

# **Rialto Trading Network LLC**

(a wholly-owned subsidiary of Rialto Trading Holdings LLC)

**Statement of Financial Condition  
Pursuant to Rule 17A-5 under the  
Securities Exchange Act of 1934  
June 30, 2018**

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

OMB APPROVAL

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hours per response . . . 12.00

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

SEC FILE NUMBER

8-69756

**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 05/01/17 AND ENDING 06/30/18  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER - DEALER:

Rialto Trading Network LLC

OFFICIAL USE ONLY

FIRM ID. NO.

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

39 Broadway, Suite 3300 – Room 12

(No. and Street)

New York

(City)

NY

(State)

10006

(Zip Code)

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

Michael Stupay

(212) 897-1692

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

YSL & Associates LLC

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

11 Broadway, Suite 700

(Address)

New York

(City)

NY

(State)

10004

(Zip Code)

**CHECK ONE:**

☒

Certified Public Accountant

☐

Public Accountant

**Rialto Trading Network LLC**  
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**This report \*\* contains (check all applicable boxes):**

- ☒ Independent Auditors' Report.
- ☒ Facing Page.
- ☒ Statement of Financial Condition.
- ☐ Statement of Operations.
- ☐ Statement of Changes in Members' Equity.
- ☐ Statement of Cash Flows.
- ☐ Statement of Changes in Liabilities Subordinated to Claims of General Creditors (not applicable).
  
- ☐ Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.
- ☐ Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.
- ☐ Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.
- ☐ A Reconciliation, including appropriate explanations, of the Computation of Net Capital Pursuant to Rule 15c3-1 (included with item (g)) and the Computation for Determination of Reserve Requirements Under Rule 15c3-3 (included in item (g)).
- ☐ A Reconciliation Between the Audited and Unaudited Statements of Financial Condition With Respect to Methods of Consolidation (not applicable).
- ☒ An Affirmation.
- ☐ A copy of the SIPC Supplemental Report.
- ☐ A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Supplemental Report on Internal Control).
- ☐ Independent Auditors' Report Regarding Rule 15c3-3 exemption
- ☐ Rule 15c3-3 Exemption Report

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

### AFFIRMATION

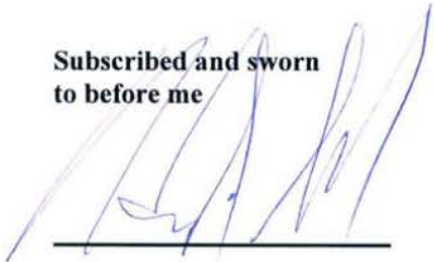
I, Shari Noonan, affirm that, to the best of my knowledge and belief, the accompanying statement of financial condition pertaining to Rialto Trading Network LLC at June 30, 2018, is true and correct.

I further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

  
\_\_\_\_\_  
Signature

CEO  
\_\_\_\_\_  
Title

Subscribed and sworn  
to before me

  
\_\_\_\_\_  
HOWARD SPINDEL  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01SP4787941  
Qualified in New York County  
My Commission Expires November 21, 2021

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**June 30, 2018**

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# YSL & Associates LLC

Certified Public Accountants

Member of Parker Randall International

11 Broadway, Suite 700, New York, NY 10004

Tel: (212) 232-0122 Fax: (646) 218-4682

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member of  
Rialto Trading Network LLC

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Rialto Trading Network LLC (the "Company") as of June 30, 2018, and the related notes (collectively referred to as the financial statement). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of the Company as of June 30, 2018 in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

*YSL & Associates LLC*

**Rialto Trading Network LLC**  
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**Statement of Financial Condition**  
**June 30, 2018**

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**Assets**

Cash	\$ 86,977
Due from Parent	3,615
Prepaid expenses and other assets	<u>4,745</u>
Total assets	<u><u>\$ 95,337</u></u>

**Liabilities and Member's Equity**

Liabilities - accounts payable and accrued expenses	\$ 57,158
Member's equity	<u>38,179</u>
Total liabilities and member's equity	<u><u>\$ 95,337</u></u>

# **Rialto Trading Network LLC**

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## **Notes to Financial Statement**

### **June 30, 2018**

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#### **1. Nature of operations**

Rialto Trading Network LLC (the “Company”) is limited liability company formed under the laws of the state of Delaware on August 5, 2016. The Company is a wholly-owned subsidiary of Rialto Trading Holdings LLC (the “Parent”). On May 10, 2017, the Company became a broker-dealer and as such is registered with the Securities and Exchange Commission (the “SEC”) and is a member of the Financial Industry Regulatory Authority (“FINRA”).

The Company has not commenced operations as of June 30, 2018, however, the Company will operate as an alternative trading system (“ATS”) creating an electronic matching system for corporate debt securities, US government securities and municipal securities. The Company’s customers will be primarily other broker-dealers. The Company will execute and clear all transactions on a fully disclosed basis through a clearing broker dealer.

#### **2. Summary of significant accounting policies**

##### **Basis of presentation**

These financial statements were prepared in conformity with accounting principles generally accepted in the United States of America which 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 amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

##### **Cash**

All cash deposits are held by one financial institution and therefore are subject to the credit risk at that financial institution and may at times exceed amounts insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and does not believe there to be any significant credit risk with respect to these deposits.

##### **Income taxes**

The Company is a single member limited liability company and is treated as a disregarded entity for income tax reporting purposes. The Internal Revenue Code (“IRC”) provides that any income or loss is passed through to the ultimate beneficial individual member for federal, and state income taxes.

At June 30, 2018, management has determined that the Company had no uncertain tax positions that would require financial statement recognition. This determination will always be subject to ongoing reevaluation as facts and circumstances may require.



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**Notes to Financial Statement**  
**June 30, 2018**

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**2. Summary of significant accounting policies (continued)**

**New accounting pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers, which creates a new Topic, Accounting Standards Codification (Topic 606). The standard is principle-based and provides a five-step model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. This standard is effective for interim or annual periods beginning after December 15, 2017 and allows for either full retrospective or modified retrospective adoption. Management believes that the impact of the adoption of Topic 606 will not be material to the Company's financial statements.

**3. Transactions with related parties**

The Company is dependent on its access to funding from the Parent. The Parent intends to continue to fund the operational and regulatory needs of the Company for the foreseeable future.

The Company maintains an administrative services agreement (the "Expense Sharing Agreement") with its Parent and an affiliate owned by the Parent (the "Affiliates") whereby the Affiliates provide accounting, administrative, office space, human resources and other services. The Company does not have any obligation, direct or indirect, to reimburse or otherwise compensate the Affiliates for any or all costs that the Affiliates have paid on behalf of the Company.

The Company licenses the software for its ATS from an affiliate also owned by the Parent. The agreement become effective only after trading on the ATS has commenced.

During the period ending June 30, 2018, the Company paid an expense, of \$3,615, on behalf of its Parent and remains unpaid as of June 30, 2018.

All transactions with related parties are settled in the normal course of business. The terms of any of these arrangements may not be the same as those that would otherwise exist or result from agreements and transactions among unrelated parties.

**4. Clearing broker**

Pursuant to an agreement with a clearing broker, the Company is required to maintain a clearing

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**Notes to Financial Statement**  
**June 30, 2018**

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**5. Regulatory requirements**

The Company is subject to SEC Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At June 30, 2018, the Company had net capital of \$29,819 which exceeded the required net capital by approximately \$24,819. The ratio of aggregate indebtedness to net capital, at June 30, 2018 was 1.92 to 1.

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 as the Company's activities are limited to clearing all transactions with and for customers on a fully disclosed basis with a clearing broker.

**6. Sale of the Parent**

On April 13, 2018, Bittrex Inc. acquired 24.9% of the Parent. Upon FINRA approval, Bittrex in will own 100% of the Parent.

**7. Subsequent events**

Management of the Company has evaluated events or transactions that may have occurred since June 30, 2018. On July 20, 2018, the Parent made a \$100,000 capital contribution to the Company. Additionally, the Company commenced operations on July 23, 2018.