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

SEC FILE NUMBER
8-65866

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 01/01/2017 AND ENDING 12/31/2017
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Compass Point Research & Trading, LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1055 Thomas Jefferson Street, N.W., Suite 303

(No. and Street)

Washington

DC

20007

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Marcum LLP

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

53 State Street

Boston

MA

02109

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

FOR OFFICIAL USE ONLY

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

SEC 1410 (06-02)

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RMS

OATH OR AFFIRMATION

I, Christopher Nealon, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Compass Point Research & Trading, LLC, as of December 31, 2017, 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:

[Handwritten Signature]

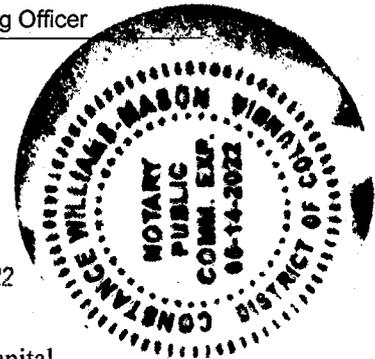
Signature

President & Chief Operating Officer

Title

[Handwritten Signature]

Notary Public



Constance Williams-Mason
Notary Public
District of Columbia
My commission expires May 14, 2022

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

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

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

COMPASS POINT RESEARCH AND TRADING, LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2017

COMPASS POINT RESEARCH AND TRADING, LLC

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MARCUM

ACCOUNTANTS ▲ ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of Compass Point Research & Trading, LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Compass Point Research & Trading, LLC (the "Company") as of December 31, 2017 and the related notes (collectively referred to as the financial statement). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of the Company as of December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting 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.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2011.

Marcum LLP

Boston, MA
February 28, 2018



COMPASS POINT RESEARCH AND TRADING, LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2017

Assets

Cash and cash equivalents	\$	1,916,187
Securities owned, at fair value		527,430
Due from clearing organizations		506,602
Income tax receivable		454,267
Prepaid expenses		365,515
Accounts receivable		357,683
Deposit with clearing broker		250,002
Property and equipment, net		184,012
Deferred tax asset		150,758
Other assets		181,239
Total Assets	\$	<u>4,893,695</u>

Commitments and Contingencies (Note 5)

Liabilities and Members' Equity

Liabilities

Deferred rent	\$	669,545
Accrued commissions		660,760
Accounts payable and accrued expenses		<u>203,499</u>
Total Liabilities		<u>1,533,804</u>

Members' Equity		3,590,899
Employee notes receivable for purchase of membership interest		<u>(231,008)</u>
Total Members' Equity		<u>3,359,891</u>
Total Liabilities and Members' Equity	\$	<u>4,893,695</u>

The accompanying notes are an integral part of these financial statements

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – NATURE OF ORGANIZATION

Compass Point Research & Trading, LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (the "SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Company is a full service broker-dealer organized under the laws of the State of Delaware. Pursuant to an agreement between the Company and its correspondent clearing broker, Pershing LLC, proprietary and customer securities transactions are introduced and cleared on a fully disclosed basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

The Company considers all cash and money market instruments with a maturity of ninety days or less to be cash equivalents. The Company maintains its demand deposits in what management believes to be high credit quality financial institutions. Balances at times may exceed federally insured limits.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of economic useful life or the term of the lease. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations.

INCOME TAXES

The Company is organized as a limited liability company, however, is treated as a corporation for federal and state tax purposes. The Company files a U.S. federal income tax return and is subject to income tax in various states in which it operates.

The Company's annual tax provision is determined pursuant to Accounting Standards Codification 740, "Income Taxes" ("ASC 740"). Income taxes are calculated using the asset and liability method. Deferred tax assets and liabilities represent the differences between the financial statement and income tax bases of assets and liabilities.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For all open tax years and for all major taxing jurisdictions, the Company has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof, as well as other factors.

Generally, federal, state and local authorities may examine the Company's tax returns for three years from the date of filing and the current and prior three years remain subject to examination as of December 31, 2017.

The Tax Cuts and Jobs Act was enacted on December 22, 2017. Among other things, the new law (i) established a new, flat corporate federal statutory income tax rate of 21%, (ii) eliminates the corporate alternative minimum tax and allows the use of any such carryforwards to offset regular tax liability for any taxable year, (iii) limits the deduction for net interest expense incurred by U.S. corporations, (iv) allows businesses to immediately expense, for tax purposes, the cost of new investments in certain qualified depreciable assets, (v) eliminates or reduces certain deductions related to meals and entertainment expenses, (vi) modifies the limitation on excessive employee remuneration to eliminate the exception for performed-based compensation and clarifies the definition of a covered employee. The Tax Cuts and Jobs Act also significantly changes U.S. tax law related to foreign operations, however, such changes do not impact the Company. Under FASB ASC 740, the effect of income tax law changes on deferred taxes must be recognized as a component of income tax expense related to continuing operations in the period in which the law is enacted.

RECEIVABLE FROM AND DEPOSITS WITH CLEARING ORGANIZATIONS

The Company has an agreement with a clearing organization to execute and clear, on a fully disclosed basis, customer accounts of the Company. In accordance with this agreement, the Company is required to maintain a cash deposit of \$250,000.

The balances shown on the statement of financial condition as receivable from clearing organizations consists of commissions receivable due in connection with the Company's normal transactions involving the trading of securities. The Company considers all receivables to be collectible, therefore no allowance for doubtful accounts has been provided.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the financial statements were issued. All material subsequent events requiring adjustment to or disclosure in the financial statements are reflected therein.

NOTE 3 – FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820 “Fair Value Measurement” (“ASC 820”) defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of the principal market, the most advantageous market. Valuation techniques that are consistent with market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumption about the assumptions that market participants would use in pricing the asset or liability.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3 – FINANCIAL INSTRUMENTS (CONTINUED)

The Company determines fair values for the following assets and liabilities:

Marketable equity securities —The Company classifies marketable equity securities within Level 1 of the fair value hierarchy because quoted market prices from an exchange are used to value these securities.

Investment fund — The Company classifies its investment in a non-registered investment fund within Level 3 of the fair value hierarchy because it was valued at Net Asset Value (NAV) as determined by the fund.

Assets at Fair Value at December 31, 2017

The following table presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2017:

Assets:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Securities owned, at fair value:				
Investment funds	-	-	246,661	246,661
Marketable equity securities	280,769	-	-	280,769
Total fair value of securities owned	<u>\$ 280,769</u>	<u>\$ -</u>	<u>\$ 246,661</u>	<u>\$ 527,430</u>

The Company's policy is to recognize transfers in and transfer out as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1, 2 or 3 during the year ended December 31, 2017.

As of December 31, 2017, financial assets classified within Level 3 consisted of \$246,661 of investments in one non-registered investment fund priced at NAV. The underlying fund investments as of December 31, 2017 were invested in cash. The Manager of the investment fund and the Managing Member of the Company are related to the fund via common ownership.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3 – FINANCIAL INSTRUMENTS (CONTINUED)

The table below sets forth a summary of changes in fair value for the Company's Level 3 financial asset for the year ended December 31, 2017:

	<u>Investment Fund</u>
Beginning balance as of January 1, 2017	\$ 254,895
Purchases	-
Total unrealized losses	<u>(8,234)</u>
Ending balance as of December 31, 2017	<u>\$ 246,661</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2017

	<u>2017</u>
Furniture and fixtures	\$ 203,160
Leasehold improvements	133,815
Phone system	42,442
Computer equipment	28,423
Computer software	5,871
Office equipment	<u>2,568</u>
	416,279
Less: accumulated depreciation	<u>(232,267)</u>
	<u>\$ 184,012</u>

NOTE 5 – COMMITMENTS AND CONTINGENCIES

REVOLVING NOTE AND CASH SUBORDINATION AGREEMENT

The Company entered into a \$1,500,000 Revolving Note and Cash Subordination Agreement ("Agreement") with its clearing firm on June 24, 2013, the date of FINRA approval. The Agreement was amended July 1, 2014 to modify the "Credit Line" or "Commitment Amount" not to exceed \$2,000,000. The original Agreement "as amended" expired August 31, 2016. The Company subsequently entered into a new agreement (the "New Agreement") on September 15, 2016. The New Agreement increased the Company's credit line to \$3,000,000. The Facility Fee remained at a rate of 1.25% per annum. This Agreement expired on September 30, 2017 with no outstanding balance on the credit line, and was not renewed.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 5 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

OPERATING LEASES

The Company entered into a new lease (the “Lease Agreement”) for office space in Washington, D.C in 2015. The lease term of eleven years will expire on May 01, 2026. As part of the lessor’s requirement for leasing the office space, the Company is required to maintain a security deposit of approximately \$73,000 with the landlord, which is included in other assets in the statement of financial condition. As of December 31, 2017, the Company, per the Lease Agreement, is due back a portion of the security deposit in the amount of approximately \$37,000.

Additionally, per the terms of the Lease Agreement, the Company received lease incentives and a rent abatement. The Company accounts for the lease on a straight line basis over the term of the lease, and also amortizes lease incentives on a straight-line basis as a reduction of rent expense over the term of the lease. The difference between rent expense recorded, and the amount paid, is credited or charged to deferred rent. Deferred rent is included as a separate line item in the accompanying statement of financial condition.

The Company also currently leases office space in New York and Boston. On September 9, 2016, the Company entered into a new Lease Agreement for office space in New York. The lease term of three years, started January 1, 2017, and will expire December 31, 2019. Per the terms of the Lease Agreement, the Company received two months of rent abatement. The Company accounted for the abatement and lease on a straight line basis over the term of the lease. As of December 31, 2017, the Company maintains a deposit of approximately \$25,000 for the New York space it leased in 2017. All security deposits are included in other assets in the statement of financial condition. The Boston lease scheduled to end February 2018 was renewed at the same terms, other than an immaterial increase in rent, and extended to February 2019. The Company maintains a deposit of approximately \$5,700 deposit for its Boston office.

Future minimum lease payments under all operating leases are as follows:

	Office Space	Office Equipment
2018	606,438	6,996
2019	591,391	6,996
2020	491,853	6,345
2021	505,201	1,960
2022	517,827	-
Thereafter	1,867,087	-
Total	<u>\$ 4,579,797.</u>	<u>\$ 22,297</u>

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 5 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

LITIGATION AND CLAIMS

The Company may be subject to claims and litigation during the normal course of business. The Company is not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that would have a material adverse effect on the Company's financial condition.

NOTE 6 – MEMBERS' EQUITY

The Company is organized as a limited liability company in accordance with the terms of the Company's amended and restated operating agreement (the "Agreement"). The Agreement provides for perpetual existence unless dissolved by the written consent of a majority of the percentages held by the Company's Members. As of December 31, 2017, the Company had one Managing Member and fourteen Non-Managing Members with ownership interest determined by the number of units owned. In 2017, there were no redemptions, reallocation of interests or units issued.

The units purchased with interest bearing notes in 2016, totaled \$225,000. The interest bearing notes receivable, net of principal payments received, are recorded as contra-equity in the Company's statement of members' equity. Interest on the employee notes receivable for 2017 was \$6,008.

As of December 31, 2017 the Managing Member's units totaled 612 units or 61.20% of members' equity, and Non-Managing Members units totaled 388 units or 38.80% of members' equity.

NOTE 7 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK (CONTINUED)

In the normal course of business, the Company's customers execute securities transactions through the Company. These activities may expose the Company to off-balance sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company introduces all customer transactions in securities traded to another firm on a fully disclosed basis. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to non-performance by customers or counter parties. The Company monitors clearance and settlement of all customer transactions on a daily basis.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

The Company's exposure to credit risk associated with the non-performance of customers and counter parties in fulfilling their contractual obligations pursuant to these securities transactions can be directly impacted by volatile trading markets which may impair the customer's or counter party's ability to satisfy their obligations to the Company. In the event of non-performance, the Company may be required to purchase or sell financial instruments at unfavorable market prices resulting in a loss to the Company. The Company does not anticipate non-performance by customers and counter parties in the above situations.

The Company seeks to control the aforementioned risks by requiring customers or counter parties to maintain collateral in compliance with regulatory requirements, clearing broker's guidelines, and industry standards.

NOTE 8 – INCOME TAX

Deferred tax assets were the result of timing differences between book and taxable income related to deferred rent in the amount of \$26,997, and a future state tax benefit carryforward in the amount of \$123,761 derived from a state net operating loss in 2017.

Additionally, a downward adjustment to net deferred tax assets in the amount of \$7,534 was recorded as a result of the enactment of the Tax Cuts and Jobs Act (the "Act") on December 22, 2017. The Act reduced the Federal tax rate from 34% to 21% effective January 1, 2018.

For tax purposes, the net operating loss incurred in 2017 can be carried back to the prior two tax years and any income generated in those years can be offset by the loss. The company intends to file a federal tax refund claim by carrying back the loss to years 2015 and 2016. As a result an income tax receivable in the amount of \$454,267 has been recorded in the Company's statement of financial condition and is included in the Company's income tax provision as a current federal benefit.

NOTE 9 – NET CAPITAL REQUIREMENTS

As a registered broker dealer, the Company is subject to the Securities and Exchange Commission 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. At December 31, 2017, the Company had net capital of \$1,377,412 which was \$1,273,752 in excess of its required net capital of \$103,660 and its ratio of aggregate indebtedness to net capital was 1.1289 to 1.