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

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

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Navaid Financial Services, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1522 Locust St. 2nd Floor

(No. and Street)

Philadelphia

(City)

PA

(State)

19102

(Zip Code)

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

JOHN CARNEY

609-238-9370

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Siana Carr O'Conner & Lynam

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

1500 E. Lancaster Ave. Paoli PA

(Address)

(City)

(State)

19301

(Zip Code)

CHECK ONE:

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

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Section

MAR 01 2016

Washington DC
411

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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)

SEC 1410 (06-02)

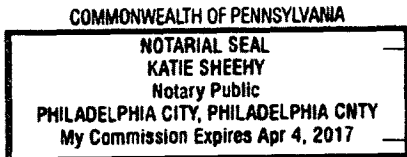
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OATH OR AFFIRMATION

I, John Carney, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Navaid Financial Services, Inc., as of 12-31-, 20 15, 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:



[Handwritten Signature]
Signature
President / CFO
Title

[Handwritten Signature]
Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

Financial Report

NAVAID FINANCIAL SERVICES, INC.

December 31, 2015

NAVAID FINANCIAL SERVICES, INC.

**Financial Statements and Supplementary Financial Information
For the Year Ended December 31, 2015**

and

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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SIANA CARR O'CONNOR & LYNAM, LLP

Certified Public Accountants

1500 E. Lancaster Avenue
Paoli, PA 19301

Phone: 610-296-4200 * Fax: 610-296-3659
www.scolcpa.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Navaid
Financial Services, Inc.

We have audited the accompanying statement of financial condition of Navaid Financial Services, Inc. as of December 31, 2015 and the related statements of operations, changes in subordinated borrowings, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of Navaid Financial Services, Inc. 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 Navaid Financial Services, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The supplementary information contained in Schedules I, II and III and notes to the supplementary schedules on pages 10 - 13 has been subjected to audit procedures performed in conjunction with the audit of Navaid Financial Services, Inc.'s financial statements. The supplemental information is the responsibility of Navaid Financial Services, 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 17 C.F.R. §240.17a-5. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Siana Carr O'Connor & Lynam, LLP
SIANA CARR O'CONNOR & LYNAM, LLP

Paoli, PA

February 22, 2016

NAVAID FINANCIAL SERVICES, INC.
Statement of Financial Condition
December 31, 2015

Assets	
Cash	\$ 801,937
Deposits with clearing organization and others	1,503,617
Marketable securities	11,495,174
Receivable from clearing organization and others	90,233
Accrued interest receivable	65,535
Prepaid expenses and other assets	3,600
Furniture and equipment, net	1,570
Total assets	\$ 13,961,666

Liabilities:	
Accounts payable and accrued expenses	\$ 930,883
Payable to clearing organization	11,392,794
Total liabilities	12,323,677
Subordinated borrowings	1,500,000
Shareholders' equity:	
Common stock (\$.01 par value, 1,000 shares authorized, 106 shares issued and outstanding)	1
Additional paid-in capital	99,999
Retained earnings	37,989
Total shareholders' equity	137,989
Total liabilities and shareholders' equity	\$ 13,961,666

(The accompanying notes are an integral part of this financial statement.)

NAVAID FINANCIAL SERVICES, INC.
Statement of Operations
For the Year Ended December 31, 2015

Revenues:		
Trading gains and losses, net	\$	1,028,971
Interest income		264,919
Commission income		503
<hr/>		
Total revenues		1,294,393
<hr/>		
Expenses:		
Commissions		902,500
Employee compensation and benefits		72,504
Interest expense		131,869
Outside services		157,380
Other expenses		13,717
Occupancy and office		8,578
<hr/>		
Total expenses		1,286,548
<hr/>		
Net income	\$	7,845

(The accompanying notes are an integral part of this financial statement.)

NAVAID FINANCIAL SERVICES, INC.
Statement of Changes in Subordinated Borrowings
For the Year Ended December 31, 2015

Subordinated borrowings at December 31, 2014	\$ 1,500,000
2015 activity	-
<hr/>	
Subordinated borrowings at December 31, 2015	\$ 1,500,000

(The accompanying notes are an integral part of this financial statement.)

NAVAID FINANCIAL SERVICES, INC.
Statement of Changes in Shareholders' Equity
For the Year Ended December 31, 2015

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount			
December 31, 2014	106	\$ 1.00	\$ 99,999	\$ 111,682	\$ 211,682
Distributions	-	-	-	(81,538)	(81,538)
Net income	-	-	-	7,845	7,845
December 31, 2015	106	\$ 1	\$ 99,999	\$ 37,989	\$ 137,989

(The accompanying notes are an integral part of this financial statement.)

NAVAID FINANCIAL SERVICES, INC.
Statement of Cash Flows
For the Year Ended December 31, 2015

Cash flows from operating activities:	
Net income	\$ 7,845
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	1,030
(Increase) decrease in:	
Deposits with clearing organization and others	(325)
Marketable securities	(878,370)
Receivable from clearing organization and others	125,799
Accrued interest receivable	(7,960)
Increase in:	
Accounts payable and accrued expenses	86,500
Payable to clearing organization	1,013,940
Net cash provided by operating activities	348,459
Cash flows from financing activities:	
Distributions	(81,538)
Net cash flows from financing activities	(81,538)
Cash - beginning of year	535,016
Cash - end of year	\$ 801,937
Interest paid	\$ 132,358

(The accompanying notes are an integral part of this financial statement.)

SUPPLEMENTARY

FINANCIAL

INFORMATION

NAVAID FINANCIAL SERVICES, INC.
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2015

Net capital:	
Total shareholders' equity	\$ 137,989
Add - subordinated borrowings allowable as net capital	1,500,000
<hr/>	
Total capital and allowable subordinated borrowings	1,637,989
Less - total non-allowable assets	11,344
haircuts on securities	958,012
<hr/>	
Net capital	\$ 668,633
<hr/>	
Aggregate indebtedness	\$ 930,883
<hr/>	
Total aggregate indebtedness	\$ 930,883
<hr/>	
Computation of basic net capital requirement:	
Net capital requirement	\$ 100,000
Net capital	668,633
<hr/>	
Excess of net capital	\$ 568,633
<hr/>	
Net capital less greater of 10% of aggregate indebtedness or 120% of minimum dollar net capital requirement	\$ 548,633
<hr/>	
Ratio of aggregate indebtedness to net capital	1.39 to 1
<hr/>	

NAVAID FINANCIAL SERVICES, INC.
Computation for Determination of Reserve Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission
December 31, 2015

Not applicable: The Company has claimed an exemption to SEC Rule 15c3-3 pursuant to sub paragraph 15c3-3(k)(2)(ii), and therefore no "Computation for Determination of Reserve Requirement" under that rule have been provided.

NAVAID FINANCIAL SERVICES, INC.
Information for Possession or Control Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission
December 31, 2015

Not applicable: The Company has claimed an exemption to SEC Rule 15c3-3 pursuant to sub paragraph 15c3-3(k)(2)(ii), and therefore no "Information for Possession or Control Requirements" under that rule have been provided.

NAVAID FINANCIAL SERVICES, INC.
Notes to Supplemental Schedules
December 31, 2015

Reconciliation of the audited computation of Net Capital (Schedule I) and the computation of Net Capital included in the Company's unaudited December 31, 2015 FOCUS Part IIA filing.

Not Applicable: There are no differences between the audited computation of Net Capital (Schedule I) and the computation of Net Capital included in the Company's unaudited December 31, 2015 FOCUS Part IIA filing.

NAVAID FINANCIAL SERVICES, INC.
Notes to Supplemental Schedules
December 31, 2015

Reconciliation of the audited computation of Net Capital (Schedule I) and the computation of Net Capital included in the Company's unaudited December 31, 2015 FOCUS Part IIA filing.

Draft of Net Capital provided to auditors prior to filing the unaudited December 31, 2015 FOCUS Part IIA filing	\$ 601,385
Audit adjustments to non-allowable assets	-
Audit adjustments to net income	-
<hr/>	
Net capital per unaudited original December 31, 2015 FOCUS Part IIA filing	604,955

NAVAID FINANCIAL SERVICES, INC.
Notes to Financial Statements
December 31, 2015

(1) ORGANIZATION AND BACKGROUND

Navaid Financial Services, Inc. (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company operates on a fully-disclosed basis whereby we do not carry accounts for customers. The Company primarily trades in municipal bonds as proprietary transactions.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management's estimates

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

Securities transactions and commission expense

Proprietary securities transactions are recorded at fair value on the trade date, as if they had settled. Trading gains and losses arising from all securities transactions entered into for the account and risk of the Company, along with the related commission expense incurred, are also recorded on a trade date basis. Securities are valued using market value techniques as determined by management based on information provided by third parties and by analyzing inter-dealer trades on or around year-end for all positions held by the Company at year-end.

Income taxes

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code of 1986 and comparable state tax provisions to be taxed as an S-Corporation. In lieu of corporation income taxes, the shareholders of an S-Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements. The Company files tax returns in the U.S. federal jurisdiction, certain states and cities. The Company is no longer subject to U.S. federal, state and local examinations by tax authorities for 2011 and prior.

(3) MARKETABLE DEBT SECURITIES

As described in Note 2, the Company values marketable securities at fair value in accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements*. Investments are classified as Level 1, which refers to unadjusted quoted prices in active markets for identical assets that are accessible at the measurement date; Level 2, which refers to inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly; and Level 3, which refers to unobservable market inputs. All securities held at December 31, 2015 were municipal bonds classified as Level 2 investments using a market value approach.

NAVAID FINANCIAL SERVICES, INC.
Notes to Financial Statements
December 31, 2015

(4) RELATED PARTY TRANSACTIONS

The Company provides brokerage services for a fund that is owned and managed by the shareholders. The Company waived all markups and commissions for the fund for 2015. However, the fund reimburses the Company for their costs from outside parties. The Company was reimbursed \$11,451 in 2015. \$1,066 was due from the fund at December 31, 2015. Additionally, the Company may buy/sell bonds from/to the fund at cost.

The Company had a month to month \$1,277 sub-lease agreement with a related party which is partially owned by some of the shareholders. The lease ended in September 2015. Total sublease income for the year was \$16,352.

The Company also provides brokerage services on behalf of clients of an investment advisor that is owned and managed by the shareholders. There are minimal trades made during the year on behalf of the investment advisor's clients. Additionally, the investment advisor earns management fees which pass through the Company's accounts. The Company owed \$2,441 to the investment advisor at December 31, 2015, which is recorded as accounts payable and accrued expenses in the accompanying statement of financial condition.

Two of the Company's traders are also shareholders. The Company incurred commissions of \$902,500 in 2015 to these shareholders. Additionally, \$904,045 is due to the traders at December 31, 2015.

(5) RECEIVABLE FROM AND PAYABLE TO CLEARING ORGANIZATION

The Company clears its proprietary and customer transactions through another broker-dealer on a fully disclosed basis. The receivable represents net trading gains earned in December. The amount payable to the clearing broker relates to securities purchased on margin. This balance is secured by the Company's proprietary investments and clearing deposit. The Company's agreement with the clearing broker allows them to borrow up to ten times their investment balance, limited to \$15,000,000. The payable balance incurs interest at the federal funds rate plus an applicable margin.

(6) SUBORDINATED BORROWINGS

The borrowings under subordinated agreements consist of notes payable to two shareholders. The notes expire on October 31, 2016 and include interest at 5%, which is payable monthly. Interest expense was \$75,000 for 2015.

NAVAID FINANCIAL SERVICES, INC.
Notes to Financial Statements
December 31, 2015

(7) NET CAPITAL REQUIREMENTS

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of a minimum net capital and a ratio of aggregate indebtedness to net capital, not exceeding 15 to 1. At December 31, 2015, the Company had net capital, as defined, of \$668,633 which was \$568,633 in excess of its minimum required net capital of \$100,000. The Company's ratio of aggregate indebtedness to net capital was 1.39 to 1 as of December 31, 2015.

The SEC customer protection rule (Rule 15c3-3) requires the maintenance of reserves for customer accounts and sets forth specific guidelines regarding the possession of securities. The Company is exempt from this rule under Reg 240.15c3-3(k)(2)(ii) which provides an exemption for broker-dealers who operate on a fully-disclosed basis. Therefore, Schedules II and III on pages 11 and 12 are not applicable.

(8) 401(k) RETIREMENT PLAN

The Company has a 401(k) retirement plan covering all employees. The Company matches the first 6% of eligible employees' compensation. The Company's expense related to the plan was \$732 for 2015.

(9) CONCENTRATION OF CREDIT RISK

Cash

The Company maintains its cash accounts at one financial institution. Balances are insured by the FDIC up to \$250,000. The uninsured cash balances totaled \$555,937 at December 31, 2015.

Marketable debt securities

The Company's proprietary investments consist solely of municipal securities. At December 31, 2015, the balance was comprised of seventeen securities, of which six positions represented 65% of marketable securities.

Agreements with traders

The Company has agreements with two traders on a month to month basis, of which one trader executes a majority of all trades. If this trader were to terminate the agreement, the ongoing operations of the Company would be materially affected.

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through the issuance of the financial statements.

SIANA CARR O'CONNOR & LYNAM, LLP

Certified Public Accountants

1500 E. Lancaster Avenue
Paoli, PA 19301

Phone: 610-296-4200 * Fax: 610-296-3659
www.scolepa.com

INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT ON SCHEDULE OF ASSESSMENT AND PAYMENTS (FORM SIPC-7)

Shareholders of Navaid Financial
Services, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2015, which were agreed to by Navaid Financial Services, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating Navaid Financial Services, Inc.'s compliance with the applicable instructions of Form SIPC-7. Navaid Financial Services, Inc.'s management is responsible for Navaid Financial Services, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

- 1) Compared the listed assessment payments in Form SIPC-7 with respective cash disbursements in the Company's bank statements noting no differences;
- 2) Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2015, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2015, noting no differences;
- 3) Compared any adjustments reported in Form SIPC-7 with the commission calculation work paper and general ledger prepared by the Company noting no differences and;
- 4) Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers prepared by the Company supporting the adjustments noting no differences.
- 5) Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed, noting no differences (if applicable).

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.


SIANA CARR O'CONNOR & LYNAM, LLP

Paoli, PA
February 22, 2016

SIANA CARR O'CONNOR & LYNAM, LLP

Certified Public Accountants

1500 E. Lancaster Avenue
Paoli, PA 19301

Phone: 610-296-4200 * Fax: 610-296-3659
www.scolepa.com

February 22, 2016

To the Shareholders of
Navaid Financial Services, Inc.

In connection with our audit of the financial statements and supplemental information of Navaid Financial Services, Inc. for the year ended December 31, 2015 and have issued our report thereon dated February 22, 2016. Professional standards require that we provide you with the following information related to our audit.

Significant and Critical Accounting Policies and Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The Company's significant accounting policies are disclosed in the notes to the financial statements as required by generally accepted accounting principles pursuant to Rule 17a-5 under the Securities and Exchange Act of 1934. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2015. We noted no transactions entered into by the Company during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

Critical accounting policies and practices are those that are both most important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The critical accounting policies used by Navaid Financial Services, Inc. in its 2015 financial statements are described in Note 2 to the financial statements and relate to the policies the Company uses to value municipal securities. Fair value measurements are critical because they are subject to estimation and require management to provide support for value.

Critical Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Critical accounting estimates are estimates for which (1) the nature of the estimate is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and (2) the impact of the estimate on financial condition or operating performance is material. There are no such estimates.

Significant Unusual Transactions

For purposes of this letter, professional standards define *significant unusual transactions* as transactions that are outside the normal course of business for the Company or that otherwise appear to be unusual due to their timing, size or nature. We noted no significant unusual transactions during our audit.

Related-party Relationships and Transactions

As part of our audit, we evaluated the Company's identification of, accounting for, and disclosure of the Company's relationships and transactions with related parties as required by professional standards. We noted no related parties or related-party relationships or transactions that were previously undisclosed to us; significant related-party transactions that have not been approved in accordance with the Company's policies or procedures or for which exceptions to the Company's policies or procedures were granted; or significant related-party transactions that appeared to lack a business purpose.

Quality of the Company's Financial Reporting

Management is responsible not only for the appropriateness of the accounting policies and practices, but also for the quality of such policies and practices. Our responsibility under professional standards is to evaluate the qualitative aspects of the company's accounting practices, including potential bias in management's judgments about the amounts and disclosures in the financial statements, and to communicate the results of our evaluation and our conclusions to you. Some of the qualitative aspects that were addressed as part of our audit included the following: 1) assessment of management's disclosures related to the company's critical accounting policies and any changes to those disclosures that the auditors proposed that management did not make, and 2) the evaluation of whether the presentation of the financial statements and the related disclosures are in conformity with GAAP.

Uncorrected and Corrected Misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial and to communicate accumulated misstatements to management. We did not identify any misstatements in the financial statements or disclosures.

Exceptions to Exemption Provisions

In connection with our review of the Company's Statement of Exemption, we did not identify any exceptions to the exemption provisions that would cause the Company's assertions not to be fairly stated, in all material respects.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no disagreements with management arose during the course of our audit.

Difficulties Encountered in Performing the Audit


We encountered no significant difficulties in dealing with management in performing and completing our audit.

Supplemental Information

Based on the regulatory requirements of SEC Rule 17a-5, the Company presents supplementary information that accompanies the financial statements. We subjected that supplemental information to audit procedures in accordance with PCAOB Auditing Standard No. 17, *Auditing Supplemental Information Accompanying Audited Financial Statements*. Based on our audit procedures performed, the supplemental information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This information is intended solely for the use of the shareholders and management of Navaid Financial Services, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


Siana Carr O'Connor & Lynam, LLP



16014257
 Mail Processing
 Section
 MAR 11 2016
 Washington DC
 414

SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

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

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8-48744

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 01/01/2015 AND ENDING 12/31/2015
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER: Citizens Securities, Inc.

OFFICIAL USE ONLY
FIRM ID.NO.

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

770 Legacy Place
 (No. and Street)

Dedham Massachusetts 02026
 (City) (State) (Zip Code)

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

Shaun O'Brien (781) 471-1554

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Deloitte & Touche LLP
 (Name - if individual, state last, first, middle name)

200 Berkeley Street Boston Massachusetts 02116
 (Address) (City) (State) (Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

Handwritten signature


Handwritten mark

CITIZENS SECURITIES, INC.

(An indirect Wholly Owned Subsidiary of Citizens Financial Group, Inc.)

OATH OR AFFIRMATION


I, **Shaun O'Brien**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of **Citizens Securities, Inc.** as of and for the year ended 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.



Signature

CFO and Senior V.P.

Title



Notary Public

CITIZENS SECURITIES, INC.

(SEC I.D. No. 8-48744)

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2015
AND
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

* * * * *

Filed pursuant to Rule 17a-5(e)(3) as a **PUBLIC DOCUMENT**

CITIZENS SECURITIES, INC.

(An indirect Wholly Owned Subsidiary of Citizens Financial Group, Inc.)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of
Citizens Securities, Inc.

We have audited the accompanying financial statements of Citizens Securities, Inc. ("the Company"), an indirect wholly owned subsidiary of Citizens Financial Group, Inc., which comprise the statement of financial condition as of December 31, 2015, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the Company as of December 31, 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplemental Schedules

The supplemental schedules g, h and i listed in the accompanying table of contents have been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. These supplemental schedules are the responsibility of the Company's management. Our audit procedures included determining whether the supplemental schedules reconcile 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 schedules. In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are presented in compliance with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, such schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Deloitte & Touche LLP

February 29, 2016

CITIZENS SECURITIES, INC.**(An Indirect Wholly Owned Subsidiary of Citizens Financial Group, Inc.)****STATEMENT OF FINANCIAL CONDITION****AS OF DECEMBER 31, 2015****(In thousands, except share figures)****ASSETS**

Cash and cash equivalents	\$ 50,481
Restricted cash — deposits with clearing organizations	120
Commissions receivable — net of reserves of \$160	5,591
Fees receivable	2,338
Employee loan advances — net of reserves of \$221	7,676
Deferred commissions	5,400
Deferred tax asset — net	2,651
Due from affiliates	1,059
Due from RBS	1,054
Furniture and equipment — net of accumulated depreciation of \$1,605	792
Other assets	<u>1,702</u>
TOTAL ASSETS	\$ <u>78,864</u>

LIABILITIES AND STOCKHOLDER'S EQUITY**LIABILITIES:**

Accrued incentive compensation	\$ 12,747
Due to affiliates	3,762
Securities sold not yet purchased	8
Accrued expenses and other liabilities	<u>4,352</u>
Total liabilities	<u>20,869</u>

STOCKHOLDER'S EQUITY:

Common stock, \$0.01 par value — authorized, 8,000 shares; issued and outstanding, 100 shares	-
Additional paid-in capital	17,689
Retained earnings	<u>40,306</u>
Total stockholder's equity	<u>57,995</u>

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY **\$ 78,864**

See notes to financial statements.

CITIZENS SECURITIES, INC.
(An Indirect Wholly Owned Subsidiary of Citizens Financial Group, Inc.)

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(In thousands)

REVENUES:	
Commissions	\$ 122,801
Fees	<u>22,854</u>
Total revenues	<u>145,655</u>
EXPENSES:	
Employee compensation and benefits	68,321
Services and management fee to Parent	26,572
Clearing and investment management advisory fees	8,022
Outside service fees	3,970
Licenses and regulatory fees	2,226
Occupancy and equipment	2,206
Travel and entertainment	693
Legal and audit	627
Communications	259
Other expenses	<u>2,164</u>
Total expenses	<u>115,060</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	30,595
INCOME TAX EXPENSE	<u>12,252</u>
NET INCOME	<u>\$ 18,343</u>

See notes to financial statements.

CITIZENS SECURITIES, INC.

(An Indirect Wholly Owned Subsidiary of Citizens Financial Group, Inc.)

**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015**

(In thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
BALANCE — January 1, 2015	\$ -	\$ 17,689	\$ 21,963	\$ 39,652
Net income	-		18,343	18,343
BALANCE — December 31, 2015	\$ -	\$ 17,689	\$ 40,306	\$ 57,995

See notes to financial statements.

CITIZENS SECURITIES, INC.
(An Indirect Wholly Owned Subsidiary of Citizens Financial Group, Inc.)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 18,343
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization of employee loan advances	1,566
Depreciation and amortization	611
Deferred income taxes	(345)
Changes in operating assets and liabilities:	
Increase in commissions receivable	(557)
Decrease in fees receivable	1,398
Increase in due from affiliates	(1,059)
Decrease in due from RBS	3,071
Increase in employee loan advances and repayments, net	(1,747)
Increase in other assets	(1,070)
Increase in accrued incentive compensation	1,962
Increase in due to affiliates	3,516
Decrease in securities sold not yet purchased	(564)
Decrease in accrued expenses and other liabilities	<u>(2,573)</u>
Net cash provided by operating activities	<u>22,552</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of furniture and equipment	<u>(555)</u>
Net cash used by investing activities	<u>(555)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,997
CASH AND CASH EQUIVALENTS — Beginning of year	<u>28,484</u>
CASH AND CASH EQUIVALENTS — End of year	<u>50,481</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES — Income tax payments	
	<u>\$ 13,882</u>

See notes to financial statements.

CITIZENS SECURITIES, INC.
(An Indirect Wholly Owned Subsidiary of Citizens Financial Group, Inc.)

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in thousands)

1. NATURE OF OPERATIONS

Citizens Securities, Inc. (the “Company”), a Rhode Island corporation incorporated on September 21, 1995, is a registered broker-dealer with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA). The Company commenced operations on January 19, 1996, and distributes and sells mutual funds and provides certain insurance, securities, brokerage, and investment advisory services.

The Company is a wholly owned subsidiary of Citizens Bank, N.A. (the “Parent”), which is a wholly owned subsidiary of Citizens Financial Group, Inc. (CFG). Previously, CFG was a majority-owned subsidiary of The Royal Bank of Scotland Group plc (RBS). RBS sold its remaining shares of CFG on November 3, 2015 completing its divestiture of CFG that began on September 29, 2014.

The Company introduces brokerage transactions for clearance and execution services to National Financial Services Corporation (NFSC), an unrelated third party on a fully-disclosed basis. The agreement between the Company and NFSC provides that the Company is obligated to assume an exposure related to nonperformance by its customers, thus exposing the Company to off-balance sheet risk in the event the customer is unable to fulfill its contractual obligations. The Company monitors its customer activity by reviewing information it receives from NFSC on a daily basis, requiring customers to deposit additional collateral or reduce positions and reserving for doubtful accounts, when considered necessary.

The Company’s customer base is primarily concentrated in New England, Pennsylvania, New York and the Midwest. Revenues are dependent, in part, on customers’ investing patterns and requirements, which may vary with changes in the local and national economies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The financial statements include the accounts of the Company and are prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America. RBS sold its remaining shares in CFG in the fourth quarter of 2015. The Company will include significant amounts with RBS in the financial statements and footnotes as related party transactions due to being an affiliate for the majority of the year. Refer to Note 4 for further details.

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 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. Material estimates that are particularly susceptible to significant change in the near term relate to accrued incentive compensation, income taxes, fair value, fees receivable, reserve for doubtful accounts and other contingencies.

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(Amounts In thousands)

Revenue Recognition — Commission revenue represents commissions received from the sales of mutual funds, fixed and variable annuities, traditional life insurance products, unit investment trusts, market-linked CDs and structured notes, and other brokerage related transactions. The Company recognizes commission income on these products on a trade date basis.

In addition, the Company also earns commissions on asset-based fees such as 12b-1 fees and investment management advisory fees that are charged to the funds and credited to the Company over a stated period. The Company recognizes these fees when they are earned.

The Company recognizes fee revenue from customers on individual retirement accounts and customer account inactivity fees, which are accrued in the period in which they are earned.

Also, the Company recognizes fees related to referrals received from Stifel, Oppenheimer and RBS Securities Inc. (an affiliate of RBS) for services of introducing clients to underwritings of SEC registered securities and loans. Revenue is accrued when the majority of the deals are completed and are trued-up upon final settlement.

Cash and Cash Equivalents — For the purposes of reporting cash flows, balances include cash and money market accounts with an original maturity of less than 90 days. At December 31, 2015, cash equivalents included \$47,517 of money market mutual funds.

Restricted Cash - Deposits at Clearing Organizations — Represents the cash account balance that is required to be maintained at clearing organizations based on clearing services agreements. As of December 31, 2015, \$100 and \$20 were held at NFSC and the Depository Trust & Clearing Corporation, respectively.

Securities Sold Not Yet Purchased — Securities sold not yet purchased, are recorded at fair value, with related changes reflected in results of operations for the period.

Employee Loan Advances, net — To recruit and retain financial consultants, the Company offers employee advances to financial consultants who meet specific criteria. Advances paid to financial consultants are charged to employee compensation and benefits on a straight line basis over a five to seven year period, which represents the period of loan forgiveness. Should a financial consultant leave employment of the Company before the end of the term of the note, the remaining balance of the advance would be repayable to the Company. The Company maintains a reserve for advances made to financial consultants who have left the Company prior to full amortization of the note.

Deferred Commissions — For certain commissions that are received over a period of time, as opposed to immediately upon sale, the Company will pay its financial consultants an amount that represents an estimate of such commissions to be earned over the initial twelve months of the contract as well as finders fees for newly managed assets which are amortized over the life of the assets, not to exceed five years. Such payments are recorded as an asset, and are amortized over the respective period. Payouts to

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NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in thousands)

the financial consultants for the remaining terms of such income are paid out on the same basis as the related income is received. Refer to Note 6 for further details.

Fair Value of Financial Instruments — Certain financial assets and liabilities are measured at fair value on the Company's statement of financial condition. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

Fair value measurements are classified within one of three levels in the valuation hierarchy based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by market data for substantially the full term of the financial instrument.

Level 3 — Unobservable inputs to the valuation methodology that are supported by little or no market information and that are significant to the fair value measurement.

Financial instruments categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Refer to Note 11 for further details.

Incentive compensation — The Company maintains two incentive compensation plans for which it provides additional compensation to its financial consultants. The two plans are as follows:

- The annual production deferred bonus plan is based on current year commission sales, which are accrued for in the period of the commission sales and paid out in full, after a four year period has elapsed. If a financial consultant terminates his employment with the Company, the entire amount of the compensation accrued for under the plan is forfeited back to the Company. The Company applies a forfeiture rate against the total of the accrual awards, which is based on the historical forfeitures under this plan.
- The incentive plan deals with the accrual and payment of commissions based on the general sale of fund products through the Company. The payouts under this are generally paid out within a month of being earned by the financial consultant.

In addition, the Company maintains an annual bonus plan which involves the award of cash and restricted stock units from CFG to certain executives of the Company. A restricted stock unit is the right to receive shares of CFG stock on a future date, which may be subject to time-based vesting conditions. Time-based restricted stock units granted generally become vested ratably over a three-year period.

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Compensation expense is accrued on a straight line basis over the requisite service period.

Recent Accounting Pronouncements — In August 2015, the FASB issued ASU No. 2015-14 “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date” which defers the effective date of the new revenue standard by one year. As a result of this deferral, the new revenue standard is effective for the Company beginning on January 1, 2018. The Company is currently assessing the impact of this guidance on the Company’s Financial Statements.

3. RELATED PARTY TRANSACTIONS

The Company has entered into investment services agreements with its Parent. The Company provides securities brokerage and investment advisory services to customers at bank branches of the Parent. The Parent provides support services to the Company and allocates direct and indirect costs attributable to the Company. Such costs include, but are not limited to costs of the bank personnel servicing the Company, communication and data line expenses, data center and technology, audit and general overhead. For the year ended December 31, 2015, the total fees incurred were \$26,572, which were included in services and management fee to Parent in the statement of income. In addition, \$977 in occupancy charges was also paid to the Parent.

The Company participates in a non-contributory pension plan sponsored by CFG (the “Plan” or “qualified plan”) that was closed to new hires and re-hires effective January 1, 2009 and frozen to all participants effective December 31, 2012. Benefits under the Plan are based on employees’ years of service and highest five-year average eligible compensation. The Plan is funded on a current basis, in compliance with the requirements of ERISA. The Company also provides an unfunded, non-qualified supplemental retirement plan (the “non-qualified plan”), which was closed and frozen consistent with the qualified plan.

For the year ended December 31, 2015, the pension retirement benefit expense resulted in a net gain of approximately \$76 to the Company, which is included as a component of employee compensation and benefits expense on the statement of income.

4. SIGNIFICANT TRANSACTIONS WITH RBS

The Company has a service agreement with RBS Securities Inc., an affiliate of RBS, for the purpose of providing services for introducing the Company’s clients to underwritings of SEC registered securities offerings and loan products of RBS Securities, Inc. In 2015, the Company received fees of \$9,214, which are recorded as fees on the statement of income and incurred expenses in conjunction with those fees of \$856, which are included in other expenses on the statement of income.

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NOTES TO FINANCIAL STATEMENTS
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(Amounts in thousands)

5. EMPLOYEE LOAN ADVANCES

During the year ended December 31, 2015, the Company paid \$2,658 in new employee loan advances and the on-going amortization of new and existing employee loan advances amounted to \$1,566. Amortization expense is included as a component of employee compensation and benefits expense on the statement of income.

As of December 31, 2015, the balance of the Company's employee loan advances totaled \$13,205 offset by accumulated amortization of \$5,529, netting to a balance of \$7,676. Accumulated amortization consists of amortization expense, loan repayments and reserves. Over the year, the Company's reserve for doubtful accounts increased \$28, from \$193 to \$221 as of December 31, 2015.

6. DEFERRED COMMISSIONS

During the year ended December 31, 2015, the Company paid \$4,805 to its financial consultants for commissions to be earned over the relevant period. Additionally, the Company amortized \$4,541 of previously deferred commissions for the year ended December 31, 2015. This amount is recorded on the statement of income within the employee compensation and benefits line.

As of December 31, 2015, the Company has accrued a balance of \$5,400 for deferred commissions. This amount is recorded on the statement of financial condition within the deferred commissions line.

7. FURNITURE, EQUIPMENT AND SOFTWARE

Furniture, equipment, and software are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful life of the assets, typically four to ten years.

	Cost
Furniture	\$ 26
Equipment	2,173
Equipment in process	<u>198</u>
Total furniture and equipment	2,397
Less: accumulated depreciation	<u>(1,605)</u>
Furniture and equipment — net	<u>\$ 792</u>

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NOTES TO FINANCIAL STATEMENTS
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(Amounts in thousands)

Capitalized software assets are reported as a component of other assets in the balance sheet.

	Cost
Software	\$ 4,441
Software in process	<u>73</u>
Total software	4,514
Less: accumulated amortization	<u>(3,981)</u>
Software — net	<u>\$ 533</u>

8. ACCRUED INCENTIVE COMPENSATION

Under its various accrued incentive compensation plans, as of December 31, 2015, the total accrued amounts under each of the plans is as follows:

Annual production deferred bonus plan	\$ 6,493
Accrued incentive plan	4,094
Annual bonus plan	<u>2,160</u>
Total	<u>\$12,747</u>

The amount is included in the statement of financial condition, within the accrued incentive compensation line.

9. NET CAPITAL REQUIREMENTS

The Company is subject to the SEC Uniform Net Capital Rule (“Rule 15c3-1”), which requires the maintenance of minimum net capital, as defined, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15-to-1. At December 31, 2015, the Company had net capital of \$13,810, which was in excess of the required net capital of \$1,391 by \$12,419. The Company’s ratio of aggregate indebtedness to net capital was 1.51-to-1.

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NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in thousands)

10. INCOME TAXES

The Company, along with other affiliates, is included in the consolidated federal tax return filed by CFG and in certain combined and unitary state returns. For federal taxes and for taxes in states in which the Company is included in a combined or unitary return, the Company computes its current and deferred tax provision using the applicable consolidated, combined or unitary tax rate. The Company settles its income tax provision/(benefit) with CFG by agreement through intercompany accounts. At December 31, 2015, the amount payable to CFG was \$652, which is included in accrued expenses and other liabilities.

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The components of income taxes from continuing operations for the year ended December 31, 2015, were as follows:

Current income taxes:	
Federal	\$ 10,295
State	<u>2,302</u>
Total current income tax provision	<u>12,597</u>
Deferred income taxes:	
Federal	(234)
State	<u>(111)</u>
Total deferred income tax provision	<u>(345)</u>
Total income tax provision from continuing operations	<u>\$ 12,252</u>

The effective income tax rate differed from the U.S. federal income tax rate of 35% primarily as a result of state taxes.

The tax effects of temporary differences that give rise to significant portions of deferred taxes for the year ended December 31, 2015, is as follows:

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NOTES TO FINANCIAL STATEMENTS
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Deferred tax assets:	
Accrued expenses	\$ 5,122
State net operating loss	1
Deferred tax liabilities:	
Depreciation	(302)
Deferred commissions	<u>(2,170)</u>
Net deferred tax asset	<u>\$ 2,651</u>

The Company, as part of certain consolidated or combined returns, is subject to examination by the Internal Revenue Service (IRS) and various states, and is presently not under examination by the IRS. The Company recognizes interest and penalties related to unrecognized tax benefits within income tax expense in the statement of income.

There were no uncertain tax positions relating to the Company as of and during the year ended December 31, 2015.

11. FAIR VALUE MEASUREMENTS

The valuation techniques used to measure the Company's assets and liabilities at fair value depends upon the specific nature of the asset and liabilities. The following is a description of the valuation methodologies and summary of assets and liabilities measured at fair value on the statement of financial condition on a recurring basis at December 31, 2015:

Money Market Mutual Funds — Fair value is determined based upon unadjusted quoted market prices and is considered a Level 1 fair value measurement.

	2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets — money market mutual funds	<u>\$47,517</u>	<u>\$</u>	<u>\$</u>	<u>\$ 47,517</u>

There were no transfers between Levels 1 and 2 during the year ended December 31, 2015.

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NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in thousands)

12. RISKS AND UNCERTAINTIES

The Company generates a significant portion of its revenues by providing securities and brokerage services to domestic customers. Revenues for these services are transaction-based. The Company also receives revenues based on customers' asset values. As a result, the Company's revenues could vary based on the performance of financial markets around the world.

The Company clears all of its securities transactions through its clearing broker, NFSC, on a fully disclosed basis. NFSC records customers' securities transactions on a settlement date basis, which is generally three business days after trade date. The Company is therefore exposed to off-balance sheet risk of loss on such transactions in the event customers and other counterparties are unable to fulfill contractual obligations.

13. CONTINGENCIES

The Company, from time to time, is involved in litigation or other proceedings related to customer claims for regulatory matters. The aggregate liabilities, if any, arising from such proceedings are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. Legal reserves have been established when it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Once established, reserves are adjusted when there is additional information available or when an event occurs requiring a change.

In addition, the Company estimates possible losses in which there is no accrued liability related to legal proceedings. At December 31, 2015, the range of possible loss in excess of the Company's recorded accrual is approximately \$211.

14. SUBSEQUENT EVENTS

The Company has evaluated events that have occurred subsequent to December 31, 2015 and is not aware of any subsequent events which would require disclosure in the financial statements.

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SUPPLEMENTAL SCHEDULES

CITIZENS SECURITIES, INC.**(An Indirect Wholly Owned Subsidiary of Citizens Financial Group, Inc.)****COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO RULE 15C3-1 AND
RECONCILIATION OF THE AUDITED COMPUTATION OF NET CAPITAL AND UNAUDITED PART IIA
COMPUTATION PURSUANT TO PARAGRAPH (D)(4) OF RULE 17A-5
AS OF DECEMBER 31, 2015
(In thousands)**

COMPUTATION OF NET CAPITAL	<u>As Filed</u>	<u>Adjusted</u>	<u>Amended</u>
TOTAL STOCKHOLDER'S EQUITY	\$ 58,163	\$ (168) ^(a)	\$ 57,995
DEDUCTIONS AND/OR CHARGES — Non-allowable assets:			
Commissions and fees receivable — net	8,417	(1,322) ^(a)	7,095
Employee loan advances — net	7,676		7,676
Furniture, equipment and software — net	1,325		1,325
Due from affiliates	1,059		1,059
Due from RBS	-	1,054 ^(a)	1,054
Deferred commissions	5,411	(11) ^(a)	5,400
Other assets	6,686	13,200 ^(a)	19,886
Total non-allowable assets	30,574	12,921	43,495
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITIONS	27,589	(13,089)	14,500
HAIRCUT ON SECURITIES	(13,792)	13,102 ^(a)	(690)
NET CAPITAL	\$ 13,797	\$ 13	\$ 13,810
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT			
MINIMUM NET CAPITAL REQUIREMENT (Representing 6-2/3% of aggregate indebtedness)	\$ 1,392		\$ 1,391
MINIMUM DOLLAR NET CAPITAL REQUIREMENT OF INTRODUCING BROKER OR DEALER	\$ 100		\$ 100
NET CAPITAL REQUIREMENT	\$ 1,392		\$ 1,391
EXCESS NET CAPITAL	\$ 12,405		\$ 12,419
COMPUTATION OF AGGREGATE INDEBTEDNESS			
AGGREGATE INDEBTEDNESS	\$ 20,875	\$ (13) ^(a)	\$ 20,862
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	151 %		151 %

Note:

The above chart and subsequent descriptions details the differences between these financial statements and the Company's unaudited FOCUS Report submitted January 27, 2016 as of December 31, 2015.

(a) - Tax and audit adjustments.

CITIZENS SECURITIES, INC.

(An Indirect Wholly Owned Subsidiary of Citizens Financial Group, Inc.)

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENT FOR BROKERS AND
DEALERS UNDER RULE 15C3-3 OF THE SECURITIES EXCHANGE ACT OF 1934**

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

SEC
Mail Processing
Section

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Washington DC
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February 29, 2016

Securities and Exchange Commission
Registrations Branch, Mail Stop 8031
100 F Street, NE
Washington, DC 20549

VIA FEDEX

To whom it may concern:

Enclosed is the 2015 Citizens Securities, Inc. Annual Audited Report, which includes the Report of Independent Registered Public Accounting Firm.

Sincerely,

A handwritten signature in cursive script that reads "Shaun O'Brien".

Shaun O'Brien
Senior Vice President
Chief Financial Officer

Securities, Insurance and Investment Advisory Services offered through Citizens Securities, Inc., otherwise referred to as Citizens Investment Services member FINRA, SIPC, 770 Legacy Place, MLP240, Dedham, MA 02026. (800) 942-8300. Citizens Securities, Inc., is an affiliate of Citizens Bank, N.A. and Citizens Bank of Pennsylvania.

Securities and Insurance Products are: • NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE
• NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY



Exemption Report

Citizens 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):

a. (2)(ii) – All customer transactions cleared through another broker-dealer on a fully disclosed basis.

(2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) throughout the period of January 1, 2015 through December 31, 2015 with the following exemptions:

Number of exceptions	Reason
19,939	Customer funds and securities were not transmitted to the clearing firm by noon the following business day after receipt by Company representatives.

Citizens Securities, Inc.

I, Shaun O'Brien, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By: Shaun O'Brien
Chief Financial Officer and SVP

February 29, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of
Citizens Securities, Inc.

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Citizens Securities, Inc. (the "Company") identified the following provisions of 17 C.F.R. § 240.15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3: paragraph (k)(2)(ii) (the "exemption provisions") and (2) the Company stated that the Company met the identified exemption provisions throughout the year ended December 31, 2015 except as described in its exemption report. The Company's management is responsible for compliance with the exemption provisions 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 Company'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.

Deloitte & Touche LLP

February 29, 2016