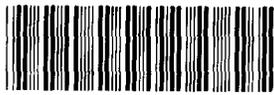


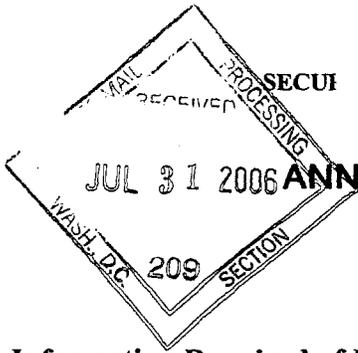
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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden	
hours per response.....	12.00



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

SEC FILE NUMBER
8-34661

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 8/1/05 AND ENDING 5/31/06 MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: EQUITIES TRADING CORP. ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

880 3RD AVE 7TH FLOOR NEW YORK NY 10022-4730

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT BRIAN HIGGERMAN 212 508 4700

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

JOHN P. COMPARATO CPA PC PO BOX 588 STONY BROOK NY 11790

CHECK ONE:

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

PROCESSED

AUG 21 2006

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

CM

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMS control number.

OATH OR AFFIRMATION

I, Brian Hagerman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Equities Trading Corporation, as of May 31, 2006, 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:

Lisa M Hagerman
Notary Public, State of New York
No: 01HA4967184
Qualified in New York County 2010
Commission Expires May 29th

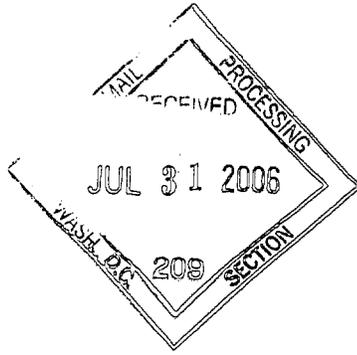
BH
Signature

CEO
Title

[Signature]
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 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.
- (o) Independent auditor's report on internal control.

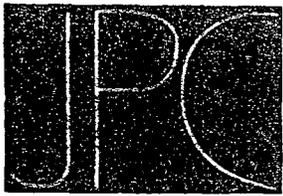


EQUITIES TRADING CORPORATION
REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED MAY 31, 2006

EQUITIES TRADING CORPORATION

INDEX MAY 31, 2006

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JOHN P. COMPARATO C.P.A., P.C.

P.O. Box 588 ■ Stony Brook, NY 11790

631.689.0400 ■ 631.689.2877 Fax

July 24, 2006

To the Board of Directors
Equities Trading Corporation

We have audited the accompanying statements on financial condition of Equities Trading Corporation as of May 31, 2006 and the related statements of operations, stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 statements referred to above present fairly, in conformity with generally accepted accounting principles, the financial position of Equities Trading Corporation as of May 31, 2006, the results of its operation and cash flows for the year then ended.

Our audit was made for the purpose of forming an opinion on the basic financial statements, taken as a whole of Equities Trading Corporation. The supplemental information is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

John P. Comparato

EQUITIES TRADING CORPORATION
STATEMENT OF FINANCIAL CONDITION
MAY 31, 2006

ASSETS

CURRENT ASSETS

Cash	\$ 56
Due From Clearing Broker	50,371
Other Investments	3,350

	53,777

OTHER ASSETS

Deposits	2,500

TOTAL ASSETS

\$ 56,277

=====

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 21,366
Taxes Payable	21,251

	42,617

STOCKHOLDER'S EQUITY

Common Stock	8,000
Additional Paid-In Capital	196,050
Accumulated Deficit	<190,390>

	13,660

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY

\$ 56,277

=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EQUITIES TRADING CORPORATION

**STATEMENT OF OPERATIONS
YEAR ENDED MAY 31, 2006**

REVENUE	\$ 68,259

EXPENSES	
Payroll & Related Costs	97,349
Professional Fees	20,140
Regulatory Fees	32,386
Occupancy	31,057
Communications	5,397
Insurance	6,237
Office Expenses & Supplies	8,655
Corporate Taxes	516
Other Expenses	898

TOTAL EXPENSES	202,635

NET INCOME <LOSS>	\$ <134,376>
	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EQUITIES TRADING CORPORATION

**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
YEAR ENDED MAY 31, 2006**

	<u>Common Stock</u>	<u>Retained Earnings <Deficit></u>	<u>Additional Paid-In Capital</u>
Balance, June 1, 2005	\$ 8,000	\$<56,014>	\$110,450
Net Income <Loss>	--	<134,376>	--
Capital Contributions	--	--	85,600
	-----	-----	-----
Balance, May 31, 2006	<u>\$ 8,000</u>	<u>\$<190,390></u>	<u>\$196,050</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EQUITIES TRADING CORPORATION

**STATEMENTS OF CASH FLOWS
YEAR ENDED MAY 31, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income <Loss>	\$ <134,376>
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities:	
(Increase) Decrease in Operating Assets & Liabilities:	
Other Assets	5,745
Taxes Payable	21,251
Accounts Payable	15,810
	<hr/>
NET CASH USED BY OPERATING ACTIVITIES	<91,570>
FINANCING ACTIVITIES – Capital Contributions	\$ 85,600
	<hr/>
NET DECREASE IN CASH	<5,970>
CASH AT BEGINNING OF YEAR	6,026
	<hr/>
CASH AT END OF YEAR	\$ 56
	<hr/> <hr/>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EQUITIES TRADING CORPORATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2006

NOTE 1 – NATURE OF BUSINESS AND ORGANIZATION

Equities Trading Corporation (“The company”), incorporated under the laws of the State of New York, is a registered broker-dealer with Securities and Exchange Commission. The Company is also a member of the National Association of Securities Dealers, Inc.

Equities Trading Corporation services both retail and institutional accounts in a variety of securities transactions. The Company has correspondent agreements with a number of large mutual fund companies, and act as an agent to sell their products. The firm is also a Registered Investment Advisor with the Securities And Exchange Commission, and acts as an agent for clients through clearing arrangements with other broker-dealers.

NOTE 2 – SIGNIFICANT ACCOUNTING PRINCIPLES

- (a) The Company records securities transactions (and related commission revenue and expense) on a settlement date basis. Securities owned, consisting primarily equities, are stated as quoted market values with the resulting unrealized gains and losses reflected in the statement of operations.
- (b) The process of preparing financial statement in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and event as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

EQUITIES TRADING CORPORATION

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2006

NOTE 3 – NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Sec rule 15c3-1), 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 May 31, 2006, the Company had a net capital of \$7,810.00 which exceeded requirements of \$5,000.00 by \$2,810.00. The Company's aggregate indebtedness was 5.46.

NOTE 4 – LEASE

The Company has a cancelable lease on its office space expiring March 31, 2008, which provides for monthly rentals ranging from \$2,500 to \$2,800 plus escalation charges.

EQUITIES TRADING CORPORATION

**COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
MAY 31, 2006**

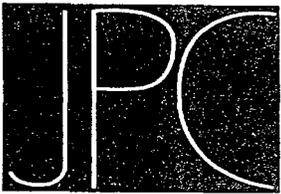
NET CAPITAL	
Total Ownership Equity	\$ 13,660
Add:	
Liabilities Subordinated to Claims of General Creditors	
Allowable in Computation on Net Capital	--
Other (Deductions) or Allowable Credits	--

Total Capital and Allowable Subordinated Liabilities	13,660
Deductions and/or Charges:	
Non-Allowable Assets	<5,850>

Net Capital Before Haircuts on Securities Positions	7,810
Haircuts on Securities Positions	--

Net Capital	\$ 7,810
	=====
AGGREGATE INDEBTEDNESS	
Items Included in the Statement of Financial Condition:	42,617
	=====
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT	
Minimum Net Capital Requirement	5,000
	=====
Excess Net Capital @ 1000%	3,548
	=====
Ratio: Aggregate Indebtedness to Net Capital	5.46

There is no difference between this audited computation of net capital and that included in the Company's unaudited May 31, 2006 Focus Part II filing.



JOHN P. COMPARATO C.P.A., P.C.

P.O. Box 588 ■ Stony Brook, NY 11790
631.689.0400 ■ 631.689.2877 Fax

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING
CONTROL REQUIRED BY SEC RULE 17A-5**

To the Board of Directors
Equities Trading Corporation

We have examined the financial statements of Equities Trading Corporation for the year ended May 31, 2006 and have issued our report therein dated July 21, 2006. As part of our examination, we made a study and evaluation of the Company's system of internal accounting control (which includes the procedures for safeguarding securities) to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customers securities.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and practices and procedures referred to in the preceding paragraph. *In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures and practices and procedures referred to in the preceding paragraph to assess whether those practices and procedures can be expected to achieve the Commissions above-mentioned objectives. The objectives of a system and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from the unauthorized use of disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5 (g) lists additional objectives of the practices and procedures listed in the preceding paragraph.*

Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of them to future period is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

Our study and evaluation for the limited purpose described in the first paragraph would not necessarily disclose all material weakness in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Equities Trading Corporation as a whole. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on this study, we believe that the Company's practices and procedures at May 31, 2006 to meet the Commission's objectives.

This report is intended solely for the use of management and the Securities and Exchange Commission and should not be used for any other purpose.

John P. Campbell