINRA") and other regulators, and are included in the Partnership's calculation of net capital and the capital requirements of FINRA 4120.

10. Subsequent Events

The Partnership has evaluated subsequent events through the date the statement of financial condition was issued. There have been no material subsequent events that would require recognition in the statement of financial condition or disclosure in the notes to the statement of financial condition.