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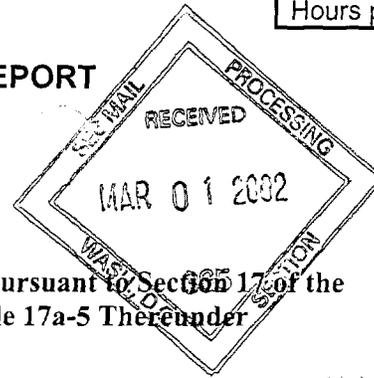
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER

8 - 52115



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 NOVEMBER 28, 2000 AND ENDING DECEMBER 31, 2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER:

CATALYST TRADING, LLC

OFFICIAL USE ONLY

FIRM ID. NO.

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

14 WALL STREET - 11TH FLOOR

(No. And Street)

NEW YORK

NY

10005

(City)

(State)

(Zip Code)

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

ANDREW REEGEN

(212) 267-4430

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report *

FULVIO & ASSOCIATES, LLP

ATTN: JOHN FULVIO, CPA

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

60 EAST 42ND STREET

NEW YORK

NY

10165

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 20 2002

FOR OFFICIAL USE ONLY

**THOMSON
FINANCIAL**

*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 basis for the exemption. See section 240.17a-5(e)(2).

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OATH OR AFFIRMATION

I, DANIEL USLANDER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CATALYST TRADING LLC, 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:

[Three blank lines for listing exceptions]

[Handwritten signature of Daniel Uslander]

Signature

Title

[Handwritten signature of Susan E. VanVelson]

Notary Public

SUSAN E. VANVELSON
Notary Public, State of New York
No. 01VA8045572
Qualified in Ulster County
Commission Expires July 31, 2002

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 Member's Equity.
(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 or 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 sin the date of previous audit.
(o) Supplemental independent Auditors Report on Internal Accounting Control.

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

CATALYST TRADING, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2001

INDEPENDENT AUDITORS' REPORT

To the Members of
Catalyst Trading, LLC

We have audited the accompanying statement of financial condition of Catalyst Trading, LLC (the "Company") as of December 31, 2001. 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 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. 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 statement referred to above presents fairly, in all material respects, the financial position of Catalyst Trading, LLC as of December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Fulvio & Associates, L.L.P.

New York, New York
February 12, 2002

CATALYST TRADING, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2001

ASSETS

Cash	\$ 724
Due from Brokers	1,281,944
Securities Owned, at Market Value	4,089,596
Miscellaneous Investments	11,199
Other Assets	<u>4,969</u>
TOTAL ASSETS	<u>\$ 5,388,432</u>

LIABILITIES AND MEMBERS' CAPITAL

Liabilities:	
Securities Sold Short	3,405,077
Accrued Expenses	<u>122,743</u>
TOTAL LIABILITIES	<u>\$ 3,527,820</u>
Members' Capital	<u>1,860,612</u>
TOTAL LIABILITIES AND MEMBERS' CAPITAL	<u>\$ 5,388,432</u>

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

CATALYST TRADING, LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2001

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

a) Organization

Catalyst Trading, LLC (the "Company") commenced operations as a limited liability company in August, 1999. The Company is registered with the Securities and Exchange Commission (the "SEC") and became a member of the National Association of Securities Dealers, Inc. (the "NASD") on November 28, 2000, when they commenced operations as a broker/dealer.

b) Income Taxes

No provision for federal and state income taxes has been made since the Company is not a taxable entity. The members are individually liable for the taxes on their share of the Company's income or loss. The Company is liable for New York City Unincorporated Business Tax on its business income.

c) Securities Transactions

Transactions in securities are recorded on a trade-date basis. Securities owned or sold, but not yet purchased are valued at market. All resulting gains and losses are included in income. The fair value estimate of the Company's securities owned, not readily marketable, is based on the cost of the securities, since the operations of the investment have not commenced.

The Company's trading activities include short sales of equity securities, as well as the writing of stock options having various expiration dates. Subsequent market fluctuations may require purchasing the securities at prices which may differ from the market value reflected on the statement of financial condition. In many cases, the Company limits its risk by holding offsetting security or option positions.

NOTE 2 DUE FROM CLEARING BROKER

The Company conducts business with its clearing broker for its own proprietary accounts. The clearing and depository operations for the Company's proprietary transactions are performed by its clearing broker pursuant to a clearance agreement. All securities positions, and due from the clearing broker reflected on the statement of financial condition, are positions carried by and amounts due from this clearing broker.

CATALYST TRADING, LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2001
(Continued)

NOTE 3 NET CAPITAL REQUIREMENT

As a registered broker-dealer and member of the NASD, the Company is subject to the Uniform Net Capital Rule 15c3-1 of the SEC, which requires the maintenance of minimum net capital, as defined. The Company's minimum net capital is equal to the greater of 6 2/3% of aggregate indebtedness, as defined, or \$100,000. At December 31, 2001, the Company had net capital of \$863,923 which was \$763,923 in excess of its requirement.

NOTE 4 RELATED PARTY TRANSACTIONS

The Company operates its business at the office space of a related entity. In addition, expenses are paid by the related entity and the Company is allocated its appropriate share in the form of a monthly management fee equal to \$1,000 plus the value of the lease and other expenses.

NOTE 5 SIGNIFICANT GROUP CONCENTRATION OF RISK

In the normal course of its business, the Company enters into financial transactions where the risk of potential loss due to changes in the market (market risk) or failures of the other parties to the transaction to perform (credit risk) exceeds the amounts recorded for the transaction.

The Company's policy is to continuously monitor its exposure to the market and counterparty risk through the use of a variety of financial, position and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing the customers and/or other counterparties with which it conducts business.

The Company has agreed to indemnify its clearing broker for losses that the clearing broker may sustain from the customer accounts introduced by the company. As of December 31, 2001, there were no customer accounts having debit balances which presented any material risk of loss.