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

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Section  
**ANNUAL AUDITED REPORT**  
FEB 26 2016 **FORM X-17A-5**  
Washington DC **PART III**  
403

SEC FILE NUMBER
8- 47589

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 1/1/15 AND ENDING 12/31/15  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Babson Capital Securities

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
Independence Wharf, 470 Atlantic Ave.  
(No. and Street)

Boston MA 02210-2208  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Geoff Myrus (617) 761-3741  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
KPMG, LLP  
(Name - if individual, state last, first, middle name)

Two Financial Center, 60 South St. Boston MA 02111-2759  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

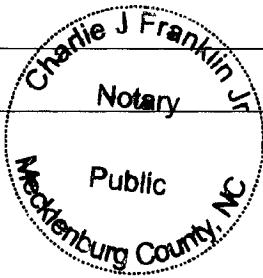
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

*AN*

OATH OR AFFIRMATION

I, Anthony Sciacca, President, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Babson Capital Securities LLC, as of December 31, 2015, 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
President
Title

Charlie J Franklin Jr
Notary Public

My Commission expires
March 05, 2016

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).

**BABSON CAPITAL SECURITIES LLC**  
(A Wholly Owned Subsidiary of Babson Capital Management LLC)

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**KPMG LLP**  
Two Financial Center  
60 South Street  
Boston, MA 02111

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors  
Babson Capital Securities LLC

We have audited the accompanying statement of financial condition of Babson Capital Securities LLC as of December 31, 2015, and the related statement of operations, changes in member's capital, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Babson Capital Securities LLC as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The supplemental information contained in Schedules I, II, and III has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements 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. In our opinion, the supplemental information contained in Schedules I, II, and III is fairly stated, in all material respects, in relation to the financial statements as a whole.

**KPMG LLP**

Boston, Massachusetts  
February 24, 2016

**BABSON CAPITAL SECURITIES LLC**  
(A Wholly Owned Subsidiary of Babson Capital Management LLC)  
Statement of Financial Condition  
December 31, 2015

**Assets**

Cash and cash equivalents	\$	3,831,470
Accounts receivable		30,439
Income tax receivable from affiliate		80,664
Placement agent fees		
receivable from Babson Capital Management LLC		93,420
Prepaid expenses and other assets		183,929
	\$	<u>4,219,922</u>

**Liabilities and Equity**

<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$	105,601
Deferred tax liability		66,139
		<u>171,740</u>
<b>Equity:</b>		
Member's capital		6
Additional paid-in capital		9,503,783
Accumulated deficit		<u>(5,455,607)</u>
Total equity		4,048,182
Total liabilities and equity	\$	<u>4,219,922</u>

See accompanying notes to financial statements.

**BABSON CAPITAL SECURITIES LLC**  
(A Wholly Owned Subsidiary of Babson Capital Management LLC)  
Statement of Operations  
Year Ended December 31, 2015

Revenues:		
Administrative fees		\$ 305,800
Placement agent fees		371,059
Investment income		<u>10,432</u>
Total revenues		<u>687,291</u>
Expenses:		
Expenses allocated from parent		1,268,569
Investment services		186,868
Finder's fee		371,059
Professional fees		36,517
Other expenses		<u>86,445</u>
Total expenses		<u>1,949,458</u>
	Loss before income tax benefit	(1,262,167)
Income tax benefit		<u>458,763</u>
	Net loss	<u>\$ (803,404)</u>

See accompanying notes to financial statements.

**BABSON CAPITAL SECURITIES LLC**  
(A Wholly Owned Subsidiary of Babson Capital Management LLC)  
Statement of Changes in Member's Capital  
Year Ended December 31, 2015

	Equity				Total equity
	Units	Member's Capital	Additional paid-in capital	Accumulated deficit	
Balance, December 31, 2014	600	\$ 6	8,235,214	(4,652,203)	3,583,017
Contributed capital	-	-	1,268,569	-	1,268,569
Net loss	-	-	-	(803,404)	(803,404)
Balance, December 31, 2015	600	\$ 6	9,503,783	(5,455,607)	4,048,182

See accompanying notes to financial statements.

**BABSON CAPITAL SECURITIES LLC**  
(A Wholly Owned Subsidiary of Babson Capital Management LLC)  
Statement of Cash Flows  
Year Ended December 31, 2015

Cash flows from operating activities:	
Net loss	\$ (803,404)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:	
Non-cash expenses allocated from Babson Capital Management LLC	1,268,569
Changes in operating assets and liabilities:	
Accounts receivable	1
Income tax receivable/payable from affiliate	66,746
Placement agent fees	
receivable from Babson Capital Management LLC	2,045
Prepaid expenses and other assets	2,938
Accounts payable and accrued expenses	(28,182)
Deferred tax liability	(1,057)
Net cash provided by operating activities	<u>507,656</u>
Cash and cash equivalents, beginning of year	<u>3,323,814</u>
Cash and cash equivalents, end of year	<u><u>3,831,470</u></u>
Supplemental disclosure of cash flow information:	
Cash received under tax allocation agreement	\$ 524,452
Supplemental disclosure of noncash financing activity:	
Noncash capital contribution	\$ 1,268,569

See accompanying notes to financial statements.



**BABSON CAPITAL SECURITIES LLC**  
(A Wholly Owned Subsidiary of Babson Capital Management LLC)  
Notes to Financial Statements  
December 31, 2015

**(1) Business and Summary of Significant Accounting Policies**

**(a) Business**

Babson Capital Securities LLC (the Company) is a wholly owned subsidiary of Babson Capital Management LLC (Babson Capital), an indirect subsidiary of Massachusetts Mutual Life Insurance Company (MassMutual). The Company is registered as a broker and dealer under the Securities Exchange Act of 1934, and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA).

**(b) Use of Estimates**

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and judgments that affect the reported amounts 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.

**(c) Related-Party Revenues and Expenses**

Related-party revenues earned by the Company are reported in administrative and placement agent fees. Related-party expenses incurred by the Company are reported in expenses allocated from parent. Accordingly, the financial statements may not necessarily be indicative of the financial position that would have existed or results of operations or cash flows that would have occurred had the Company operated as an independent entity.

**(2) New Accounting Standards**

**(a) Adoption of New Accounting Standards**

There were no new accounting standards issued in 2015 that required adoption by the Company.

**(3) Fair Value of Financial Instruments**

The Company has cash and cash equivalents as of December 31, 2015 in the amount of \$3,831,470. Cash represents funds held in bank accounts under normal commercial terms. Investments in money market funds and securities with initial maturities of three months or less are considered to be cash equivalents. Such investments are carried at cost, which approximates fair value. Through the Company's valuation techniques, cash and cash equivalents are classified as Level 1 in the fair value hierarchy.

The Company's valuation techniques are based upon observable pricing inputs, such as market data from independent sources. Unobservable inputs reflect the Company's market assumptions. These inputs comprise the following fair value hierarchy:

Level 1 – Observable inputs in the form of quoted prices for identical instruments in active markets.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities, quoted in markets that are not active, or other inputs that are observable or can be derived from observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using internal models, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

**BABSON CAPITAL SECURITIES LLC**  
(A Wholly Owned Subsidiary of Babson Capital Management LLC)  
Notes to Financial Statements  
December 31, 2015

The Company utilizes no unobservable inputs and all inputs are quoted in an active market for its financial instruments. The fair value of cash and cash equivalents is measured and carried on a recurring basis.

**(4) Concentration of Risk**

The Company derives substantially all of its capital from Babson Capital, including noncash capital contributions to finance related party expense allocations. In the event that Babson Capital were to cease its relationship and stop dealing with the Company, it is possible that the severe disruption in business could prevent the Company from continuing as a going concern. However, the Company's management believes that there should not be any substantial doubts about the Company's ability to continue as a going concern for a reasonable time period.

**(5) Administrative Fees**

The Company earns fees for administrative services incurred for allowing Baring North America LLC (Barings) and Cornerstone Real Estate Advisors LLC (Cornerstone) employees to be registered representatives of the Company. As registered representatives of the Company, Barings and Cornerstone employees are allowed to provide placement of investors into private funds. The Company also earns administrative fees for placements of interests in investment funds, in addition to retainer fees and out-of-pocket costs incurred for such placements. Barings is a subsidiary of MassMutual and Cornerstone is a subsidiary of Babson Capital. Administrative fees are accrued when earned.

For the year ended December 31, 2015, the Company earned administrative fees in the amount of \$305,800 for services provided to Barings and Cornerstone.

Management periodically reviews past-due accounts to determine collectability and establishes a reserve on those accounts whose collection is doubtful. As of December 31, 2015, there were no reserves after review of past-due accounts.

**(6) Placement Agent Fees**

The Company earns fees for placement services provided to Babson Capital Global Loan Fund, a fund of the Babson Capital Global Investment Funds Plc (an investment company incorporated in Ireland), which are managed by Babson Capital and Babson Capital Europe Limited. For the year ended December 31, 2015, the Company earned placement agent fees of \$371,059.

**(7) Related-Party Transactions**

The Company has an agreement with Babson Capital under which Babson Capital provides the Company with management, administrative facilities, and services, including the use of Babson Capital's sales personnel. As part of this agreement, Babson Capital acts as the Company's paying agent for payment of the Company's expenses. Fees for these services are based on the Company's pro rata use of Babson Capital personnel, applied to those allocable expenses incurred by Babson Capital. These expenses primarily include compensation expense, payroll taxes and benefits, occupancy, and office services.

In addition, Babson Capital reimburses the Company for its allocated expenses through a capital contribution in order to allow the Company to meet its required minimum capital amounts. Accordingly, the statement of financial condition and the related statements of operations and cash flows may not be indicative of the financial position of the Company at December 31, 2015 and its results of operations and its cash flows for the year then ended had the Company operated as an independent entity.

**BABSON CAPITAL SECURITIES LLC**  
(A Wholly Owned Subsidiary of Babson Capital Management LLC)  
Notes to Financial Statements  
December 31, 2015

In 2015, under the terms of the expense agreement, Babson Capital allocated \$1,268,569 of expenses to the Company for management, administrative facilities, and services, including the use of Babson Capital's sales personnel. Allocable expenses incurred by Babson Capital primarily included compensation expense, payroll taxes and benefits, occupancy, and office services. Babson Capital reimbursed the Company for its allocated expenses through a capital contribution of \$1,268,569.

The Company is compensated for MassMutual's use of the tax losses created by the noncash expenses allocated to the Company from, and paid for the Company by, Babson Capital. Allocated expense amounts for the year ended December 31, 2015 resulted in a tax benefit of approximately \$444,000, based on the federal effective tax rate of 35%. This tax benefit amount is included in the income tax benefit reflected on the statement of operations for the year ended December 31, 2015. As of December 31, 2015, the Company has an income tax receivable from MassMutual in the amount of \$80,664.

**(8) Finder's Fees**

In an effort to enter the Asian market, as part of its work for the Babson Capital Global Loan Fund, the Company engaged Nomura Securities as an external placement agent. For the year ended December 31, 2015, the Company incurred finder's fees expense of \$371,059.

The Company's placement agent fee revenues are equal and offsetting to the finder's fees expenses paid.

**(9) Income Taxes**

Income taxes due to government authorities are based on the Company's best estimate of its current and deferred tax liabilities (DTL). Deferred income taxes are provided for temporary differences that exist between financial reporting and tax bases of assets and liabilities. The Company has a temporary difference for prepaid expenses. The effective tax rate is different from the prevailing corporate U.S. federal tax rate primarily due to permanent differences caused by items such as state taxes.

The Company is included in a consolidated U.S. federal income tax return with MassMutual and its eligible U.S. subsidiaries. The Company also files income tax returns in various states. MassMutual and its eligible subsidiaries and certain affiliates (the Parties), including the Company, have executed and are subject to a written tax allocation agreement (the Agreement). The Agreement sets forth the manner in which the total combined federal income tax is allocated among the Parties. The Agreement provides the Company with the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur. Further, the Agreement provides the Company with the enforceable right to utilize its net losses carried forward as an offset to future net income subject to federal income taxes.

Allocated taxes are calculated on a quarterly basis. During the year ended December 31, 2015, the Company received income tax payments from MassMutual in the amount of \$524,452.

The Internal Revenue Service (IRS) has completed its examination of the years 2010 and prior. The IRS is currently auditing the years 2011 through 2013. The Company does not expect a material change in its financial position or liquidity as a result of these audits.

**BABSON CAPITAL SECURITIES LLC**  
(A Wholly Owned Subsidiary of Babson Capital Management LLC)  
Notes to Financial Statements  
December 31, 2015

The components of income taxes included in the statement of operations for the year ended December 31, 2015 are as follows:

Income tax (benefit) expense:	
Current:	
Federal	\$ (449,308)
State	(8,398)
Total current	<u>(457,706)</u>
Deferred:	
Federal	(1,014)
State	(43)
Total deferred	<u>(1,057)</u>
Income tax benefit	<u>\$ (458,763)</u>

As of December 31, 2015, the Company had a DTL of \$66,139 attributable to prepaid expenses.

A reconciliation of the differences between the income tax benefit and the amount computed by applying the prevailing corporate U.S. federal tax rate to the pre-tax loss for the year ended December 31, 2015 is as follows:

	Amount	Percentage
Provision for income taxes at the U.S. federal rate	\$ (441,758)	35.0%
State tax, net of federal effect	(5,487)	0.4
Other	<u>(11,518)</u>	<u>0.9</u>
Total income tax benefit	<u>\$ (458,763)</u>	<u>36.3%</u>

Management has determined that no reserves for uncertain tax positions are required at December 31, 2015.

**(10) Net Capital Requirements**

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 net capital ratio (ratio of aggregate indebtedness to net capital, both as defined), shall not exceed 15 to 1 and also provides that equity capital may not be withdrawn or cash dividends paid if the net capital ratio would exceed 10 to 1. At December 31, 2015, the Company had net capital of \$3,659,730, which was \$3,634,730 in excess of its required net capital of \$25,000. The Company's ratio of aggregate indebtedness to net capital as of December 31, 2015 was 0.05 to 1.00.

***Exemption from Rule 15c3-3***

The Company operates pursuant to the exemption provisions of (k)(2)(i) under Rule 15c3-3 of the Securities Exchange Act of 1934.

**(11) Subsequent Events**

Management has evaluated events and transactions that have occurred subsequent to December 31, 2015 through February 24, 2016 the date of issuance of the financial statements, for potential recognition or disclosure in these financial statements. Adjustments or additional disclosures, if any, have been included in these financial statements.

**Schedule I**

**BABSON CAPITAL SECURITIES LLC**  
 (A Wholly Owned Subsidiary of Babson Capital Management LLC)  
 Computation of Net Capital Pursuant to Rule 15c3-1 of the  
 Securities and Exchange Commission  
 December 31, 2015

Capital - member's capital	\$	4,048,182
Deductions - nonallowable assets:		
Accounts receivable		30,439
Income tax receivable from affiliate		80,664
Placement agent fees		
receivable from Babson Capital Management LLC		93,420
Prepaid expenses and other assets		183,929
Net capital	\$	<u>3,659,730</u>
Aggregate indebtedness	\$	171,740
Minimum net capital requirement of broker or dealer (the greater of 6.67% of aggregate indebtedness as defined or \$25,000)		25,000
Excess net capital	\$	<u><u>3,634,730</u></u>
Ratio of aggregate indebtedness to net capital		0.05 to 1.00

Reconciliation with the Company's computation (included in Part II of Form X-17A-5 as of December 31, 2015):

There was no material difference between the Company's computation of net capital as included in Part II of Form X-17A-5 as of December 31, 2015 and that included herein.

See accompanying report of independent registered public accounting firm.

**BABSON CAPITAL SECURITIES LLC**  
(A Wholly Owned Subsidiary of Babson Capital Management LLC)  
Computation for Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission  
December 31, 2015

The Company operates pursuant to the exemptive provisions of (k)(2)(i) Under Rule 15c3-3 of the Securities Exchange Act of 1934.

See accompanying report of independent registered public accounting firm.

**BABSON CAPITAL SECURITIES LLC**  
(A Wholly Owned Subsidiary of Babson Capital Management LLC)  
**Information for Possession or Control Requirements**  
Under Rule 15c3-3 of the Securities and Exchange Commission  
December 31, 2015

The Company operates pursuant to the exemptive provisions of (k)(2)(i) Under Rule 15c3-3 of the Securities Exchange Act of 1934.

See accompanying report of independent registered public accounting firm.