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SECURITIES AND EXCHANGE COMMISSION

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

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NON-PUBLIC

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

FOCUS
NON-PUBLIC

SEC FILE NUMBER
8-43902

DIVISION OF TRADING & MARKETS

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 1/01/15 AND ENDING 12/31/15
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER: Watermark Securities, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

900 Third Avenue
(No. and Street)

New York
(City)

New York
(State)

10022
(Zip Code)

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

Michael Link

212-451-1187

(Area Code --- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BDO USA, LLP

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

100 Park Avenue
(Address)

New York
(City)

New York
(State)

10017
(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not in residence 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).

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SEC 1410 (06-02)

SEC 1410 (06-02)

Handwritten signature

OATH OR AFFIRMATION

I, Marc Baltuch, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Watermark Securities, Inc., 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:

Marc Baltuch

Signature

President

Title

Stuart B. Panish

Notary Public

STUART B. PANISH
Notary Public, State of New York
No. 02PA4737326
Qualified in Queens County
Commission Expires Nov. 30, 2017

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (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.
- (o) Exemption Report.

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



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New York, NY 10017

CONFIDENTIAL TREATMENT REQUESTED

Report of Independent Registered Public Accounting Firm

Board of Directors
Watermark Securities, Inc.
New York, New York

We have audited the accompanying statement of financial condition of Watermark Securities, Inc. as of December 31, 2015 and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of Watermark Securities, Inc.'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 also 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 Watermark Securities, Inc. at December 31, 2015, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Computation of Net Capital Pursuant to Rule 15c3-1 and Statement Pursuant to Rule 17a-5(d)(2)(iii) (the "supplemental information") has been subjected to audit procedures performed in conjunction with the audit of Watermark Securities, Inc.'s financial statements. The supplemental information is the responsibility of Watermark Securities, Inc.'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 Securities Exchange Act of 1934 Rule 17a-5. In our opinion, the Computation of Net Capital Pursuant to Rule 15c3-1 and Statement Pursuant to Rule 17a-5(d)(2)(iii) is fairly stated, in all material respects, in relation to the financial statements as a whole.

BDO USA, LLP

New York, NY

February 26, 2016

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BDD is the brand name for the BDO network and for each of the BDO Member Firms.

Watermark Securities, Inc.

Statement of Financial Condition

December 31, 2015

Assets	
Cash and cash equivalents	\$ 646,891
Receivable from clearing broker	223,750
Prepaid expenses and other	36,106
Property and equipment, net	32,566
Total Assets	\$ 939,313
Liabilities and Stockholders' Equity	
Liabilities:	
Payable to clearing broker	\$ 75,225
Accrued expenses and other liabilities	66,500
Total Liabilities	141,725
Commitments (Notes 4, 8 and 9)	
Stockholders' Equity:	
Common stock, \$.001 par value - 20,000 shares authorized; 5,625 shares issued and outstanding	6
Additional paid-in capital	56,244
Retained earnings	741,338
Total Stockholders' Equity	797,588
Total Liabilities and Stockholders' Equity	\$ 939,313

See accompanying notes to financial statements.

Watermark Securities, Inc.

Statement of Income

Year ended December 31, 2015

Revenues:

Commissions	\$3,187,133
Dividends, interest and other	7,031

Total Revenues	3,194,164
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Expenses:

Employee compensation and benefits	1,884,092
Clearance costs	483,037
Rent and related costs	414,050
Office supplies and expenses	90,849
Trading and quotation costs	73,096
Professional fees	72,056
Depreciation and amortization	19,307
Insurance	19,245
Dues and registrations	18,072
Other	12,988

Total Expenses	3,086,792
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Income Before Provision for State and Local Income Taxes	107,372
Provision for State and Local Income Taxes	12,129

Net Income	\$ 95,243
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See accompanying notes to financial statements.

Watermark Securities, Inc.

Statement of Changes in Stockholders' Equity

Year ended December 31, 2015

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Balance, January 1, 2015	\$ 6	\$56,244	\$736,095	\$792,345
Dividends Paid			(90,000)	(90,000)
Net income	-	-	95,243	95,243
Balance, December 31, 2015	\$ 6	\$56,244	\$ 741,338	\$797,588

See accompanying notes to financial statements.

Watermark Securities, Inc.

Statement of Cash Flows

Year ended December 31, 2015

Cash Flows From Operating Activities:	
Net income	\$ 95,243
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	19,307
(Increase) decrease in assets:	
Receivable from clearing broker	51,586
Prepaid expenses and other	2,949
Increase (decrease) in liabilities:	
Payable to clearing broker	4,842
Accrued expenses and other liabilities	2,638
Net Cash Provided By Operating Activities	176,565
Cash Flows From Investing Activities:	
Purchase of property and equipment	(7,382)
Cash Flows From Financing Activities:	
Dividends Paid	(90,000)
Increase in Cash and Cash Equivalents	79,183
Cash and Cash Equivalents, Beginning of Year	567,708
Cash and Cash Equivalents, End of Year	\$ 646,891
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for income taxes	\$ 13,629

See accompanying notes to financial statements.

Watermark Securities, Inc.

Notes to Financial Statements

1. Business

Watermark Securities, Inc. ("Company") is a broker-dealer providing services for affiliated institutional clients. The Company is registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority. The Company clears all transactions through another broker-dealer pursuant to a clearance agreement on a fully disclosed basis. Accordingly, the Company operates under the exemptive provisions of the SEC Rule 15c3-3(k)(2)(ii).

2. Significant Accounting Policies

Basis of Presentation

The financial statements have been presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Cash and Cash Equivalents

The Company considers all highly liquid investments, with original maturities of ninety days or less, as cash equivalents. Cash and cash equivalents held at financial institutions, at times, may exceed the amount insured by the Federal Deposit Insurance Corporation.

Revenue Recognition

Commission income and related expenses are recorded on a trade date basis. Revenues and expenses are recorded on the accrual basis.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent 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 significantly differ from those estimates.

Income Taxes

The Company has elected S Corporation status for income tax purposes and, as such, income flows through to the stockholders' individual income tax returns. As a result, the Company is not liable for Federal or New York State income taxes. The financial statements include a provision for a New York State minimum tax and New York City corporate income taxes, as New York City does not recognize S corporation status.

Deferred income taxes arising from temporary timing differences between the tax basis of assets and liabilities and their reported amounts in the financial statements are immaterial.

The Company applies the provisions of Accounting Standards Codification ("ASC") 740, "Income Taxes," which clarifies the accounting for and reporting of income tax uncertainties, and requires additional disclosures related to uncertain income tax positions. ASC 740 prescribes a recognition

Watermark Securities, Inc.

Notes to Financial Statements

threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 requires that the Company determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the Company presumes that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information.

The Company files U.S. Federal and various state and local income tax returns. No income tax returns are currently under examination. The Company is generally no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for the years ended December 31, 2012 and prior.

Management has analyzed the Company's tax positions taken on Federal and state income tax returns for all open tax years and has concluded that, as of December 31, 2015, no liabilities are required to be recorded in connection with such uncertain tax positions in the Company's financial statements.

Recent Accounting Pronouncement

Revenue from Contracts with Customers

In August 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-14, *Revenue from Contracts with Customers*. This standard defers the effective date of the new revenue recognition standard by one year. ASU No. 2014-09, *Revenue from Contracts with Customers*, supersedes existing accounting standards for revenue recognition and creates a single framework. The standard also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. The new guidance is effective for the Company's fiscal year ending December 31, 2018, and requires either a retrospective or a modified retrospective approach to adoption. The Company is currently evaluating the potential impact of this new guidance on its financial statements and the related disclosures, as well as the available transition methods. Early adoption is prohibited.

3. Significant Risk Factors

Commitments and Financial Instruments With Off-Balance Sheet Risk

The Company is subject to the following:

Off-Balance Sheet Risk and Concentration of Credit Risk

Credit risk represents the maximum potential loss that the Company would incur if the counterparties failed to perform pursuant to the terms of their agreements with the Company.

In the normal course of business, the Company facilitates the execution of securities transactions on behalf of customers as an agent. If the agency transactions do not settle because of failure to perform by either the customer or the counterparty, the Company may be obligated to discharge the obligation of the nonperforming party and, as a result, may incur a loss if the market value of the securities differs from the contract amount.

The Company is also subject to credit risk to the extent that the Company's clearing broker may be unable to fulfill its obligations either to return the Company's securities held as deposits or repay net commissions owed.

The Company's policy is to monitor its counterparty risk.

Watermark Securities, Inc.

Notes to Financial Statements

4. Receivable From Clearing Broker

The Company is required to maintain a collateral account with its clearing broker with a minimum market value of \$100,000. Included in receivable from clearing broker is \$100,000 in cash held in this account at December 31, 2015. This cash serves as collateral for potential defaults of the Company and for any amounts due to broker.

Receivable from clearing broker includes all cash balances held at this broker and net commissions due from this broker.

The Company is subject to a \$100,000 cancellation fee payable to its clearing broker should the Company terminate its clearing agreement prior to December 31, 2017.

5. Property and Equipment

At December 31, 2015, property and equipment consists of:

	Amount
Computer equipment	\$ 69,251
Furniture and fixtures	5,244
Leasehold improvements	69,151
	143,646
Less: Accumulated depreciation and amortization	(111,080)
	<u>\$ 32,566</u>

Depreciation and amortization expense for the year ended December 31, 2015 was \$19,307.

6. Related Party Transactions

An affiliate provides certain administrative, operational, and other services whose costs are allocated to the Company based on an expense sharing agreement. The total amount paid to the affiliate for the year ended December 31, 2015 was \$2,560,000. Included in prepaid expenses and other assets is \$13,115 for 2015 payments that exceeded allocated costs to this affiliate.

Substantially all commission revenue is derived from related parties.

7. Employee Benefit Plan

The Company participates in a profit sharing plan covering substantially all employees, which provides for annual contributions as determined by the Company.

The Company did not make a contribution for the year ended December 31, 2015.

8. Regulatory Net Capital Requirements

Under the "Uniform Net Capital Rule" of the SEC, the Company is required to maintain regulatory net capital, as defined, equivalent to the greater of \$5,000 or 6-2/3% of aggregate indebtedness, as defined, and requires that the ratio of aggregate indebtedness to regulatory net capital, as defined, shall not exceed 15 to 1. While regulatory net capital and aggregate indebtedness may

Watermark Securities, Inc.

Notes to Financial Statements

change from day to day, at December 31, 2015, the Company's regulatory net capital of \$728,916 exceeded minimum requirements by \$719,468 and the ratio of aggregate indebtedness to regulatory net capital was .19 to 1.

9. Indemnifications

The Company enters into contracts that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

10. Subsequent Events

Management has evaluated the possibility of subsequent events existing in the Company's financial statements through the date the financial statements were issued. Management has determined that there are no material events that would require adjustment to or disclosure in the Company's financial statements.

Watermark Securities, Inc.

Schedule I
 Computation of Net Capital Pursuant to Rule 15c3-1
 and Statement Pursuant to Rule 17a-5(d)(2)(iii)

December 31, 2015

Computation of Net Capital Pursuant to Rule 15c3-1

Computation of Net Capital:

Total stockholders' equity		\$797,588
Less: Nonallowable assets:		
Prepaid expenses and other	\$36,106	
Property and equipment	32,566	68,672
Net capital		<u>\$728,916</u>

Computation of Basic Net Capital Requirement:

Minimum net capital required, 6-2/3% of \$141,725, pursuant to Rule 15c3-1		<u>\$ 9,448</u>
Minimum dollar net capital requirement of reporting broker-dealer		<u>\$ 5,000</u>
Net capital requirement		<u>\$ 9,448</u>
Excess net capital		<u>\$719,468</u>

Aggregate Indebtedness:

Accrued expenses and other liabilities		<u>\$141,725</u>
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Ratio of Aggregate Indebtedness to Net Capital		<u>.19 to 1</u>
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Statement Pursuant to Rule 17a-5(d)(2)(iii)

A reconciliation of the Company's computation of net capital as reported in the unaudited Part IIA of Form X-17A-5 was not prepared as there are no differences between the Company's computation of net capital and the computation contained herein.



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New York, NY 10017

CONFIDENTIAL TREATMENT REQUESTED

Report of Independent Registered Public Accounting Firm

Board of Directors
Watermark Securities, Inc.
New York, New York

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Watermark Securities, Inc. identified the following provision of the Securities Exchange Act of 1934 ("SEA") Rule 15c3-3(k) under which Watermark Securities, Inc. claimed an exemption from Rule 15c3-3 (k)(2)(ii) (the "exemption provision") and (2) Watermark Securities, Inc. stated that Watermark Securities, Inc. met the identified exemption provision throughout the most recent fiscal year without exception. Watermark Securities, Inc.'s management is responsible for compliance with the exemption provision and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Watermark Securities, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

BDO USA, LLP

New York, NY

February 26, 2016

Watermark Securities, Inc.
Exemption Report

Watermark Securities, Inc. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

(1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3 (k)(2)(ii):

(2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) throughout the most recent fiscal year without exception.

Watermark Securities, Inc.

I, Marc Baltuch, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By: *Marc Baltuch*

Title: President
February 26, 2016

CONFIDENTIAL TREATMENT REQUESTED

Watermark Securities, Inc.

Financial Statements
and Supplemental Information
(Confidential per Rule 17a-5(e)(3))
Year Ended December 31, 2015

SEC
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Section

FEB 29 2016

Washington DC
413

Watermark Securities, Inc.

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