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

SEC FILE NUMBER
8-67194

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 01/01/18 (MM/DD/YY) AND ENDING 12/31/18 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: KEPLER CAPITAL MARKETS, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

12 EAST 49TH STREET, STE 3605
(No. and Street)

NEW YORK	NY	10017
(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
CHRISTOPHER LAVAGNINO
(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

UHY LLP
(Name – *if individual, state last, first, middle name*)

1185 AVENUE OF THE AMERICAS, 38TH FL	NEW YORK	NY	
(Address)	(City)	(State)	(Zip Code)

CHECK ONE:

- [x] 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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

yw

State of New York

County of NY

OATH OR AFFIRMATION

I, CHRISTOPHER KERR LAVAGNINO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of KEPLER CAPITAL MARKETS, INC., as of DECEMBER, 2018, 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:

Signature

CEO, COO, CCO

Title

Notary Public

DAVID LEVER
Notary Public, State of New York
No. 01LE6166345
Qualified in New York County
Commission Expires May 21, 2019

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 Statement

As of and for the Year Ended December 31, 2018

This report is deemed PUBLIC in accordance with Rule 17a-5(e)(3) under the Securities Exchange Act of 1934.

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UHY LLP
Certified Public Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder
Kepler Capital Markets, Inc.

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Kepler Capital Markets, Inc. (the "Company") as of December 31, 2018, 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 Kepler Capital Markets, Inc. as of December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of Kepler Capital Markets, Inc.'s management. Our responsibility is to express an opinion on Kepler Capital Markets, Inc.'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 Kepler Capital Markets, Inc. 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 statements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

UHY LLP

We have served as Kepler Capital Markets, Inc.'s auditor since 2016.

New York, New York
February 25, 2019

Kepler Capital Markets, Inc.

Statement of Financial Condition

Year Ended December 31, 2018

ASSETS	
Cash	$ 3,660,368
Certificate of Deposit	9,333,347
Restricted cash	256,750
Due from broker	319,972
Prepaid expenses and other assets	604,284
Accounts receivable, net	348,124
Property and equipment (net of accumulated depreciation of $717,685)	35,728
Deferred tax asset	7,954
TOTAL ASSETS	$ 14,566,527
LIABILITIES AND MEMBER'S EQUITY	
LIABILITIES:	
Accounts payable	$ 56,673
Compensation payable	529,621
Due to Parent	168,766
Income taxes payable	371,558
Accrued expenses and other liabilities	791,857
TOTAL LIABILITIES	1,918,475
COMMITMENTS	
STOCKHOLDER'S EQUITY	
Common stock ($0.01 par value, 1,000 shares authorized, 100 issued and outstanding)	1
Additional paid-in capital	11,713,982
Retained earnings	934,069
TOTAL STOCKHOLDER'S EQUITY	12,648,052
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 14,566,527

See Report of Independent Registered Public Accounting Firm and Notes to Financial Statements.

1. Organization and Nature of Business

Kepler Capital Markets, Inc. (the "Company") is a securities broker-dealer registered with the Securities and Exchange Commission (the "SEC"), a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). The Company maintains one branch office location in Boston in addition to the North American headquarters located in New York, New York. The Company also conducts business with the trade name "Kepler Cheuvreux North America".

The Company is a wholly-owned subsidiary of Kepler Cheuvreux ("Parent"). The Parent is a French "Enterprise d'Investissement" (Investment Company) registered with the Autorité de Contrôle Prudentiel et de Résolution and the Autorité des Marchés Financiers. The Parent provides independent equity research, execution services to institutional customers, and advisory services (ECM, DCM, intermediation in structured products, corporate finance) with branches and subsidiaries in Amsterdam, Brussels, Frankfurt, Geneva, London, Madrid, Milan, Oslo, Stockholm, Vienna and Zurich.

The Company acts as a broker for North American institutional customers in the purchase and sale of foreign securities, U.S. equities, American Depository Receipts (ADRs), and fixed income securities. The Company does not provide engage in any activity involving options, futures, derivatives and/or structured products. The Company self-clears foreign equity transactions pursuant to SEC Rule 15a-6 via its Parent and its third party clearing arrangement with Parel, a division of Sociéte Générale. The Parent also provides assistance with the settlement of foreign securities transactions by providing settlement acronyms with services that include Omgeo OASYS Global or Omgeo Central Trade Manager. Kepler also maintains a separate fully disclosed clearing agreement with Convergex Execution Solutions LLC for the clearing and settlement of securities on North American Exchanges and certain Latin American markets, such as Mexico.The Company also distributes research reports that have been produced by the Parent to major U.S. institutional investors pursuant to SEC Rule 15a-6 and the terms of a services agreement between the Company and the Parent.

The Company is currently approved to conduct the following business activities:
A. Broker or dealer retailing domestic and foreign corporate equity securities;
B. Broker or dealer retailing corporate domestic and foreign debt securities;
C. Underwriter or selling group participant (corporate securities other than mutual funds) on a best efforts basis;
D. Government securities broker (U.S. and foreign issuers);
E. Distribute third-party research to clients (pursuant to the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934);
F. Acting as the U.S. broker-dealer for foreign broker-dealer affiliates pursuant to Rule 15a-6 of the Securities Exchange Act of 1934;
G. Broker or dealer selling securities of only one (1) issuer or associate issuers (other than mutual funds);
H. Broker or dealer selling tax shelters or limited partnerships in the secondary market;
I. Broker or dealer selling tax shelters or limited partnerships in primary distributions;
J. Private placements of securities;
K. Mergers and Acquisitions (structuring and advisory services); and
L. Trading securities for its own account to facilitate customer trading.

2. Summary of Significant Accounting Policies

Basis of Presentation - These financial statements were prepared in conformity with accounting principles generally accepted in the United States of America, which 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 amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Translation of Foreign Currency - Income and expenses associated with the purchase and sale of securities that are denominated in other foreign currencies are translated into U.S. dollar amounts using average rates and are included in commission income. Year-end balances are translated at the year-end rate.

Statement of Cash Flows - In November 2016, the FASB issued ASU 2016-18 which requires that amounts generally described as restricted cash be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 does not provide a definition of restricted cash or restricted cash equivalents. The Company adopted ASU 2016-18 on January 1, 2018. The new guidance will only be applicable to amounts described by the Company as restricted cash. As a result of the adoption of ASU 2016-18, $280,525 of restricted cash was included in beginning of year cash, cash equivalents and restricted cash in the Company's statement of cash flow for the year ended December 31, 2018 and $256,750 of restricted cash was included in ending of year cash, cash equivalents and restricted cash in the Company's statement of cash flow for the year ended December 31, 2018.

Concentration of Credit Risk - The Company maintains substantially all of its cash balances at two major unaffiliated financial institutions. At times, account balances may exceed federally insured limits. However, the Company does not believe that these amounts are exposed to significant risk based on the credit rating of the two financial institutions.

Fixed Assets – Fixed assets are recorded at cost, net of accumulated depreciation and amortization, which is calculated on a straight-line basis over estimated useful lives of three to five years.

Income Taxes – The Company's earnings are subject to applicable U.S. federal, state and local taxes. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. In the event it is more likely than not that a deferred tax asset will not be realized, a valuation allowance is recorded.

At December 31, 2018, management has determined that the Company had no uncertain tax positions that would require financial statement recognition. This determination is subject to ongoing reevaluation as facts and circumstances may require.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition
ASC Topic 606, Revenue from Contracts with Customers
Effective January 1, 2018, the Company adopted ASC Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"). The new revenue recognition guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved. The Company applied the modified retrospective method of adoption which resulted in no adjustment as of January 1, 2018. The new revenue recognition guidance does not apply to revenue associated with financial instruments, interest income and expense, leasing and insurance contracts.

a) Significant Judgements
Revenue from contracts with customers includes commission income, commission sharing arrangements and unbundling from individualized and customized research services. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgement is required to determine whether performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's progress under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

b) Commission Income
Kepler is a non-carrying broker dealer that receives commission income generated from trading foreign securities, U.S. equities, American Depository Receipts (ADRs), and fixed income securities. Kepler is the legal counterparty responsible for executing and settling all trades (although a clearing firm is involved in the settlement process) and its customers have no direct relationship with the clearing firm. Kepler works with the customer to establish the commission rate and ultimately sets the price and is principal in the scope of ASU 2016-08 and records commissions on a gross basis. In general the commissions are charged to customers on the trade date at the point of execution by Kepler. Certain customers, who execute Buyback Orders pursuant to 10b-18, are invoiced to collect commissions at the end of each month.

Kepler's new brokerage account form with all clients specifies that the account can be terminated at will by either the customer or Kepler at any time without a termination penalty. Pursuant to ASC 606-10-25-3, when a contract has no fixed duration and can be terminated or modified by either party at any time without penalty, entities should apply the revenue guidance to the period in which the parties have enforceable rights and obligations, unless a customer has a material right that extends beyond that period. For securities transactions and trade commissions, the period in which the parties have enforceable rights and obligations is typically one day or less, the trade date.

Kepler's role and responsibility as an executing broker is performed only when a customer requests the Firm to initiate a trade. As a result, the customer has an option to purchase this service. Consideration resulting from the trade is the exercise of the option and commissions will not be considered variable consideration because the customer has a contractual right (but not an obligation) to choose the amount of additional distinct services which are purchased (i.e., orders for execution). Kepler does not have any contracts which stipulate a guaranteed minimum number of trades and, therefore, Kepler does not have any additional performance obligations. Since there are no minimum number of trades required, any trades beyond those which have already been executed are also considered optional purchases.

c) Research Revenue
Income from individualized and customized research services, referred to as "unbundling" or commission sharing arrangements ("CSA") is recorded on a gross basis. Kepler does not provide subscription services or advisory services. Kepler does not sell or provide any market data services. Kepler does not have contracts with customers setting forth contractual fees or the frequency of payments for products or services. There are no contracts with customers for individualized and customized research services. CSA income is identified when the customer informs Kepler of the intention to make a payment. All unbundling and CSA revenues are compliant with Section 28(e) of the Securities Exchange Act of 1934. Kepler's clients determine the amount that they want to pay Kepler for individualized and customized research services which is recorded as CSA and unbundling revenue. For CSA and Unbundling revenue, the period in which the parties have enforceable rights and obligations can only be determined when the customer informs Kepler of the intention to make a payment for individualize and customized services.

Pursuant to ASC 606-10-25-3, when a contract has no fixed duration and can be terminated or modified by either party at any time without penalty, an entity should apply the revenue guidance to the period in which the parties have enforceable rights and obligations, unless a customer has a material right that extend beyond that period. Research services can be terminated at will by either Kepler or the customer at any time without a termination penalty. Kepler is a principal with respect to research income as a result, Kepler recognizes these revenues on a gross basis. Kepler does not provide subscription services or advisory services. Kepler does not sell or provide any market data services. Kepler does not have contracts with customers setting forth contractual fees or the frequency of payments for products or services. There are no contracts with customers for individualized and customized research services.

3. Regulatory Requirements

The Company is subject to Securities and Exchange Commission Uniform Net Capital Rule 15c3-1 and has elected to compute its net capital requirements in accordance with the Alternative Net Capital Method. Under this alternative, net capital, as defined, shall not be less than the greater of $250,000 or 2 percent of aggregate debit items. At December 31, 2018, the Company had net capital of $11,313,573, which exceeded the required net capital by $11,063,573.

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 as the Company's activities are limites to those set forth in the conditions for exemption's appearing in paragraph (k)(2)(i) and (k)(2)(ii).

4. Fixed Assets

Fixed assets at December 31, 2018 consists of:

Computer Equipment	$509,151
Furniture	244,262
	753,413
Less: Accumulated depreciation and amortization	(717,685)
	$ 35,728

Depreciation and amortization expense for the year ended December 31, 2018 was $16,225.

5. Commitments

The Company leases office space under a non-cancelable lease agreement, which expires February 28, 2023. Rent expense for the year ended December 31, 2018 was $584,921. The Company also has a restricted cash deposit of $256,750 relating to the lease. The Company has entered into an irrevocable standby letter of credit payable to the landlord in case of default on the B504lease agreement for which the restricted cash is being held as collateral.

Future minimum lease payments are:

2019	$ 546,000
2020	546,000
2021	546,000
2022	546,000
2023	91,000
Total future minimum lease payments	$ 2,275,000

6. Related-party Transactions

Master Service Agreement
Pursuant to the annex to a Master Service Agreement the Company paid service fees to the Parent for managerial, administrative, and technology services. The Due to Parent balance of $168,766 is the net of the commission receivables and the amounts payable for execution and service fees as of December 31, 2018.

Commission income is the result of trades made with U.S. and non-U.S. customers on behalf of affiliates.

During the year, the Company incurred expenses of $13,162,835 with the Parent related to execution and settlement. In addition, pursuant to the annex to a Master Service Agreement the Company paid the Parent $781,291 related to managerial, administrative, and technology services which are included in the financial caption of service fees.

The terms of any of these transactions may not be the same as those that would otherwise exist or result from agreements and transactions among unrelated parties.

Due From Parent / Affiliate Receivable:
Due from Parent account is 50% of the commission revenue generated by 15a-6 business involving foreign security executions which are executed by the Parent and cleared at Parel.

Due To Parent for Unbundled Commission:
50% of invoicing revenue is payable to the Parent pursuant to Transfer Pricing and is recorded as an intercompany transaction in the Due to Parent account. As of December 31, 2018, the Due to Parent balance was $168,766.

Due to Affiliates / Kepler Services:
This is the SLA with Kepler Services, the group shared serice center for support functions. Kepler Services invoices its costs to entities in the Kepler Group. Costs recharged are allocated based on a proportional headcount of each participating entity.

7. Employee Advances and Loans

As part of the Company's employee retention plan, the Company can periodically grant employee advances and forgivable loans. Such advances and forgivable loans are non-interest bearing and must be repaid in full if the employee resigns or is terminated for cause before the date such amount is deemed earned. At December 31, 2018, there is no outstanding balance of a forgivable loan amount.

8. Due from Broker

The Company established a fully disclosed clearing agreement with Cowen Execution Services LLC to clear and settle U.S. equities and ADRs. Kepler records commission receivables from its clearing broker, Cowen, as Due from Broker. At the end of each month, Kepler reviews monthly statements generated by Cowen to reconcile receivables from the clearing broker. AT December 31, 2018, the receivable from broker of $319,972 includes a clearing deposit of $250,000.

9. Income Taxes

The Company provides for income taxes in accordance with the asset and liability method of accounting and recognizes deferred income taxes for the expected future tax consequences of differences in the book and tax basis of assets and liabilities.

The components of the provision for income taxes for the year ended December 31, 2018 are as follows:

Current tax provision:	
Federal	$281,948
State and Local	89,610
Total current tax expense	371,558
Deferred tax provision:	
Federal	$ 53,647
State and Local	24,777
Total deferred tax expense	78,424
Total tax provision	$449,982

The Company has a net deferred tax asset of approximately $7,954 as of December 31, 2018. Most of the deferred tax asset balance is related to timing differences, resulting from prepaid expenses, accounts receivable, accrued expenses and accounts payable and deferred liabilities.

The difference between the statutory rate of 21.00% and the effective rate of 25.21% for 2018 is primarily due to the state taxes.

At December 31, 2018, the Company has no federal net operating loss carryforwards. Both NYS and NYC post apportionment net operating losses expire fully in 2025.

The Company had no unrealized tax benefits as of December 31, 2018. The Company's accounting policy is to include interest and penalties in income tax expense. There were no amounts for interest and penalties included in the financial statements for the year ended December 31, 2018.

10. Off Balance Sheet Risks

In the normal course of business, the Company executes, as agent, transactions on behalf of its customers where the risk of potential loss due to market fluctuations (market risk) or failure of the other party to the transaction to perform (credit risk) exceeds the amounts recorded for the transactions. Should a counterparty not fulfill its obligations in any of these transactions, the Company may be required to buy or sell the securities at prevailing market prices in the future.

The Company's policy is to continuously monitor its exposure to market and/or counterparty risk through its internal control procedures. In addition, the Company has a process of reviewing the creditworthiness and risk profile of each customer and/or other counterparty at the time of onboarding and periodically as part of its overall risk management policies and procedures.