

Rec'd  
7/18/02



02023481

ATES  
ANGE COMMISSION  
C. 20549

078-5-02

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	September 30, 1998
Estimated average burden hours per response	12.00

SEC FILE NUMBER
8- 47267

**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**

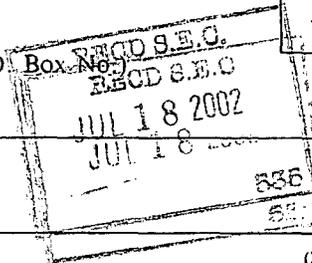
REPORT FOR THE PERIOD BEGINNING 11/1/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

BBM Securities Inc

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



OFFICIAL USE ONLY
FIRM ID. NO.

(No. and Street) (City) (State) (Zip Code)

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

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Pannell Kerr Forster

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

PROCESSED

AUG 07 2002

THOMSON FINANCIAL

(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).

078-5-02

SECURITIES AND EXCHANGE COMMISSION  
RECEIVED

JUL 18 2002

DIVISION OF MARKET REGULATION

**BBM SECURITIES INC.**  
**(A wholly owned subsidiary of**  
**BBM-H Participações S.A.)**

**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2001**

Pannell Kerr Forster

PKF

**BBM SECURITIES INC.**  
**(A wholly owned subsidiary of BBM-H Participações S.A.)**

**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2001**

**CONTENTS**

**Pannell Kerr Forster**

**PAGE**

1	Report of Independent Accountants
2	Statement of Financial Condition
3 - 5	Notes to the Statement of Financial Condition

**PKF**

**PANNELL  
KERR  
FORSTER**

CHARTERED ACCOUNTANTS

Pannell House  
44 Elizabeth Avenue  
P. O. Box N-8335  
Nassau  
Bahamas  
Tel: (242)-322-8560/1  
(242)-323-8796  
Fax: (242)-326-7524  
E-mail: pkfbah@batelnet.bs

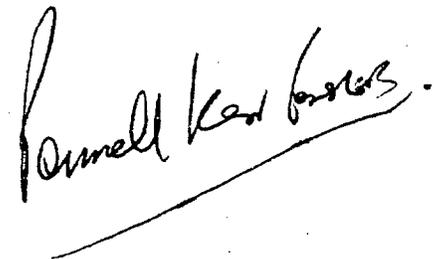
**REPORT OF INDEPENDENT ACCOUNTANTS**

The Board of Directors and Shareholders of,  
**BBM SECURITIES INC.**

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of BBM Securities Inc. ("the Company") as at December 31, 2001, in conformity with accounting principles generally accepted in the United States. 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, which 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 the opinion expressed above.

As discussed more fully in Note 4, the Company has extensive transactions and relationships with an affiliated party. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

January 23, 2002  
Nassau, Bahamas



BBM SECURITIES INC.  
(A wholly owned subsidiary of BBM-H Participações S.A.)

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2001

(Expressed in United States Dollars)

	<u>2001</u>
<b>Assets</b>	
Cash	74,266
Receivable from clearing broker	108,183
Service fees receivable	11,647
Prepaid expenses	13,618
Other assets	3,957
<b>Total assets</b>	<u><u>\$ 211,671</u></u>
<b>Liabilities</b>	
Accounts payables	<u>5,648</u>
	<u>5,648</u>
<b>Shareholder's equity</b>	
Common stock -10,000 \$0.10 par: 10,000 shares authorized; 1,000 shares issued and outstanding	100
Additional paid-in capital	2,199,900
Accumulated deficit	(1,993,977)
<b>Total shareholder's equity</b>	<u>206,023</u>
<b>Total liabilities and shareholder's equity</b>	<u><u>\$ 211,671</u></u>

Approved on Behalf of the Board:

The notes on pages 3 to 5 are an integral part of this financial statement.

**BBM SECURITIES INC.**  
(A wholly owned subsidiary of BBM-H Participações S.A.)

**NOTES TO STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2001**

**1. GENERAL**

BBM Securities Inc. (the "Company") was incorporated on May 15, 1994 and is a wholly owned subsidiary of BBM-H Participações S. A. ("BBM-H"). BBM-H is controlled by BBM Empreendimentos S.A., which is a company incorporated under the laws of Brazil. The Company was established to provide brokerage services to U.S. based customers in select Brazilian securities in addition to providing sales and marketing advice to a related party.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statement has been prepared under the historical cost convention. All the Company's transactions are denominated in United States dollars.

The accompanying financial statement has been prepared in accordance with the applicable standards formulated by the American Institute of Certified Public Accountants. The preparation of financial statements in accordance with generally accepted accounting principles requires the Company 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 reported amounts of income and expenses during the year. Actual amounts could differ from those estimates.

Commission Income: The Company's securities transactions and related commission income are recorded on the trade date.

Income taxes: Income taxes are recognized by the Company on both current and deferred tax consequences of all transactions recorded in the financial statements, based on provisions of enacted tax laws of the United States.

Pannell Kerr Forster

**BBM SECURITIES INC.**  
**(A wholly owned subsidiary of BBM-H Participações S.A.)**

**NOTES TO STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2001**

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company is required by the Statement of Financial Accounting Standards (SFAS) 107 to disclose information about the estimated fair values of their financial instruments. Substantially all of the Company's assets and liabilities are considered as defined by SFAS 107 and are carried at their fair value, or are short-term by nature and bear current market rates of interest.

**4. RELATED PARTY TRANSACTIONS AND BALANCES**

The company provides sales and marketing services to BBM Bank Limited ("BBL"), an affiliate of BBM-H. Under terms of agreement with BBL, the Company is reimbursed for 100% of the total expenses incurred in providing such services. Service fee revenues from BBL amounted to \$183,959. Service fees receivable of \$11,647 at December 31, 2001 represents un-remitted fees from BBL.

**5. INCOME TAXES**

At December 31, 2001, the company has a net operating loss carried forward of approximately \$1,634,550 of which \$203,423 will expire in 2009; \$465,702 will expire during 2010, \$191,280 will expire in 2011, \$166,496 will expire in 2012, \$218,106 will expire in 2018, \$187,429 will expire in 2019, \$114,522 will expire in 2020 and \$87,592 will expire in 2021. These losses may be used to offset future taxable income.

At December 31, 2001, the Company has recorded a deferred tax asset of \$737,600 resulting from net operating losses carry forward and differences in tax and accounting methods for fixed assets. At December 31, 2001, the Company recorded a full valuation allowance for the deferred tax asset as the Company's ability to realize these benefits does not meet the "more likely than not" criteria established by SFAS 109. Accordingly there is no net deferred tax asset reflected in the accompanying balance sheets.

Pannell Kerr Forster

**BBM SECURITIES INC.**  
(A wholly owned subsidiary of BBM-H Participações S.A.)

**NOTES TO STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2001**

**6. RISK MANAGEMENT**

Credit Risk

The Company executed, as part of its normal course of business, transactions on behalf of its customers. The Company clears all of its securities trading through a clearing broker. Financial assets that are subject to credit risk comprise mainly the receivable from the clearing broker.

**7. NET CAPITAL REQUIREMENT**

The Company is subject to the Securities Exchange Commission Uniform Net Capital Rule ("Rule 15c3-1") which requires the Company to maintain minimum adjusted net capital equivalent to the greater of \$5,000 or 6 2/3% of aggregate indebtedness, as defined. Rule 15c3-1 also requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. At December 31, 2001, the Company had net capital of \$176,801, which was \$171,801 in excess of the amount required of \$5,000. The ratio of aggregate indebtedness to net capital was 0.03 to 1.