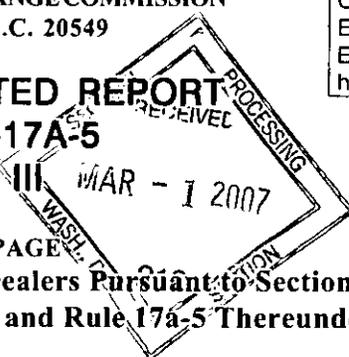




UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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
8-36540

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 01/01/2006 AND ENDING 12/31/2006
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Prudential Investment Management Services LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

100 Mulberry Street, Gateway Center 3, 14th Floor
(No. and Street)

Newark, New Jersey 07102-4077
(City) (State) (Zip Code)

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

Michael McQuade (973) 367-3065
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers LLP

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

300 Madison Avenue, 30th Floor New York NY 10017
(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 19 2007
THOMSON
FINANCIAL

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)

AB
3/17

OATH OR AFFIRMATION

I, Michael McQuade, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Prudential Investment Management Services LLC, as of December 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:

ANGELICA CARRION
NOTARY PUBLIC
STATE OF NEW JERSEY
MY COMMISSION EXPIRES JUNE 13, 2011

Michael McQuade
Signature

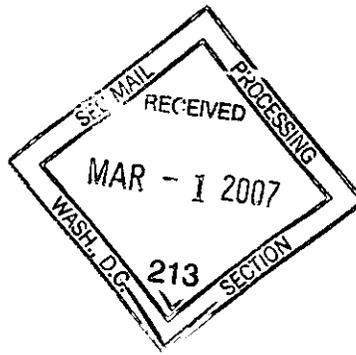
Chief Financial Officer and Comptroller
Title

Angelica Carrion
Notary Public

This report ** contains (check all applicable boxes):

- X (a) Facing Page.
- X (b) Statement of Financial Condition.
- X (c) Statement of Income (Loss).
- X (d) Statement of Cash Flows.
- X (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- X (g) Computation of Net Capital.
- X (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- X (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 15c3-3 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.
- X (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.

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



Prudential Investment Management Services LLC

**Statement of Financial Condition
December 31, 2006**

SEC ID No. 8-36540

**This report is deemed PUBLIC in accordance with Rule 17a-5(e)(3)
under the Securities Exchange Act of 1934.**

Prudential Investment Management Services LLC

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December 31, 2006

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PricewaterhouseCoopers LLP
PricewaterhouseCoopers Center
300 Madison Avenue
New York NY 10017
Telephone (646) 471 3000
Facsimile (813) 286 6000

Report of Independent Auditors

To the Member of
Prudential Investment Management Services LLC:

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Prudential Investment Management Services LLC (the "Company") at December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. 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 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, 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 for our opinion.

The Company is a member of a group of affiliated companies and, as disclosed in Note 4 to the statement of financial condition, has extensive transactions and relationships with members of the group. 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.



February 27, 2007

Prudential Investment Management Services LLC
Statement of Financial Condition
December 31, 2006

(dollars in thousands)

Assets

Cash and cash equivalents	\$ 107,620
Cash segregated under federal regulations	319
Distribution fees, service fees and commissions receivable	17,691
Management and administrative fees receivable	17,463
Receivable from broker-dealer and clearing organizations	44,439
Prepaid expenses and other assets	933
Total assets	\$ 188,465

Liabilities and Member's Equity

Liabilities

Payable to brokers-dealers and clearing organizations	\$ 39,090
Short term loan from affiliate	50,000
Management and administrative fee payable	5,095
Accounts payable, accrued expenses and other liabilities	1,963
Payable to customers	441
Income taxes payable to parent	13,382
Deferred income taxes	11,975
Total liabilities	121,946

Commitments and contingent liabilities (Note 6)

Member's Equity

Contributed capital	60,796
Undistributed earnings	5,723
Total member's equity	66,519
Total liabilities and member's equity	\$ 188,465

See Notes to Statement of Financial Condition.

Prudential Investment Management Services LLC

Notes to Statement of Financial Condition

December 31, 2006

(dollars in thousands)

1. Organization and Nature of Business

Prudential Investment Management Services LLC ("PIMS" or the "Company") is an indirect wholly owned subsidiary of Prudential Financial, Inc. ("Prudential"). The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the National Association of Securities Dealers, Inc. ("NASD").

The Company's primary business is the distribution of mutual funds and variable annuity products to retail investors. The Company also sells various other investment products to institutional investors including limited partnerships and variable contracts, and distributes participant-directed group variable annuities and mutual funds to retirement plans.

The Company is a distributor of certain variable annuity products issued by Prudential companies and the distributor of the domestic Jennison Dryden and Strategic Partners fund families mutual fund shares ("Domestic Funds"), which have adopted Plans of Distribution pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The Company also has entered into selling agreements with unaffiliated mutual fund families whereby the Company receives distribution and service fees and commissions for sales of mutual fund products to defined contribution retirement plans ("DC Plans").

During 2003, Prudential completed the combination of its retail securities brokerage and clearing operations with Wachovia Corporation to form a joint venture, Wachovia Prudential Financial Advisors, LLC. The joint venture conducts its operations through First Clearing, LLC ("First Clearing") an affiliate of Wachovia Securities, LLC ("Wachovia"). The Company provides execution, clearance and other services to First Clearing, as clearing broker-dealer for Wachovia, with respect to their mutual fund wrap account products and programs.

The Company is also engaged in limited retail selling activities through the offering of investment alternatives sponsored by third parties and affiliates for rollover distributions from benefit plans of clients of Prudential. The Company also offers general brokerage services to the public. Investment alternatives offered to customers include, but are not limited to: stock, bonds, mutual funds and options. With respect to custody and clearing of these customer transactions, the Company introduces these trades to National Financial Services LLC, who clears them on a fully disclosed basis.

As more fully described in Note 4, the Company has various agreements with Prudential companies relating to services of officers and the use of telecommunications, office space, systems, and equipment. The accompanying statement of financial condition of the Company may not be indicative of the financial position of the Company if the Company had been operated as an unaffiliated entity.

2. Summary of Significant Accounting Policies

The preparation of the statement of financial condition in conformity with generally accepted accounting principles requires management 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 statement of financial condition. Actual results could differ from those estimates.

Prudential Investment Management Services LLC
Notes to Statement of Financial Condition
December 31, 2006

(dollars in thousands)

Cash and cash equivalents of \$107,620 includes \$97,612 which represents 97,612 shares of a Prudential money market mutual fund for which the Company is the exclusive distributor, \$6,329 on deposit in corporate accounts at commercial banks and \$3,679 invested in an affiliated company's money market sweep account. Cash of \$319 has been segregated in a special reserve bank account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission. Money market mutual funds are stated at cost, which approximates fair value.

3. Receivable from and Payable to Broker-Dealers and Clearing Organizations

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2006, consist of the following:

	Receivable	Payable
Broker Dealers and Clearing Organizations	\$ 44,432	\$ 1,021
Management and administrative fees	-	16,072
Service and finders fees	-	21,997
Miscellaneous	7	-
	<u>\$ 44,439</u>	<u>\$ 39,090</u>

The Broker Dealer and Clearing Organizations receivable includes \$35,725, which represents failed trades with one counterparty.

4. Related Party Transactions

As of December 31, 2006, \$9,480 of the distribution fees, service fees and commissions receivable is amounts due from the Domestic Funds. Distribution and service fee amounts includes \$1,166 which are receivable from Prudential Companies. Receivable from broker dealers includes \$2,392 which represents clearing fees from First Clearing. Payable to broker-dealers and clearing organizations includes \$1,631 of amounts due to Prudential companies and \$5,761 due to Wachovia in connection with the distribution of Domestic Funds shares. The entire management and administrative fee payable represents amounts due to a Prudential company.

The Company is the clearing broker for Wachovia's Fund Source mutual fund wrap fee program, a program affiliated with Wachovia Securities, LLC, as well as for the Prudential retirement plan platform DC Plans' mutual fund trades. At December 31, 2006 the Payable to brokers-dealers and clearing organizations included \$17,990 resulting from the activities described above.

5. Subordinated Borrowings and Notes Payable

The Company has two revolving subordinated loan agreements with Prudential Funding Corporation, LLC ("PFC"), a Prudential company, for \$40,000 and \$60,000. These agreements expire in 2008 and 2014, respectively. Borrowings under these agreements are subordinated to the claims of general creditors and have been approved by the NASD for inclusion in computing net capital pursuant to the SEC's net capital rule. Repayment may be made only if, after giving effect to such repayment, the Company meets the SEC's capital requirements governing the withdrawal of subordinated liabilities. During the year, and at December 31, 2006, there were no loans outstanding under these agreements.

Prudential Investment Management Services LLC
Notes to Statement of Financial Condition
December 31, 2006

(dollars in thousands)

The Company has an additional \$150,000 line of credit with PFC that is not subordinated. At December 31, 2006, there was an amount of \$50,000 outstanding at a fair value rate of 5.4%. This loan was repaid on January 3, 2007. Proceeds from the note were used to fund the operations of the Company.

6. Commitments and Contingent Liabilities

The Company is subject to legal actions in the ordinary course of its business. Management of the Company, after consultation with its legal counsel, believes that the ultimate resolution of any pending litigation matters should not have any material adverse effect on the Company's statement of financial condition.

In the normal course of its operations, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not occurred. However, based on experience, the Company believes the risk of loss is remote.

7. Regulatory Requirements

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1), pursuant to the Securities Exchange Act of 1934. In connection with the Company's entering into the mutual funds clearing business in 2004, the Company applied for and received approval from the SEC to change to the alternative method of computing net capital, permitted by the rule, which requires that the Company maintain minimum net capital as defined, equal to the greater of \$250 or 2 percent of aggregate debit balances arising from customer transactions, as defined. At December 31, 2006, the Company had net capital of \$46,136, which was \$45,886 in excess of its required net capital.

The Company is subject to Rule 15c3-3 of the Securities and Exchange Commission. At December 31, 2006 the Company computed the reserve requirement for customers and was not required to segregate any funds in the special reserve bank account for the exclusive benefit of customers. At December 31, 2006 the amount held on deposit in the special reserve bank account was \$319.

8. Income Taxes

In accordance with federal and applicable state tax law, the Company is treated as a branch of its single member owner, PHI. PHI is included in the consolidated federal income tax return of Prudential. PHI also files separate state income tax returns and is included in certain consolidated state income tax returns.

Pursuant to the tax allocation agreement, federal and state and local income tax expense or benefit is determined on a separate company basis. Members with losses record current tax benefits to the extent such losses are recognized in the consolidated federal and state and local tax provisions. Deferred taxes are generally recognized when assets and liabilities have different basis for financial statement and tax reporting purposes.

Deferred tax liabilities of \$11,975 at December 31, 2006 resulted from Distributor Commissions.

Prudential Investment Management Services LLC
Notes to Statement of Financial Condition
December 31, 2006

(dollars in thousands)

The Internal Revenue Service (the "Service") has completed all fieldwork with regards to its examination of the consolidated federal income tax returns for tax years 2002-2003. Prudential and Service have agreed on all proposed adjustments. Prudential anticipates the final report being submit to the Joint Committee on Taxation for their review during the first quarter of 2007. Management believes the close of the 2002 and 2003 examination does not result in material financial adjustment for the Company. In addition, the Service will begin an examination of tax years 2004 through 2006 in January 2007.

For tax year 2007, Prudential has chosen to participate in the Service's new Compliance Assurance Program (the "CAP"). Under CAP, the Service assigns an examination team to review completed transactions contemporaneously during the 2007 tax year in order to reach agreement with Prudential on how they should be reported in the tax return. If disagreements arise, accelerated resolutions programs are available to resolve the disagreements in a timely manner before the tax return is filed. It is management's expectation this new program will significantly shorten the time period between when Prudential files its federal income tax return and the Service completes its examination of the return.

In July 2006, the FASB issued FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes" an interpretation of FASB Statement No. 109. This interpretation prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on a tax return. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Company adopted FIN No. 48 on January 1, 2007, and it did not have a material effect on the Company's consolidated financial position or results of operations.