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

SEC FILE NUMBER
8-52013

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 AND ENDING 12/31/18  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Louis Capital Markets, LP

OFFICIAL USE ONLY
FIRM I.D. NO.

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

853 Broadway, 5th Floor

(No. and Street)

New York

New York

10003

(City)

(State)

(Zip Code)

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

Michael Benhamou +33 1 55 04 04 55

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Mayer Hoffman McCann CPAs

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

1065 Avenue of the Americas New York

(Address)

(City)

**SEC NY Mail Processing**  
(State) (Zip Code)

MAR 04 2019

**Washington, DC**

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)*

RMS

OATH OR AFFIRMATION

I, Clarke Gray, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Louis Capital Markets, LP, as of March 1, 2019, 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:

MICAH TAYLOR
NOTARY PUBLIC-STATE OF NEW YORK
No. 02TAG125117
Qualified in New York County
My Commission Expires 12-15-2021
Notary Public

J. Clarke Gray
Signature
CFO
Title

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).

**LOUIS CAPITAL MARKETS, LP**

**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2018**

**(PUBLIC PURSUANT TO RULE 17a-5(e)(3)  
AND CFTC REGULATION 1.10)**

# LOUIS CAPITAL MARKETS, LP

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The New York Practice of Mayer Hoffman McCann P.C.  
An Independent CPA Firm

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Partners of Louis Capital Markets, LP

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Louis Capital Markets, LP (the "Partnership") as of December 31, 2018, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Partnership as of December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

The financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership'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 Partnership 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 Partnership 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 Partnership'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.

### **Supplemental Information**

The computation of net capital, computation for determination of reserve requirements, information relating to the possession or control requirements, schedule of segregation requirements and funds in segregation for customers regulated commodity futures and options accounts and schedule of secured amounts and funds held in separate accounts for foreign futures and foreign options customers (together "supplemental information") has been subjected to audit procedures performed in conjunction with the audit of the Partnership's financial statement. The supplemental information is the responsibility of the Partnership's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statement or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5 and Regulation 1.17 of the Commodity Futures Trading Commission. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statement as a whole.

*Mayer Hoffman McCann CPAs*

We have served as the Partnership's auditor since 2014.

February 28, 2019

# LOUIS CAPITAL MARKETS, LP

## STATEMENT OF FINANCIAL CONDITION (Amounts in Thousands)

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December 31, 2018

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### ASSETS

Cash	\$	327
Receivables from clearing brokers		264
Commissions receivable		269
Due from affiliate		112
Other assets		<u>5</u>
	\$	<u>977</u>

### LIABILITIES AND PARTNERS' CAPITAL

#### Liabilities

Accounts payable and accrued expenses	\$	<u>48</u>
Total liabilities		<u>48</u>

#### Partners' capital

		<u>929</u>
	\$	<u>977</u>

# LOUIS CAPITAL MARKETS, LP

## NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousands)

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### 1. Nature of business

#### *Nature of business*

Louis Capital Markets, LP (the "Partnership") is a Delaware limited partnership and a majority-owned subsidiary of LCM Interest Holding LLC (the "Parent") also incorporated in Delaware. The Partnership is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Partnership is also a member of the National Futures Association (NFA) and an introducing broker registered with the Commodities Futures Trading Commission (CFTC). The Partnership commenced operations on December 31, 2003 when Louis Capital Markets, LLC contributed all of its net assets in exchange for its partners' interest in the Partnership.

The Partnership is engaged in selling corporate equity securities over-the-counter and executing listed option trades and commodity futures trades on an agency basis to institutional investors.

The Partnership, along with affiliates in London, Paris, Hong Kong and the US comprise the Louis Capital Markets Group (the "Group").

#### *Liquidity*

The Partnership does not have any direct employees but does have a service agreement in place with the overseas Group entities to facilitate the execution of Futures and Equity Options from US Customers. In addition the Parent entity has agreed to contribute enough capital, when necessary to maintain operations and fulfill net capital requirements.

### 2. Summary of significant accounting policies

#### *Basis of Presentation*

The Partnership prepares its accounts under accounting principles generally accepted in the United States of America ("GAAP").

#### *Receivable from Clearing Brokers*

The Partnership uses Goldman Sachs Execution and Clearing, L.P ("GSEC") which requires \$2,500 as a clearing deposit from all Group operations. The Partnership has \$264 balance with GSEC.

# LOUIS CAPITAL MARKETS, LP

## NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousands)

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### 2. Summary of significant accounting policies (continued)

#### *Commissions Receivable*

Commissions receivable represents balances due from brokers, dealers, banks and other financial and non-financial institutions for the execution of securities and other derivative brokerage transactions. The Partnership carries commission receivables from customers less an allowance for doubtful accounts. On a periodic basis, the Partnership evaluates its commission receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. In addition, if the Partnership is aware of a client's inability to meet its financial obligations, a specific provision is recorded in the amount of the estimated losses that will result from the inability of that client to meet its financial obligation. Accounts are written off as uncollectible at the discretion of management. As of December 31, 2018, the Partnership determined that no allowance for doubtful accounts was necessary.

#### *Translation of Foreign Currency*

Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the year end exchange rates. Transactions denominated in foreign currencies including income and expenses, are translated into United States dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are immaterial.

#### *Income Taxes*

The Partnership is not a taxable entity for U.S. federal and state income tax purposes, and does not directly pay federal and state income tax. The Partnership's taxable income or loss passes through to, and is includable in the federal and state income tax returns of each partner. Although no provision for federal or state income taxes has been made in the accompanying financial statements, the Partnership is subject to New York City unincorporated business tax and has recorded no provision for 2018.

There are no unrecognized tax benefits recorded in the accompanying financial statements in connection with the tax positions taken by the Partnership.

The Partnership's U.S. federal and state and local tax returns filed from 2015 through 2017 remain open for examination by these tax authorities and the associated taxes, if applicable, remain subject to examination based on the varying statutes of limitations.

#### *Revenue Recognition and Adoption of New Accounting Standard*

On January 1, 2018, the Partnership adopted Financial Accounting Standards Board Accounting Standards Codification Topic 606 *Revenue from Contracts with Customers*. The partnership adopted the standard using the modified retrospective method. The Partnership has completed the evaluation process which included identifying revenues and costs within the scope of the standard, reviewing contracts, and analyzing any changes to its existing revenue recognition policies and concluded there is no impact on the Statement of Financial Condition.

The Partnership's services that fall within the scope of ASC 606 are presented within the Revenue section of the Statement of Income as Agency Commissions and are recognized as revenue as the Partnership satisfies its obligation to the customer. Services within the scope of ASC 606 include Agency Commissions and management fee income.

# LOUIS CAPITAL MARKETS, LP

## NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousands)

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### 2. Summary of significant accounting policies (continued)

#### Agency Commissions

The Partnership charges commissions for executing transactions between buyers and sellers. Agency commissions revenues and related expenses are recognized on a trade date basis and are presented net of discounts and are recognized at the time of the transaction. The Partnership believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer. The Partnership invoices customers on a monthly basis and the payment is due within 30 days.

#### Management Fee

The Partnership provides trade facilitation services to its UK Affiliate (see note 4) on a daily basis. The Partnership believes the performance obligation for providing trade facilitation services is satisfied over time because the customer is receiving and consuming the benefits as they are provided by the Partnership. Fee arrangements are based on a percentage applied to the UK affiliate's net commission income. Fees are billed monthly and are recognized as revenue at that time as they relate specifically to the services provided in that period, which are distinct from the services provided in other-periods. The balance with the affiliate is settled on a monthly basis.

The Partnership does not have significant contract assets or liabilities at December 31, 2018. There are no unsatisfied performance obligations at December 31, 2018.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 3. Net capital requirement

The Partnership is a member of the FINRA and is subject to the SEC Uniform Net Capital Rule 15c3-1. This Rule 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 and that equity capital may not be withdrawn or dividends paid if the resulting net capital ratio would exceed 10 to 1. The Partnership is also subject to the CFTC's minimum financial requirements which require that the Partnership maintain net capital, as defined for securities brokers and dealers, equal to or in excess of the greater of \$45 or the amount of net capital required by the SEC Rule 15c3-1. At December 31, 2018, the Partnership's net capital was approximately \$543 which was approximately \$293 above its minimum requirement of \$250. The Partnership's ratio of aggregate indebtedness to net capital was 0.09 to 1.

Proprietary accounts held at the clearing broker ("PAIB Assets") are considered allowable assets in the net capital computation pursuant to an agreement between the Partnership and the clearing broker which requires, among other things, the clearing broker to perform a computation for PAIB Assets similar to the customer reserve computation set forth in Rule 15c3-3 under the Securities Exchange Act of 1934.

# LOUIS CAPITAL MARKETS, LP

## NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousands)

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### 4. Related Party Transactions

In 2018, the Partnership entered into a Expense Services Agreement with an affiliate located in London, UK and Paris, France. As of December 31, 2018, the Partnership was owed approximately \$112 from this affiliate.

#### *SEC Rule 15a-6 Transactions*

The Partnership acts as chaperoning broker with respect to trades between certain foreign affiliates and their US clients in accordance with SEC Rule 15a-6. In this capacity, the Partnership may be exposed to the risk of the foreign affiliates' non-performance. This risk is considered to be remote.

### 5. Concentrations of credit risk

#### *Market Risk*

Pursuant to its clearance agreements, the Partnership introduces all of its securities transactions to its clearing brokers on a fully-disclosed basis. Therefore, all of the money balances and long and short security positions are carried on the books of the clearing brokers. Under certain conditions, as defined in the clearance agreements, the Partnership has agreed to indemnify the clearing brokers for losses, if any, which the clearing brokers may sustain from carrying securities transactions introduced by the Partnership. Although the right of the clearing brokers to charge the Partnership applies to all trades executed through the clearing brokers, the Partnership believes that there is no reasonable amount assignable to its obligations pursuant to this right as any such obligation would be based upon the future non-performance by one or more counterparties. Accordingly, at December 31, 2018, the Partnership has recorded no liabilities with respect to these obligations. In accordance with industry practice and regulatory requirements, the Partnership and the clearing brokers monitor collateral on the securities transactions introduced by the Partnership. In addition, the receivables from the clearing brokers are pursuant to these clearance agreements, the Group must maintain certain minimum collateral balances in cash and securities at all times with the clearing brokers.

In the normal course of business, the Partnership's customer activities involve the execution and settlement of securities transactions. These activities may expose the Partnership to market risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Partnership has to purchase or sell the financial instrument underlying the contract at a loss.

# LOUIS CAPITAL MARKETS, LP

## NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousands)

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### 5. Concentrations of credit risk (continued)

#### *Credit Risk*

Credit risk arises from potential non-performance by counterparties from non-payment of commissions by customers of the Partnership's agency brokerage business. The Partnership also has credit and counterparty risk in certain situations where it provides execution services. The Partnership provides agency clearing services through its relationships with general clearing member firms and/or exchanges. In these instances, the Partnership's accounts at such institutions are used, in its name, to provide access to clearing services for its customers. Credit risk arises from the possibility that the Partnership may suffer losses due to the failure of its customers or other counterparties to satisfy their financial obligations to the Partnership or in a timely manner.

The Partnership has established policies and procedures to manage its exposure to credit risk. The Partnership maintains a thorough credit approval process to limit its exposure to counterparty risk and employ monitoring to control the market and counterparty risk. The Partnership's brokers may only execute transactions for clients that have been approved by the Partnership's management following review by the Partnership's management and compliance department. The Partnership's credit approval process includes verification of key financial information and operating data and anti-money laundering verification checks. The Partnership's credit review process may include consideration of independent credit agency reports and a visit to the entity's premises, if necessary.

The Partnership maintains its cash balance at one financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$250. Management regularly monitors the financial condition of this institution in order to keep the potential risk to a minimum.

### 6. Commitments and contingencies

#### *Required Tax Distributions*

As required by the limited partnership agreement, the Partnership is required to make tax distributions in an amount no less than an amount determined by multiplying the taxable net income of the Partnership by the highest combined applicable individual federal, state and local tax rates. For the year ended December 31, 2018, there were no tax distributions made on behalf of its partners.

#### *Legal Proceedings*

In the normal course of business, the Partnership has been in the past, named as defendant in various lawsuits and proceedings and is, and has been in the past, involved in certain regulatory examinations. Additional actions, investigations or proceedings may be brought from time to time in the future. The Partnership is subject to the possibility of losses from these various contingencies. Considerable judgment is necessary to estimate the probability and amount of any loss from such contingencies. An accrual is made when it is probable that a liability has been incurred or an asset has been impaired and the amount of the loss can be reasonably estimated. The Partnership accrues a liability for the estimated costs of adjudication or settlement of asserted and unasserted claims existing as of the reporting period.

# LOUIS CAPITAL MARKETS, LP

## NOTES TO FINANCIAL STATEMENTS

*(Amounts in Thousands)*

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### **6. Commitments and contingencies (continued)**

#### *Risks and Uncertainties*

The Partnership primarily generates its revenues by executing and facilitating transactions for counterparties. Revenues for these services are transaction based. As a result, the Partnership's revenues could vary based upon the transaction volume of securities and derivative markets.

In 2018 FINRA conducted a trading and financial compliance examination. The examination is ongoing and based on the currently available information, the Partnership does not believe there are material matters that will arise from the conclusion of the examination.

### **7. Subsequent events**

The Partnership has evaluated subsequent events through issuance and has determined that there are no other significant subsequent events to report.

# LOUIS CAPITAL MARKETS, LP

## SUPPLEMENTARY INFORMATION COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION AND REGULATION 1.17 OF THE COMMODITY FUTURES TRADING COMMISSION

**December 31, 2018**

<b>Net capital,</b>		
Partners' capital	\$	929
<b>Less nonallowable assets</b>		
Commissions receivable		269
Prepaid and other assets		117
		<u>386</u>
<b>Net capital</b>	\$	<u>543</u>
Aggregate indebtedness included in statement of financial condition	\$	48
<b>Computed minimum net capital required</b> (6.67% of aggregate indebtedness)	\$	<u>3</u>
<b>Minimum net capital required</b> (under SEC Rule 15c3-1)	\$	<u>250</u>
<b>Minimum net capital requirement</b> (under CFTC Regulation 1.17)	\$	<u>45</u>
<b>Excess net capital</b> (\$543 - \$250)	\$	<u>293</u>
<b>Net Capital less 120% of minimum net capital requirement</b>	\$	<u>243</u>
<b>Ratio of aggregate indebtedness to net capital</b>	\$	<u>48</u>
	\$	543
		<u>0.09</u>

There are no material differences between the computation of net capital presented above and the computation of net capital in the Company's unaudited Form X-17A-5, Part II-A filing as of December 31, 2018.

# **LOUIS CAPITAL MARKETS, LP**

## **SUPPLEMENTARY INFORMATION COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**

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**December 31, 2018**

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The Company is exempt from Securities Exchange Commission ("SEC") Rule 15c3-3 pursuant to the exemptive provisions of sub-paragraph (k)(2)(ii).

# LOUIS CAPITAL MARKETS, LP

## SUPPLEMENTARY INFORMATION INFORMATION RELATING TO POSSESSION AND CONTROL REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

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**December 31, 2018**

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The Company is exempt from Securities Exchange Commission ("SEC") Rule 15c3-3 pursuant to the exemptive provisions of sub-paragraph (k)(2)(ii).

# **LOUIS CAPITAL MARKETS, LP**

## **SUPPLEMENTARY INFORMATION SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION FOR CUSTOMERS REGULATED COMMODITY FUTURES AND OPTIONS ACCOUNTS**

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**December 31, 2018**

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As the Company does not carry customer accounts for regulated commodity futures and options, it neither computes nor segregates funds pursuant to Section 1.10 under the Commodity Exchange Act.

## **LOUIS CAPITAL MARKETS, LP**

### **SUPPLEMENTARY INFORMATION SCHEDULE OF SECURED AMOUNTS AND FUNDS HELD IN SEPARATE ACCOUNTS FOR FOREIGN FUTURES AND FOREIGN OPTIONS CUSTOMERS PURSUANT TO REGULATION 30.7 UNDER THE COMMODITY EXCHANGE ACT**

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**December 31, 2018**

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As the Company does not carry customer accounts for foreign futures and foreign options, it neither computes nor segregates funds pursuant to Regulation 30.7 under the Commodity Exchange Act.