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Securities and Exchange ANNUAL AUDITED REPORT

MAY 15 2018

FORM X-17A-5 PART III

SEC FILE NUMBER
8-52049

RECEIVED

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 01/01/17 AND ENDING 12/31/17 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Cormark Securities (USA) Ltd.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) 200 Bay Street, Suite 2800, Royal Bank Plaza, South Tower

(No. and Street)

Toronto

Ontario

M5J 2J2

(City)

(State)

(Zip Code)

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

Jeff Kennedy 416-943-8401

(Area Code -- Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

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

100 Adelaide Street West

Toronto

Ontario

M5H 0B3

(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)

OATH OR AFFIRMATION

I, W. Jeffrey Kennedy, CPA, CA, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cormark Securities (USA) Ltd. , 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:

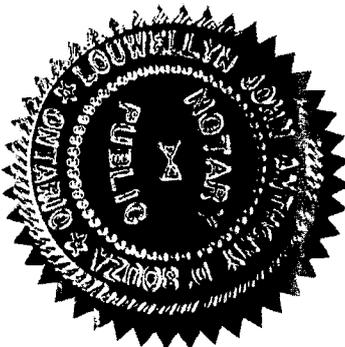
W. Jeffrey Kennedy
Signature
Chief Financial Officer
Title

[Signature]
Notary Public

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).



Financial statements and supplemental information
[Expressed in U.S. dollars]

Cormark Securities (USA) Limited
December 31, 2017

With

Report and Supplementary Report of Independent
Registered Public Accounting Firm



Ernst & Young LLP
EY Tower
100 Adelaide Street West,
PO Box 1
Toronto, ON M5H 0B3

Tel: +1 416 964 1234
Fax: +1 416 864 1174
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Report of Independent Registered Public Accounting Firm

The Shareholders and the Board of Directors of Cormark Securities (USA) Ltd.

Opinion on the Financial Statement

We have audited the accompanying statement of financial position of Cormark Securities (USA) Ltd. (the Company) as of December 31, 2017 and the related notes (the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company at December 31, 2017, in conformity with U.S. generally accepted accounting principles.

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. 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company's auditor since 1999.

Toronto, Ontario
February 27, 2017



A member firm of Ernst & Young Global Limited

Cormark Securities (USA) Limited

Statement of financial position

[Expressed in U.S. dollars]

As at December 31

	2017
	<u>\$</u>
Assets	
Cash	1,317,803
Cash segregated under federal and other regulations <i>[note 4]</i>	2,999,970
Due from clients	3,936
Due from parent <i>[note 5]</i>	102,097
	<u>4,423,806</u>
Liabilities and shareholder's equity	
Liabilities	
Due to brokers <i>[note 5]</i>	3,936
Total liabilities	<u>3,936</u>
Stockholder's equity	
Capital stock <i>[note 7]</i>	2,350,000
Retained earnings	2,400,824
Accumulated other comprehensive loss	(330,954)
Total stockholder's equity	<u>4,419,870</u>
	<u>4,423,806</u>

See accompanying notes

On behalf of the Board:


Director


Director

Cormark Securities (USA) Limited

Notes to financial statements

[Expressed in U.S. dollars]

December 31, 2017

1. Incorporation and corporate activities

Cormark Securities (USA) Limited [the "Company"] was incorporated on June 8, 1994 as Sprott Holdings Inc. under the provisions of the Ontario Business Corporations Act. On September 1, 1999, the Company's name was changed to Cormark Securities (USA) Limited. The Company obtained registration on June 9, 2000 as a broker-dealer with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority. The Company's primary source of revenue is commission income for securities trade execution for U.S. resident institutional clients. The Company clears all transactions with and for customers through its parent, Cormark Securities Inc. [the "Parent"]. Accordingly, the Company does not perform custodial functions relating to customer accounts and only occasionally holds customer securities.

The Company is a wholly-owned subsidiary of Cormark Securities Inc., a Canadian owned investment dealer. Cormark Securities Inc. is a member of the Investment Industry Regulatory Organization of Canada.

2. Significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The significant accounting policies are as follows:

Securities transactions

Customers' securities transactions are recorded on a settlement-date basis, with related commission income and expenses recorded on a trade-date basis.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Commission revenue consists of revenue generated through traditional commission-based brokerage services provided to US institutional clients, recognized on a trade-date basis.

Financial assets and liabilities

Balances due to brokers are recorded as liabilities. Balances due from clients and due from parent are recorded as receivables. These balances are reported at amortized cost on the statement of financial position. Due to the short-term nature of these instruments, carrying value approximates fair value.

Cormark Securities (USA) Limited

Notes to financial statements

[Expressed in U.S. dollars]

December 31, 2017

Financial Account Standards Board ["FASB"] Accounting Standards Codification ["ASC"] 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value and establishes a fair value hierarchy that 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 a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices [unadjusted] in active markets for identical assets or liabilities that 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 assumptions about the assumptions that market participants would use in pricing the asset or liability.

The Company reports its cash and cash segregated under federal and other regulations at fair value. These assets would be classified as Level 1 based on their inputs.

Income taxes

The Company has adopted Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ["SFAS 109"], which requires the Company to recognize deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns using the liability method. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the year in which the differences are expected to reverse.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the year-end rates of exchange, while revenue and expense items are translated at the average rate of exchange for the year. The Company's functional currency is Canadian dollars. Gains and losses from currency translations are included in other comprehensive loss.

Cormark Securities (USA) Limited

Notes to financial statements

[Expressed in U.S. dollars]

December 31, 2017

3. Standards issued but not yet effective

ASU No. 2016-02, Leases

In February 2016, the FASB issued Accounting Standards Update 2015—02 (ASU 2016-02), Leases (Topic 842), that will supersede previous lease accounting standards in US GAAP. For public entities, the guidance is effective for fiscal years beginning after December 15, 2018. For all other entities, the standard is effective for annual periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption would be permitted for all entities. The Company is still in the process of assessing the impact of these changes.

ASU No. 2016-01, Financial Instruments

In January 2016, the FASB issued Accounting Standards Update 2016-01 (ASU 2016-01), Financial Instruments - Overall (Subtopic 82540). ASU 2016-01 provides comprehensive guidance on the revenue recognition and measurement of financial assets and financial liabilities. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is only permitted with certain exceptions (refer to ASU 2016-01 for details). The Company is still in the process of assessing the impact of these changes.

ASU No. 2014-09 & 2015-14, & 2016-08, Revenue from Contracts with Customers

In May 2014, the FASB issued Accounting Standards Update 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (Topic 606). ASU 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. It also provides guidance on accounting for certain contract costs, and requires new disclosures. The guidance is effective for fiscal years beginning on or after December 15, 2017. The Company has determined the impact of adopting this standard to be immaterial on the Company's financial statements.

ASU No. 2015-01, Income Statement – Extraordinary and Unusual Items

In January 2015, the FASB issued Accounting Standards Update 2015-01 (ASU 2015-01), Income Statement – Extraordinary and Unusual Items (subtopic 225-20). ASU 2015-01 eliminates from GAAP the concept of extraordinary items requiring separate classification, presentation, and disclosure. The guidance is effective for fiscal years beginning on or after December 15, 2015. The Company has determined the impact of adopting this standard to be immaterial on the Company's financial statements.

ASU No. 2015-17, Income Taxes – Balance Sheet Classification of Deferred Taxes

In November 2015, the FASB issued Accounting Standards Update 2015-17 (ASU 2015-17), Income Taxes (Topic 740) – Balance Sheet Classification of Deferred Taxes. ASU 2015-17 eliminates the requirement that deferred tax liabilities and assets be separated into current and noncurrent amounts on the statement of financial position. The guidance is effective for fiscal years beginning after December 15, 2016. The Company has determined the impact of adopting this standard to be immaterial on the Company's financial statements.

Cormark Securities (USA) Limited

Notes to financial statements

[Expressed in U.S. dollars]

December 31, 2017

4. Cash on deposit

Cash on deposit of \$2,999,970 is segregated in a special reserve bank account for the exclusive benefit of clients under Rule 15c3-3 of the Securities and Exchange Commission.

5. Related party transactions

Under an operating agreement dated November 1, 1999 and amended October 1, 2011, the Company entered into an arrangement with its Parent, whereby the Parent will provide services to the Company including use of Parent company employees, all clearing and settlement functions relating to executed trades with customers of the Company, premises and communication services and all administrative functions. Variable clearing and exchange expenses are charged by the Parent at cost and are recorded as trading, operating and administrative expenses. As consideration for receiving all remaining services, approximately 50% of gross commissions earned by the Company are remitted to the Parent and recorded on the statement of operations and comprehensive income as variable compensation. The amendment to the operating agreement identifies certain operating costs of the Parent that are allocated to the Company and further entitles the Parent to collect substantially all of the remaining profit in the Company to reimburse the Parent for compensation and management costs, which is also included in variable compensation.

Variable clearing and exchange expenses charged by the Parent totaled \$764,822 for the year-ended December 31, 2017. Variable compensation remitted to the Parent totaled \$2,288,416 for the year-ended December 31, 2017.

The intercompany balance due to/from the Parent is presented as a net figure on the Statement of Financial Position. This balance of \$102,097 is due on demand and is non-interest bearing.

As at December 31, 2017, amounts due to broker of \$3,936 were payable to the Company's Parent for securities related transactions. Such amounts are non-interest bearing.

6. Income taxes

The Company is a Canadian corporation without a permanent establishment in the United States and is therefore fully subject to Canadian federal and provincial income taxes on its taxable income computed in Canadian dollars. Through the establishment of an operating agreement between the Company and its Parent, net income before taxes for the year ended December 31, 2017 is nil in Canadian dollars and therefore, the income tax provision based on applicable statutory rates is nil.

Cormark Securities (USA) Limited

Notes to financial statements

[Expressed in U.S. dollars]

December 31, 2017

7. Capital stock

Authorized

Unlimited Class A common shares, without par value

Issued and outstanding

	2017
	\$
	<hr/>
2,350,000	2,350,000
	<hr/>

8. Regulatory net capital requirement

As a registered broker-dealer, the Company is subject to the net capital rule of the Securities and Exchange Commission ["Rule 15c3-1"]. The Company computes its net capital requirement under the alternative method provided for in Rule 15c3-1, which requires that the Company maintain net capital equal to the greater of 2% of aggregate customer related debit items, as defined, or \$250,000. As at December 31, 2017, the Company had net capital of \$4,271,395, which was \$4,021,395 in excess of the required net capital of \$250,000.

9. Subsequent events

The Company has evaluated subsequent events through February 27, 2018 and has noted no significant events since the date of the statement of financial position.

Cormark Securities (USA) Limited

Schedule I

**Computation of net capital pursuant to rule 15c3-1
of the securities and exchange commission**

[Expressed in U.S. dollars]

As at December 31

	2017
	\$
Total stockholder's equity	4,419,870
Deductions and/or charges	
Non-allowable assets	102,096
Haircut on unhedged foreign currency	46,379
Net capital	4,271,395
Minimum net capital	250,000
Excess net capital	4,021,395

Note: There are no material differences between the amounts presented above and the amounts presented in the Company's December 31, 2017 unaudited FOCUS Part II A Report.

See accompanying notes

**Information for possession or control requirements
under sec rule 15c3-3**

[Expressed in U.S. dollars]

As at December 31

State the market valuation and the number of items of:

	<u>2017</u>
	<u>\$</u>
1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as at December 31, 2016, but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3	---
Actual number of items	---
2. Customers' fully paid securities and excess margin securities for which instructions to reduce for possession or control had not been issued as at December 31, 2016, excluding items existing from temporary lags that result from normal business operations as permitted under Rule 15c3-3	---
Actual number of items	---

Cormark Securities (USA) Limited

Schedule II

**Computation for determination of reserve requirements
for broker-dealer under sec rule 15c3-3**

[Expressed in U.S. dollars]

As of December 31

	2017
	\$
Credit balances	
Free credit balances and other credit balances in customers' security accounts	—
Failed to receive of customers' securities not older than	3,936
	3,936
Debit balances	
Debit balances in customers' accounts	3,936
Failed to deliver of customers' securities not older than 30 calendar days	—
	3,936
Less 3% reserve, calculated under the alternative method	118
Total 15c3-3 debits	3,818
Excess of total credits over total debits	118
Amount held on deposit in "Reserve Bank Account"	2,999,970
Frequency of computation	Weekly

Note: There are no material differences between the amounts presented above and the amounts presented in the Company's December 31, 2017 unaudited FOCUS Part II A Report.

See accompanying notes