

SECURITIES AND EXCHANGE COMMISSION

FORM X-17A-5

Annual audited report of brokers and dealers (Section 17 of Act 1934 and Rule 17a-5)

Filing Date: **2010-06-01** | Period of Report: **2010-03-31**  
SEC Accession No. [999999997-10-016181](#)

[\(HTML Version on secdatabase.com\)](#)

FILER

**FIRST BROKERS SECURITIES LLC**

CIK:[867810](#) | IRS No.: **320104062** | State of Incorp.:**DE** | Fiscal Year End: **0331**  
Type: **X-17A-5** | Act: **34** | File No.: **008-43035** | Film No.: **10031203**

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COMMISSION

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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden	
hours per response.....	12.00

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

Processing Section

JUN 01 2010

SEC FILE NUMBER
8- 43035

FACING PAGE

Washington, DC

**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 04/01/09 AND ENDING 03/31/10  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: First Brokers Securities LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

Harborside Financial Center, Plaza 5, Suite 1500

(No. and Street)

Jersey City

New Jersey

07311-4011

(City)

(State)

(Zip Code)

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

Philip J. Salvia

212-513-4445

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

PriceWaterhouseCoopers LLP

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

300 Madison Avenue

New York

New York

10017

(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)

OATH OR AFFIRMATION

I, Philip J. Salvia, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of First Brokers Securities LLC, as of March 31, 2010, 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

Chief Financial Officer
Title

[Handwritten Signature: Hilda Valentin Rivera]
Notary Public

VALENTIN RIVERA HILDA
Notary Public, State of New York
No. 01VA5066801
Qualified in Bronx County
Commission Expires October 7, 2010

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).

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# **First Brokers Securities LLC**

**Statement of Financial Condition**

**March 31, 2010**

**First Brokers Securities LLC**  
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**March 31, 2010**

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**Report of Independent Auditors**

To the Member of  
First Brokers Securities LLC

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of First Brokers Securities LLC (the "Company") at March 31, 2010 in conformity with accounting principles generally accepted in the United States of America. 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 of this statement in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

May 27, 2010

**First Brokers Securities LLC**  
**Statement of Financial Condition**  
**March 31, 2010**

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*(dollars in thousands)*

**Assets**

Cash and cash equivalents	\$	17,602
Deposits with clearing organizations		1,323
Receivable from clearing brokers		1,225
Commissions receivable		400
Furniture, equipment and leasehold improvements, net		1,310
Prepaid expenses and other assets		5,037
Total assets	\$	<u>26,897</u>

**Liabilities and Member's Equity**

Liabilities

Accrued compensation and related expenses	\$	7,067
Accounts payable and accrued expenses		464
Payable to affiliates		552
Total liabilities		<u>8,083</u>

Member's equity

Member's equity		<u>18,814</u>
Total liabilities and member's equity	\$	<u>26,897</u>

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

**First Brokers Securities LLC**  
**Notes to Statement of Financial Condition**  
**March 31, 2010**

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*(dollars in thousands)*

**1. Organization**

First Brokers Securities LLC (the "Company") is a Delaware Limited Liability Company.

The Company's sole member is ICAP Broking Holdings North America LLC ("IBHNA"). IBHNA has two Members: ICAP US Financial Services LLC ("IUFS") and First Brokers Holdings Inc. ("FBHI"). FBHI is a wholly owned subsidiary of IUFS, and IUFS is a wholly owned subsidiary of ICAP North America, Inc. The Company is an indirect wholly owned subsidiary of ICAP plc (the "Group"), a public company registered in the United Kingdom that engages principally in money and securities broking throughout the world. The Company, headquartered in New Jersey, is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Company's principal business activity is the brokering of various debt securities. First Brokers Securities LLC (the "Company") is a Delaware limited Liability Company.

**Brokerage Capacities**

In certain products, the Company acts in the capacity of "matched principal" or "name give-up."

When acting in the capacity of "matched principal", the Company acts as a "middleman" or intermediary by serving as the counterparty for identified buyers and sellers in the matching, in whole or in part, reciprocal back-to-back trades.

When acting in the "name give-up" capacity, the Company acts in an agency capacity, whereby it connects buyers and sellers and may assist in the negotiation of the price and other material terms of the transaction. At the point at which the parties agree to terms, the Company leaves the buyer and seller to clear and settle through the appropriate market mechanism.

In certain markets, the Company may also facilitate its clients by acting as the executing broker of exchange products. These transactions are introduced to a clearing firm for settlement and clearance.

The Group's Internal Counsel believes that ICAP plc benefits from a waiver from consolidated capital adequacy tests granted by the UK Financial Services Authority to ICAP's FSA regulated entities. The waiver provides relief from certain capital requirements under EU legislation, provided that ICAP plc's Group is not exposed to proprietary trading risk.

**Compensation**

Members of the Company are generally compensated for their role in facilitating and consummating transactions by charging a brokerage fee. In "matched principal" market places, the fee typically takes the form of a markup or mark down which is added to or subtracted from, as the case may be, the agreed-to transaction price. In "name give-up" market places and for other agency transactions the fee will typically take the form of a commission.



**First Brokers Securities LLC**  
**Notes to Statement of Financial Condition**  
**March 31, 2010**

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*(dollars in thousands)*

In addition, in certain fixed income markets members of the Company may when acting in a "matched principal" capacity earn a profit by buying a financial instrument at one price and simultaneously or shortly thereafter selling it at a higher price (or vice versa), such that the Company receives the benefit of the "spread" on the trade in addition to any markup or markdown it charges.

**Unmatched Principal Transactions**

The Company may and does from time to time acquire unmatched positions as principal, including but not limited to, in the following scenarios:

- (1) Taking a position to add liquidity for Company customers and to attract market participants to its market. Sometimes the act of posting or providing quotations may result in the Company acquiring a position as principal on an unmatched trade;
- (2) As a result of errors or out trades. From time to time, as a result of a bona fide error the Company may in "Matched Principal" market places acquire a position in resolution of such error (this may also occur when the Company is acting as agent in an exchange based marketplace); and
- (3) Executing or facilitating customer orders. This includes, but is not limited to, acquiring a position (i) resulting from partial mismatches in timing between multiple buyers and sellers when facilitating customers orders, (ii) where appropriate, executing in anticipation of customer interest or anticipated orders, and (iii) prior to a position being novated, given-up or settled by the relevant customer (s) and/or for the purposes of gaining the customer (s) access to any applicable clearing and settlement system.

**2. Summary of Significant Accounting Policies**

The preparation of the Statement of Financial Condition in conformity with generally accepted accounting principles 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 Statement of Financial Condition. Actual results could differ from these estimates.

The Company considers short-term interest bearing investments with initial maturities of three months or less to be cash equivalents. Cash and cash equivalents at March 31, 2010 include approximately \$15,020 invested in short term highly liquid money market mutual fund. All cash and cash equivalents at March 31, 2010 were held by one financial institution.

Securities transactions and related income and expense are recorded on a trade-date basis.

Depreciation of furniture and equipment is provided on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. Leasehold improvements are

**First Brokers Securities LLC**  
**Notes to Statement of Financial Condition**  
**March 31, 2010**

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*(dollars in thousands)*

amortized over the lesser of the estimated useful lives of the improvements or the terms of the related leases.

Prepaid expenses and other assets primarily represent unamortized compensation expense which is amortized over the life of the employment contracts.

The Company is party to Tax Sharing Agreements ("the Agreements") with INAI and FBHI. As a single member limited liability company, the Company is not treated as a separate taxable entity. INAI and FBHI allocate to the Company its share of the consolidated federal and state income tax expense or benefits based upon the principal of a separate company calculation as though the Company was treated as a separate taxpayer. However, deferred tax assets and liabilities are not reflected on the balance sheet as the total net income tax receivable or payable is settled with INAI and FBHI on a current basis.

Effective April 1, 2009, the Company implemented the provisions under ASC 740, *Income Taxes*, ("ASC 740"), which clarified the accounting for uncertainty in income taxes by addressing the recognition and measurement of tax positions taken or expected to be taken, and also provides guidance on derecognition, classification, interest and penalties and disclosure.

Accounting for income taxes is calculated in accordance with ASC 740. Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of the Company's assets and liabilities. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized.

The Company follows guidance under ASC 740 which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. Under ASC 740, the Company determines whether it is more likely than not that an income tax position will be sustained upon examination by tax authorities. Sustainable income tax positions are then measured to determine the amount of benefit to be reflected in the financial statement. Each sustainable position is measured at the largest amount of benefit that is more likely than not to be realized upon ultimate settlement.

In July 2009, the FASB launched the FASB Accounting Standards Codification (the Codification) as the single source of GAAP. While the Codification did not change GAAP, it introduced a new structure to the accounting literature and changed references to accounting standards and other authoritative accounting guidance. The Codification was effective for the Company for the year ended March 31, 2010 and did not have an effect on the Company's financial condition.

In May 2009, the FASB issued amended accounting principles related to subsequent events, which codify the guidance regarding the disclosure of events occurring subsequent to the balance sheet date. These amended principles do not change the definition of a subsequent event (i.e., an event or transaction that occurs after the balance sheet date but before the Statement of Financial Condition are issued) but require disclosure of the date through which subsequent events were evaluated when determining whether adjustment to or disclosure in the

**First Brokers Securities LLC**  
**Notes to Statement of Financial Condition**  
**March 31, 2010**

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*(dollars in thousands)*

Statement of Financial Condition is required. These amended principles were effective for the Company for the year ended March 31, 2010.

**3. Employee Benefits**

The Company sponsors a 401(k) retirement plan (the "Plan"). The plan covers all employees upon commencement of employment with the Company. The Company does not match employee contributions.

**4. Furniture, Equipment and Leasehold Improvements**

Details of furniture, equipment and leasehold improvements at March 31, 2010 are as follows:

Telephone and computer equipment	\$ 1,770
Furniture and fixtures	640
Leasehold improvements	<u>2,501</u>
	4,911
Less: Accumulated depreciation and amortization	<u>(3,601)</u>
	<u>\$ 1,310</u>

**5. Net Capital Requirements**

The Company is a member of the FINRA, and is subject to the SEC Uniform Net Capital Rule 15c3-1 (the "Rule"). The Company computes its net capital under the alternative method permitted by the Rule, which requires that the Company maintain minimum net capital, as defined. The Rule may prohibit a member firm from expanding its business or paying cash dividends, if resulting net capital would be less than 5% of aggregate debit balances or 120% of the minimum dollar amount required. At March 31, 2010, the Company's net capital was \$11,007 which was \$10,757 in excess of its minimum requirement of \$250.

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

The Company claims exemption from the provisions of SEC Rule 15c3-3, as amended, as the Company's activities are limited to those set forth in the conditions for exemption appearing in clause (ii) of subparagraph (k)(2).

**7. Fair Value Measurements**

The Company adopted ASC 820 *Fair value Measurements*, ("ASC 820"), effective January 1, 2008. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date.

**First Brokers Securities LLC**  
**Notes to Statement of Financial Condition**  
**March 31, 2010**

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*(dollars in thousands)*

Various valuation inputs are used to determine the fair value of assets or liabilities. Such inputs are defined broadly as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, etc.) for the asset or liability.

Level 3 - Significant unobservable inputs (including management's own assumptions in determining fair value) for the asset or liability.

The Company held no securities at March 31, 2010. The Company estimates that the fair value of its remaining financial instruments recognized on the Statement of Financial Condition (receivables and payables) approximates their fair value; as such financial instruments are short term in nature.

**8. Off-Balance-Sheet Risk and Concentration of Credit Risk**

Pursuant to a clearance agreements, the Company introduces all of its securities transactions through affiliates of IBHNA, its clearing brokers, on a fully disclosed basis. Therefore, all of the money balances and long and short security positions for these securities transactions are carried on the books of the clearing brokers. Under certain conditions, as defined in the clearance agreement, the Company has agreed to indemnify the clearing brokers for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing brokers monitor collateral on the securities transactions introduced by the Company. The receivables from the clearing brokers are pursuant to this clearance agreement.

In addition, pursuant to the terms of the clearing agreements between the Company and its clearing brokers, the clearing brokers have the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. At March 31, 2010, the Company has recorded no liability. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right.

In the normal course of its operations, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company believes the risk of loss is remote.

**First Brokers Securities LLC**  
**Notes to Statement of Financial Condition**  
**March 31, 2010**

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*(dollars in thousands)*

**9. Transactions with Affiliates**

The Company entered into an agreement with an affiliate of IBHNA whereby the affiliate provides the Company with shared administrative and compliance services. During the year ended March 31, 2010, the Company was charged \$801 for such services. The related payable to the affiliate was \$552 at March 31, 2010.

Affiliates of IBHNA provide clearing services for the Company.

In addition, the Company makes monthly payments for offices leased by an affiliate of IBHNA in New Jersey.

**10. Income Taxes**

The Company has recorded income taxes payable to an affiliate of \$94 which is included in accrued expenses and accounts payable in the Statement of Financial Condition.

The Company's unrecognized tax benefits, including interest and penalties of \$52 are recorded on the Statement of Financial Condition as accrued expenses and accounts payable.

If any tax return examination by federal, state or local tax authorities is concluded during the next twelve months, it is possible that the amount of accrued liability for uncertain tax positions could change. It is not possible to estimate the amount of any such change at this time. It is possible that any changes in uncertain tax positions could have significant impact on the Company's financial statement.

The Company is included in the federal consolidated income tax return of ICAP U.S. Investment Partnership and Subsidiaries. ICAP's federal corporate tax returns for the year ended March 31, 2007 and after remain subject to examination. The Company files as part of combined unitary state and local returns with affiliates, as well as certain separate state and local filings. The most significant state and local filings are subject to examination for years 2004 and after.

**11. Subsequent Events**

The Company has performed an evaluation of subsequent events through May 27, 2010 which is the date the financial statement was issued. There have been no subsequent events that occurred during this period that would require recognition in the financial statement as of March 31, 2010 or for the year then ended.