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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT *Mail Processing*
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PART III *FEB 28 2017*

SEC FILE NUMBER
8-67940

FACING PAGE
 Information Required of Brokers and Dealers Pursuant to Section 17 of the
 Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/16 AND ENDING 12/31/16
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: RCap Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1211 Avenue of the Americas

(No. and Street)

New York

NY

10036

(City)

(State)

(Zip Code)

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

Mike Hernandez

(646) 454-3742

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

DEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young, LLP

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

Five Times Square

New York

NY

10036

(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 a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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

OATH OR AFFIRMATION

I, Mike Hernandez, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of RCap Securities, Inc. , as of December 31, 2016, 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:

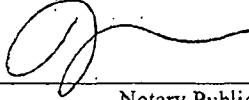
MANDY JOANNE LOUISY

Notary Public - State of New York

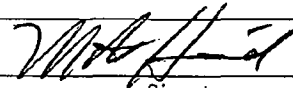
No. 01LO6350895

Qualified in New York County

My Commission Expires November 21, 2020

 2/23/2017

Notary Public



Signature

Chief Financial Officer

Title

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

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

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

RCap Securities, Inc.
Statement of Financial Condition
As of December 31, 2016

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Building a better
working world

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Report of Independent Registered Public Accounting Firm

The Board of Directors of RCap Securities, Inc.

We have audited the accompanying statement of financial condition of RCap Securities, Inc. (the "Company") as of December 31, 2016. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement of financial condition is 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 statement of financial condition referred to above presents fairly, in all material respects, the financial position of RCap Securities, Inc. at December 31, 2016, in conformity with U.S. generally accepted accounting principles.

February 23, 2017

RCap Securities, Inc.

Statement of Financial Condition

As of December 31, 2016

Assets

Cash and cash equivalents	\$	26,657,213
Reverse repurchase agreements		13,252,012,553
Deposits with clearing organizations		294,297,687
Receivable from brokers, dealers and clearing organizations		12,040
Receivable from affiliate		81,945
Other assets		<u>3,217,967</u>
Total Assets	\$	<u>13,576,279,405</u>

Liabilities

Repurchase agreements		13,175,770,138
Payable to brokers, dealers and clearing organizations		181,513
Payable to affiliate		10,516
Accounts payable and other liabilities		1,546,697
Subordinated borrowings due to parent		<u>150,000,000</u>
Total Liabilities		<u>13,327,508,864</u>

Stockholder's equity

Common stock - par value \$0.01 per share; 1,000,000 shares authorized, 1,000,000 issued and outstanding		10,000
Additional paid-in capital		248,845,811
Retained earnings (accumulated deficit)		<u>(85,270)</u>
Total stockholder's equity		<u>248,770,541</u>

Total liabilities & stockholder's equity	\$	<u>13,576,279,405</u>
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See notes to Statement of Financial Condition.

RCap Securities, Inc.

Notes to Statement of Financial Condition

December 31, 2016

1. Organization and Nature of Business

RCap Securities, Inc. (the "Company" or "RCap") was incorporated in Maryland, on July 3, 2008 and is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and member of the Financial Industry Regulatory Authority ("FINRA"). RCap was granted membership to FINRA in January 2009 and commenced operations in February 2009. RCap received approval as a member of Fixed Income Clearing Corporation ("FICC") on May 4, 2009 and Depository Trust and Clearing Corporation ("DTCC") on October 22, 2009. RCap is a wholly-owned taxable Real Estate Investment Trust ("REIT") subsidiary of Annaly Capital Management, Inc. (the "Parent"). RCap's principal business activity includes operating a financing matched book of predominantly U.S. Agency mortgage-backed securities. RCap is also approved to participate in underwriting syndicates.

2. Significant Accounting Policies

Basis of Presentation – The Statement of Financial Condition and related footnotes are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Cash and Cash Equivalents – The Company defines cash and cash equivalents as short-term, highly liquid securities and interest-earning deposits with maturities, when purchased, of 90 days or less. This includes amounts deposited in money market funds. Cash and cash equivalents are carried at cost, which approximates fair value.

Reverse Repurchase and Repurchase Agreements – The Company enters into reverse repurchase agreements and repurchase agreements (collectively "Repos") as part of the Company's matched book trading activity. The Company generates income from the spread between what is earned on the reverse repurchase agreements and what is paid on the matched repurchase agreements.

Repos are accounted for as collateralized financing transactions, and are recorded at their contracted resale or repurchase amount plus accrued interest. The Company earns and incurs interest over the term of the Repos on an accrual basis. Repos with the same counterparty and the same maturity are presented net in the Statement of Financial Condition when the terms of the agreement meet the criteria to permit netting.

RCap Securities, Inc.

Notes to Statement of Financial Condition (continued)

2. Significant Accounting Policies (continued)

The Company's policy is to monitor the fair value of the underlying collateral daily versus the related receivable or payable balances. Should the fair value of the underlying securities decline or increase, additional collateral is requested or excess collateral is returned, as appropriate.

Repos are transacted under master repurchase agreements that give the Company the right, in the event of default, to liquidate collateral held and to offset receivables and payables with the same counterparty.

Deposits with Clearing Organizations – The Company is a member of various clearing organizations with which it maintains cash required for the conduct of its day-to-day clearance activities. The Company carries cash deposited with clearing organizations at cost, which approximates fair value.

Other Assets and Other Liabilities – Other assets consist primarily of receivables, prepaid expenses, deferred tax assets, deposits and certain equipment and facilities less accumulated depreciation. Other liabilities consist primarily of accrued expenses and accounts payable.

Equipment and Facilities – Generally, the Company does not own or lease its own equipment and facilities. The cost of the majority of equipment and facilities, with the exception of the Company's data storage equipment and select trading equipment, is shared with affiliates and is allocated to the Company by the Parent based on an expense sharing agreement.

Use of Estimates – The preparation of the Statement of Financial Condition in conformity with GAAP 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 Statement of Financial Condition. Actual results could differ from those estimates.

Fair Value Measurements and Disclosures – Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, requires the disclosure, at fair value, of all financial instruments, including assets and liabilities recorded in the Statement of Financial Condition at their contract amounts. Management estimates that the carrying values of these financial instruments approximates their fair value, as they are short-term in nature or are open contracts subject to frequent re-pricing.

Legal Reserves – The Company accrues a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many lawsuits and arbitrations, including class action lawsuits, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no accrual is made until that time. As of December 31, 2016, the Company was not aware of any outstanding claims or legal actions against the Company.

RCap Securities, Inc.

Notes to Statement of Financial Condition (continued)

2. Significant Accounting Policies (continued)

Income Taxes – The Company is taxable as a domestic C Corporation and is subject to federal, state and local income taxes based upon its taxable income. The Company provides for income taxes on all transactions that have been recognized in the Statement of Financial Condition. Accordingly, in the event that there are deferred tax assets or liabilities, the deferred taxes would be adjusted to reflect the tax rates at which future taxable amounts will likely be settled or realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. The Company has recorded a deferred tax asset due to losses incurred as of December 31, 2016.

The provisions of ASC 740, *Income Taxes*, clarify the accounting for uncertainty in income taxes recognized in the Statement of Financial Condition and prescribe a recognition threshold and measurement attribute for tax positions taken or expected to be taken on a tax return. ASC 740 also requires that interest and penalties related to unrecognized tax benefits be recognized in the Statement of Financial Condition. The Company does not have any unrecognized tax benefits that would affect its financial position.

A summary of recent accounting pronouncements follows:

Standards that are not yet adopted

Financial Instruments – Credit Losses (Topic 326)

In June 2016, the FASB issued ASU No. 2016-13 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU updates the existing incurred loss model to a current expected credit loss model for financial assets and net investments in leases that are not accounted for at fair value through earnings. The amendments affect loans, repurchase agreements, debt securities held-to-maturity, trade receivables, net investments in leases, off balance sheet credit exposures and any other financial assets not excluded from the scope. There are also changes to the accounting for available-for-sale debt securities. The update is effective January 1, 2020 with early adoption permitted. The ASU is not expected to have significant impact on the Company's Statement of Financial Condition.

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)* which requires a lessee to recognize the assets and liabilities that arise from leases. The update is effective January 1, 2019. The Company is assessing the impact to its Statement of Financial Condition.

RCap Securities, Inc.

Notes to Statement of Financial Condition (continued)

2. Significant Accounting Policies (continued)

Financial Instruments - Overall (Subtopic 825-10)

In January 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The update is effective January 1, 2018 with early adoption permitted for a provision related to presentation of instrument-specific credit risk of liabilities accounted for under the fair value option. ASU 2016-01 is not expected to have a significant impact on the Company’s Statement of Financial Condition.

Standards that were adopted

Presentation

Presentation of Financial Statements – Going Concern (Subtopic 205-40)

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-04) Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*. This ASU required management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date the Statement of Financial Condition is issued. If conditions or events indicate it is probable that an entity will be unable to meet its obligations as they become due within one year after the Statement of Financial Condition is issued, the update requires additional disclosures. The update is effective for annual periods ending after December 15, 2016 with early adoption permitted. ASU 2014-15 did not have an impact on the Company’s Statement of Financial Condition.

3. Related Party-Transactions

The Company enters into the majority of its reverse repurchase agreements with the Parent to provide them with a financing source.

On February 5, 2016 the Company issued a Floating Rate Extendable Loan to Annaly Commercial Real Estate Group, Inc. (an affiliate of the Company) for an amount of \$250 million. The initial term of the loan was for 90 calendar days from the effective date with an automatic extension for successive 90-day periods unless notice is provided by either party of non-extension. This loan was not renewed following the initial 90 day term. When funded, this loan has an effect of reducing the Company’s net capital up to \$250 million.

RCap Securities, Inc.

Notes to Statement of Financial Condition (continued)

3. Related Party-Transactions (continued)

The Company entered into a \$150 million subordinated debt agreement with the Parent on April 30, 2014, which is included in Subordinated borrowings on the Statement of Financial Condition (see Footnote 7). Additionally, on January 1, 2016 the Company entered into a Revolving Line of Credit Agreement with the Parent in the amount of \$500 million with a one year maturity and annual renewal thereafter. The Company paid a commitment fee of \$7.5 million upon execution of this agreement and upon annual renewal thereafter on the anniversary date of the agreement. As of December 31, 2016 the Company has not drawn upon the line of credit.

Accounts receivable represents a refund due from the Parent related to expenses pursuant to an expense sharing agreement. Accounts payable consists of expenses to be reimbursed to an affiliate.

Related party transactions are comprised of the following:

Receivable from affiliates:		
Reverse repurchase agreements	\$	13,252,012,553
Accounts receivable		81,945
Payable to affiliates:		
Subordinated borrowings		150,000,000
Accounts payable		10,516

4. Securities Financing Transactions

The Company enters into Repos to provide financing for its matched book transactions and to earn residual interest rate spreads.

Under these agreements and transactions, the Company receives collateral, including U.S. agency securities. Under many agreements the Company is permitted to sell or re-pledge the securities received as collateral and deliver to counterparties to cover short positions. As of December 31, 2016, the fair value of securities received as collateral where the Company is permitted to sell or re-pledge the securities was \$13,940,340,101 of which all were received from affiliated companies. The fair value of these securities that had been sold or re-pledged was \$13,273,716,551 of which none have been sold or re-pledged to affiliated companies.

RCap Securities, Inc.

Notes to Statement of Financial Condition (continued)

5. Reverse Repurchase and Repurchase Agreements

Repos with the same counterparty and the same maturity are presented net on the Statement of Financial Condition when the terms of the agreements permit netting. The following table summarizes information regarding netting of Repos on the Statement of Financial Condition as of December 31, 2016:

	Gross Amounts	Amounts Offset on the Statement of Financial Condition ⁽¹⁾	Net Amounts Presented on the Statement of Financial Condition	Amounts Not Offset on the Statement of Financial Condition ⁽²⁾	Net Amounts
Reverse repurchase agreements	\$13,652,041,442	(\$400,028,889)	\$13,252,012,553	(\$13,252,012,553)	\$0
Repurchase agreements	\$13,575,799,027	(\$400,028,889)	\$13,175,770,138	(\$13,175,770,138)	\$0

¹ Amounts relate to master netting agreements which have been determined by the Company to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance ASC 210-20-45-11.

² Amounts relate to master netting agreements and collateral agreements which have been determined by the Company to be legally enforceable in the event of default and where certain other criteria are not met in accordance with applicable offsetting accounting guidance ASC 210-20-45-11.

The following table summarizes information regarding the remaining maturities and collateral types of Repos on the Statement of Financial Condition as of December 31, 2016:

	Repos by Collateral Type	
	Reverse Repurchase Agreements	Repurchase Agreements
	Agency Mortgage- Backed Securities	Agency Mortgage- Backed Securities
1 to 29 days	\$ 1,037,238,348	\$ 13,175,770,138
30 to 59 days	6,470,614,957	-
60 to 89 days	5,744,159,248	-
Total	\$ 13,252,012,553	\$ 13,175,770,138

RCap Securities, Inc.

Notes to Statement of Financial Condition (continued)

6. Fair Value Measurement

The Company follows fair value guidance in accordance with GAAP to account for its financial instruments. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

GAAP requires classification of the instruments into a three-level hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded at fair value on the Statement of Financial Condition or disclosed in the related notes are categorized based on the inputs to the valuation techniques as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets and liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the overall fair value.

GAAP requires disclosure of fair value information about financial instruments that are not measured at fair value through earnings on a recurring basis in the financial statements, for which it is practical to estimate the value. The carrying value of short term instruments including cash and cash equivalents, deposits with clearing organizations, reverse repurchase agreements and repurchase agreements whose term is less than twelve months, generally approximates fair value due to the short term nature of the instruments. The following table summarizes the estimated fair values for financial instruments and liabilities as of December 31, 2016:

	Level In Fair Value Hierarchy	Carrying Value	Fair Value
<u>Financial assets:</u>			
Cash and cash equivalents	1	\$ 26,657,213	\$ 26,657,213
Reverse repurchase agreements	1	13,252,012,553	13,252,012,553
Deposits with clearing organizations	1	294,297,687	294,297,687
<u>Financial liabilities:</u>			
Repurchase agreements	1	\$ 13,175,770,138	\$ 13,175,770,138

RCap Securities, Inc.

Notes to Statement of Financial Condition (continued)

7. Subordinated Borrowings

The borrowings under subordination agreements as of December 31, 2016, are listed in the following:

Subordinated notes, 9.25 percent, due April 29, 2019	\$	150,000,000
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The subordinated borrowings are with the Parent and are available in computing net capital under the SEC's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. The subordinated borrowings are carried at cost, which approximates fair value.

8. Commitments, Contingencies and Guarantees

The Company provides guarantees to securities clearinghouses and exchanges. Under the standard membership agreement, members are required to guarantee the performance of other members. Under the agreements, if another member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, management believes the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no liability is carried in the Statement of Financial Condition for these transactions.

The Company makes use of various policies in the risk management process:

Market Risk – Market risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, equity and commodity prices, credit spreads, or other risks. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded.

Interest Rate Risk – Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments.

Counterparty Credit Risk – The Company is exposed to risk of loss if an issuer or a counterparty fails to perform its obligations under contractual terms.

The Company has established policies and procedures for mitigating credit risk, including reviewing and establishing limits for credit exposure, limiting transactions with specific counterparties, maintaining qualifying collateral and continually assessing the creditworthiness of counterparties.

RCap Securities, Inc.

Notes to Statement of Financial Condition (continued)

8. Commitments, Contingencies and Guarantees (continued)

In the normal course of business, the Company executes, settles, and finances various counterparty (defined as “non-customer” pursuant to SEC Rules 15c3-1 and 15c3-3) securities transactions. These activities may expose the Company to default risk arising from the potential that a counterparty may fail to satisfy their obligations. The Company seeks to control the risks associated with its counterparty activities by requiring counterparties to maintain collateral in compliance with regulatory and internal guidelines.

Concentrations of Credit Risk— The Company primarily provides financing to its Parent and occasionally provides financing and related services to other domestic counterparties. The Company’s exposure to credit risk associated with these transactions is measured for each individual counterparty. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions. The Company’s primary counterparty to the reverse repurchase agreements is the Parent.

As of December 31, 2016, the Company’s significant indirect concentration of credit risk was with the U.S. government and its Agencies. The Company’s indirect exposure results from maintaining U.S. government and Agency securities as collateral for reverse repurchase agreements. The Company’s direct credit exposure on these transactions is with the Parent; thus the Company has credit exposure to the U.S. government and its Agencies only in the event of the Parent’s default.

The Company’s significant industry credit concentration is with financial institutions as well as REITs, including both affiliates and third parties. Financial institutions include other brokers and dealers and commercial banks. This concentration arises in the normal course of the Company’s brokerage, trading and financing activities.

9. Income Taxes

The Company files its own federal, state and local tax returns. The corporate statutory U.S. federal tax rate is 35%. The Company files tax returns in several U.S. jurisdictions, predominately New York State and New York City. The 2013 through 2016 tax years remain open to U.S. federal, state and local tax examinations.

The Company did not have any uncertain tax positions at December 31, 2016. The Company has recorded a deferred tax asset of \$1,233,558 for the benefit associated with federal taxable loss incurred as of December 31, 2016 which is included in Other assets on the Statement of Financial Condition. This asset will be reduced once a prior year refund has been applied for and the benefit is recognized.

RCap Securities, Inc.

Notes to Statement of Financial Condition (continued)

10. Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital. The Company computes its net capital under the alternative method permitted by SEC Rule 15c3-1 which requires that minimum net capital shall be the greater of 2% of aggregate debit items arising from customer transactions or \$250,000. As of December 31, 2016, the Company's regulatory net capital of \$395,470,629 exceeded the minimum requirement of \$250,000 by \$395,220,629.

11. Other Regulatory Requirements

The Company is subject to the customer protection requirements of SEC Rule 15c3-3 under the Act. For the December 31, 2016 customer reserve computation, there was no requirement to segregate cash or securities into the special reserve account for the exclusive benefit of customers.

12. Subsequent Events

The Company has evaluated all subsequent events through the date this report was available to be issued and has noted no significant events since the date of the Statement of Financial Condition.

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Washington DC
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RCAP
SECURITIES INC.
An Annaly Company

STATEMENT OF FINANCIAL CONDITION

RCap Securities, Inc.
December 31, 2016
With Report of Independent Registered Public
Accounting Firm

(SEC I.D. No. 8-67940)