

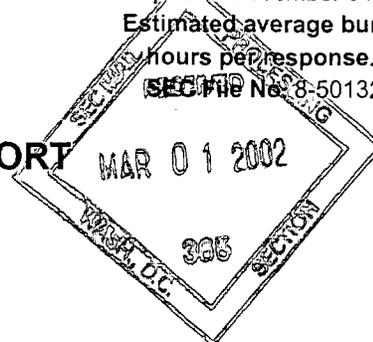


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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB Approval # 3235-0123
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**



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 January 1, 2001 AND ENDING December 31, 2001
MM/DD/YY MM/DD/YY

A. REGISTRATION IDENTIFICATION

NAME OF BROKER-DEALER:
Direct XChange Securities, Inc.
(Filed as confidential information)

Official Use Only
Firm ID No.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
2700 N. Military Trail, Suite 200 Boca Raton Florida 33431
(No. and Street) (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Gabriel Ricciardelli (561) 981-3400
(Area Code--Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this report (*)

Arthur Andersen LLP
1111 Brickell Avenue, Suite 1700 Miami Florida 33131

PROCESSED

APR 10 2002

THOMSON
FINANCIAL

CHECK ONE:

- Certified Public Accountants
- 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).

CA

OATH OR AFFIRMATION

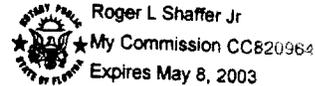
I, Gabriel Ricciardelli, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm Direct XChange Securities, Inc., as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company 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:



Signature

Financial and Operations Principal
Title



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 Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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 Requirement 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 and material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent auditor's report on internal accounting control.
- (p) Schedule of Segregation Requirements and Funds in Segregation - Customers' Regulated Commodity Future Account Pursuant to Rule 17a-5.

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

DIRECT XCHANGE SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2001

ASSETS

ASSETS:

Cash	\$ 79,876
Investment	3,300
Accounts receivable	200
Prepaid expenses	<u>1,320</u>
Total assets	<u>\$ 84,696</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

LIABILITIES:

Accounts payable	\$ 7,120
Due to Parent	<u>5,000</u>
Total liabilities	<u>12,120</u>

SHAREHOLDER'S EQUITY:

Common stock – authorized, 1,000 shares of \$.01 par value; issued and outstanding, 1,000 shares	10
Additional paid-in capital	83,551
Accumulated deficit	<u>(10,985)</u>
Total shareholder's equity	<u>72,576</u>
Total liabilities and shareholder's equity	<u>\$ 84,696</u>

The accompanying notes are an integral part of this statement.

DIRECT XCHANGE SECURITIES, INC.

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001

REVENUE	\$ -
OPERATING EXPENSES:	
Consulting fees	690
Licenses and fees	1,260
Legal and accounting fees	<u>6,333</u>
Total operating expenses	<u>8,283</u>
LOSS FROM OPERATIONS	(8,283)
INTEREST INCOME	<u>3,473</u>
NET LOSS	<u>\$ (4,810)</u>

The accompanying notes are an integral part of this statement.