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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2007
Estimated average burden	
hours per response.....	12.00

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

MAIL RECEIVED
 FEB 26 2007
 WASH. D.C. 210
 SECTION

SEC FILE NUMBER
8- 53256

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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, 2006 AND ENDING December 31, 2006
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Desjardins Securities International Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1170 Peel Street, Suite 300

(No. and Street)

Montreal

(City)

Quebec

Canada

(State)

H3B 0A9

(Zip Code)

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

Anne Tremblay

(514) 281-2893

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.

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

1 Place Ville Marie, Suite 3000, Montreal, Quebec

(Address)

(City)

Canada

(State)

H3B 4T9

(Zip Code)

CHECK ONE:

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

PROCESSED

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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)

Handwritten signature

**DESJARDINS SECURITIES
INTERNATIONAL INC.**

(SEC I.D. No. 112417)

*Financial statements and supplemental schedules for the
year ended December 31, 2006 and independent
auditors' report and supplemental report on internal
control*

Filed pursuant to Rule 17a-5(e)(3) as a PUBLIC DOCUMENT

DESJARDINS SECURITIES INTERNATIONAL INC.

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Independent auditors' report

To the Stockholder of
Desjardins Securities International Inc.

We have audited the accompanying balance sheet of Desjardins Securities International Inc. (the "Company") as at December 31, 2006. 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 statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such balance sheet presents fairly, in all material respects, the financial position of Desjardins Securities International Inc. at December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Samson Bélair, Deloitte & Touche s.e.n.c.r.l.

February 7, 2007

DESJARDINS SECURITIES INTERNATIONAL INC.

Balance sheet

as at December 31, 2006

(in US dollars)

	2006
	\$
Assets	
Cash	1,601,193
Due from brokers and financial institutions	916,873
Deposit with NASD	10,297
Deferred income taxes (Note 4)	941
Exchange seat at cost	3,000
	<u>2,532,304</u>
Liabilities	
Advance from parent company	481,683
Income taxes payable	42,818
Accounts payable and accrued liabilities	28,908
	<u>553,409</u>
Stockholder's equity (Note 3)	1,978,895
	<u>2,532,304</u>

(See notes to financial statements)

DESJARDINS SECURITIES INTERNATIONAL INC.

Statement of income

year ended December 31, 2006

(in US dollars)

	2006
	\$
Revenue	
Commissions	4,523,649
Foreign exchange gain	23,538
Interest	61,453
	<u>4,608,640</u>
Expenses	
Management fee paid to parent company	3,475,994
Interest	194,908
Clearing, settlement and system costs	346,698
Personnel related expenses	73,753
Telecom	61,767
Travelling, advertising and promotion expenses	64,426
Professional fees	10,838
Capital tax	31,999
General expenses	156,621
	<u>4,417,004</u>
Income before income taxes	<u>191,636</u>
Income taxes (Note 4)	
Current	76,295
Net income	<u>115,341</u>

(See notes to financial statements)

DESJARDINS SECURITIES INTERNATIONAL INC.

Statement of cash flows year ended December 31, 2006 (in US dollars)

	2006
	\$
Operating activities	
Net income	115,341
Net change in operating items	
Due from brokers and financial institutions	(294,922)
Other receivables	(6,561)
Accounts payable and accrued liabilities	(17,674)
Income taxes payable	393,099
Cash used in operating activities	73,942
Financing activities	
Advances from parent company	(81,519)
Increase in cash	107,764
Cash, beginning of year	1,493,429
Cash, end of year	1,601,193

Supplemental disclosures

Interest paid	194,908
Income taxes received	(301,159)

(See notes to financial statements)

DESJARDINS SECURITIES INTERNATIONAL INC.

Statement of changes in stockholder's equity

year ended December 31, 2006

(in US dollars)

	<u>Common stock</u>		<u>Retained earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>		
Balance, December 31, 2005	1,075,000	702,624	1,160,930	1,863,554
Net income			115,341	115,341
Balance, December 31, 2006	1,075,000	702,624	1,276,271	1,978,895

DESJARDINS SECURITIES INTERNATIONAL INC.

Notes to the financial statements

year ended December 31, 2006

(in US dollars)

1. Description of the business

The Company, incorporated on January 24, 2001 under the *Canada Business Corporations Act*, is an introducing securities broker. On January 29, 2002, the Company changed its name from 3858839 Canada Inc. to Desjardins Securities International Inc. Business operations commenced in July 2002.

The Company is a member of the NASD Inc. and is registered as a broker-dealer with the Securities and Exchange Commission.

2. Significant accounting policies

Commissions

Commissions are recorded on a trade-date basis as securities transactions occur.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets are recognized based on the future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the expected income tax rates for the years in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Foreign currency transactions

Monetary assets and liabilities are translated in U.S. dollars at the rate of exchange in effect at year-end. Non-monetary assets and liabilities, capital stock issued and revenue and expenses are translated at the exchange rate in effect at the transaction date while income statement accounts are translated on average rates of exchange for the year. Gains or losses resulting from foreign currency transactions are included in net income.

Use of estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DESJARDINS SECURITIES INTERNATIONAL INC.

Notes to the financial statements

year ended December 31, 2006

(in US dollars)

2. Significant accounting policies (continued)

New accounting pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 - *Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently analyzing the potential impact, if any, of FIN 48 on its non-consolidated financial statements.

In September 2006, the FASB issued SFAS NO. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measure on earnings. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently analyzing the potential impact, if any, of SFAS 157 on its non-consolidated financial statements.

3. Stockholder's equity

	<u>2006</u>
	\$
Capital stock (1,075,000 Class A shares)	702,624
Retained earnings	1,276,270
	<hr/>
	1,978,894

Authorized

An unlimited number of voting and participating Class A shares, without par value

On January 22, 2007, the Company issued 1,500,000 Class A shares to its parent company against a deposit of \$1,300,000 and an adjustment to the advance from the parent company of \$27,735.

DESJARDINS SECURITIES INTERNATIONAL INC.

Notes to the financial statements

year ended December 31, 2006

(in US dollars)

4. Income taxes

Earnings are subject to federal and provincial income taxes. The effective tax rate on earnings varies from one year to the next according to the changes in the combined statutory income tax rate. The provision for income taxes in the statement of income differs from the amount that would have been computed by applying the Canadian statutory income tax rate as a result of the following:

	<u>2006</u>
	\$
Income taxes at the combined statutory rate of 32.02%	61,362
Change in income taxes resulting from the following:	
Prior year's tax adjustments	2,629
Non-deductible expenses and other elements	12,304
	<hr/> 76,295

Deferred income tax assets are as follows:

Fixed assets	884
Other assets	57
	<hr/> 941

Income taxes payable	
Income taxes payable	42,818

DESJARDINS SECURITIES INTERNATIONAL INC.

Notes to the financial statements

year ended December 31, 2006

(in US dollars)

5. Related party transactions

The Company is a wholly-owned subsidiary of Desjardins Securities Inc., which is an entity of the Mouvement des caisses Desjardins du Québec.

In 2005, the Company signed a service agreement with its parent company regarding the shared administrative expenses related to the employees holding a dual employment status. The total amount exchanged during the year is \$3,475,994.

Transactions and balances with related parties are as follows:

	<u>2006</u>
	\$
Management fee	3,475,994
Revenue - interest	1,099
Cash	4,542
Advances from parent company	481,683

6. Financial instruments

Substantially all of the Company's financial instruments are carried at fair value or amounts approximating fair value. Assets, including cash and due from brokers and financial institutions and receivables are carried at fair value or contracted amounts which approximate fair value. Similarly, liabilities are carried at fair value or contracted amounts approximating fair value.

7. Net capital requirement

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rules 15c3-1, which requires the maintenance of minimum net capital equal to the greater of \$100,000 or 6 2/3% of aggregate indebtedness, both as defined by the Rule. The ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. As at December 31, 2006, the Company had net capital of \$1,129,599 which exceeds the required net capital of \$100,000 by \$1,029,599. The Company's ratio of aggregate indebtedness to net capital was 0.4899 to 1 as at December 31, 2006.

**SUPPLEMENTAL REPORT OF INDEPENDENT AUDITORS ON
INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5 FOR A
BROKER CLAIMING AN EXEMPTION FROM SEC RULE 15c-3-3**

Independent auditors' report

To the Stockholder of
Desjardins Securities International Inc.

We have audited the accompanying balance sheet of Desjardins Securities International Inc. (the "Company") as at December 31, 2006 and the related statements of income, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2006 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplemental schedules of Desjardins Securities International Inc. as at December 31, 2006, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934:

- 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*.

These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.



February 7, 2007

February 7, 2007

Desjardins Securities International Inc.
1170, Peel
Suite 300
Montreal QC H3B 0A9

In planning and performing our audit of the financial statements and supplemental schedules of Desjardins Securities International Inc. (the "Company") for the year ended December 31, 2006 (on which we issued our report dated February 7, 2007), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by rule 17a-5(g)(1) under the *Securities Exchange Act of 1934*, we have made a study of the practices and procedures followed by the Company (including tests of compliance with such practices and procedures) that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and 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 quarterly securities examinations, counts, verifications and comparisons, and the recording 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 securities accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the 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 internal controls and of the practices and procedures and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "SEC") above-mentioned objectives. Two of the objectives of internal control 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 unauthorized acquisition, use, or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and may not be detected. Also, projections of any evaluation of the internal controls or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Company's internal control and its operations (including control activities for safeguarding securities) that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC 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 our study, we believe that the Company's practices and procedures were adequate at December 31, 2006 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc. and other regulatory agencies that rely on Rule 17a-5(g) under the *Securities Exchange Act of 1934* in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,



Chartered Accountants

DESJARDINS SECURITIES INTERNATIONAL INC.
Computation of Net Capital for brokers and dealers pursuant to
SEC Rule 15c3-1 under the Securities Exchange Act of 1934
as at December 31, 2006
(in US dollars)

	2006
	\$
Total stockholder's equity	1,978,895
Deduct non-allowable assets	
Cash deposit with parent company	4,542
Due from brokers and financial institutions	613,428
Other receivables	10,297
Deferred income taxes	941
Other assets	3,000
Total non-allowable assets	632,208
Other deductions – Insurance deductible and foreign exchange margin	217,088
Net capital	1,129,599
Computation of aggregated indebtedness net capital requirement	
Required minimum net capital:	100,000
The greater of \$100,000 or 6 2/3% of aggregate indebtedness (\$553,409)	
Excess net capital	1,029,599
Ratio: Aggregate indebtedness to net capital	.4899 to 1

There were no material differences between the audited Computation of Net Capital included in this report and the corresponding schedule included in the Company's unaudited December 31, 2006 Part IIA FOCUS filing.

DESJARDINS SECURITIES INTERNATIONAL INC.
**Computation for determination of reserve requirements for brokers and
dealers pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934**
year ended December 31, 2006

The Company is exempt from the reserve requirements of Rule 15c3-3 of the Security and Exchange Commission under paragraph (k)(2)(ii) of that Rule.

END