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ANNUAL AUDITED REPORT
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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 1/1/08 AND ENDING 12/31/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER:
HSH N FINANCIAL SECURITIES LLC

OFFICIAL USE ONLY
FIRM ID. NO.

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

230 Park Avenue
(No. and Street)

New York
(City)

NY
(State)

10169
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Peter G. Burke (212) 905-7333
(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BDO Seidman, LLP

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

100 Park Avenue New York New York 10017
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

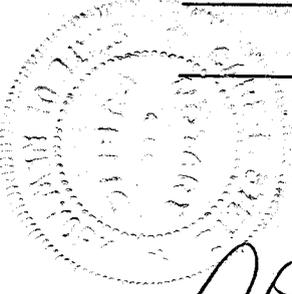
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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 OMB control number.

OATH OR AFFIRMATION

I, Peter Burke, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HSH N Financial LLC, as of December 31, 2008 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:



[Handwritten Signature]

Notary Public

CARL E. STETZ
Notary Public, State of New York
No. 02ST6152796
Qualified in Suffolk County
Certificate filed in New York County
Commission Expires September 25, 2010

[Handwritten Signature]

Signature

Peter Burke
Managing Director
HSH N Financial Securities, LLC

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 Proprietor's 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 Auditors' Report on internal control required by SEC Rule 17a-5.

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



Independent Auditors' Report

The Member
HSH N Financial Securities LLC
New York, New York

We have audited the accompanying statement of financial condition of HSH N Financial Securities LLC ("Company") as of December 31, 2008, that is being filed pursuant to rule 17a-5 under the Securities Exchange Act of 1934. 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 statement of financial condition is 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 statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of HSH N Financial Securities LLC as of December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

February 24, 2009

HSH N Financial Securities LLC

Statement of Financial Condition

December 31, 2008

Assets

Cash and cash equivalents (Note 1)	\$5,740,428
Prepaid expenses	10,775
	<hr/>
	\$5,751,203

Liabilities and Member's Equity**Liabilities:**

Due to affiliate (Notes 2 and 4)	\$ 311,217
Commitments (Notes 2 and 3)	
Member's equity (Note 3)	5,439,986
	<hr/>
	\$5,751,203

*See accompanying summary of business and significant accounting policies
and notes to statement of financial condition.*

HSH N Financial Securities LLC

Summary of Business and Significant Accounting Policies

Business

HSH N Financial Securities LLC (“Company”) is a Delaware limited liability company, which was formed on August 23, 2005. The Company received an initial capital contribution of \$250,000 on October 18, 2005 (inception) from HSH Nordbank AG, Cayman Islands Branch (“Member”), the sole member of the Company. On May 11, 2006, the Company registered as a broker-dealer and commenced operations. The Company provides investment banking services to its customers. The Company is relying on its Member for continued financial support.

The Company is registered as a broker-dealer under the provisions of the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (“FINRA”). The Company claims exemption from the requirements of Rule 15c3-3 under Section (k)(2)(ii) of the Rule.

Customer Transactions

The Company engages in investment banking activities with its customers. In the event a customer does not fulfill its obligation, the Company may be exposed to credit risk.

The Company does not anticipate nonperformance by its customers.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of less than ninety days that are not held for sale in the ordinary course of business as cash and cash equivalents. All cash and cash equivalents are held at one financial institution and exceed the amount of \$250,000 insured by the FDIC.

Use of Estimates

In preparing a statement of financial condition in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

HSH N Financial Securities LLC

Summary of Business and Significant Accounting Policies

Income Taxes

No income tax provision has been made in the accompanying statement of financial condition as the Member reports its share of the Company's income or loss on its income tax return.

New Pronouncement

In June 2006, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes", which establishes that a tax position taken or expected to be taken in a tax return is to be recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. On December 30, 2008, the FASB released an amendment to FIN 48 allowing certain non-public entities to defer implementation until fiscal years beginning after December 15, 2008. As a result, management has elected to defer implementation of FIN 48 until January 1, 2009. It is the Company's policy to evaluate its tax positions on a regular basis. The adoption of FIN 48 is not expected to have a material impact on the Company's results of operations or its financial position.

HSH N Financial Securities LLC

Notes to Statement of Financial Condition

1. Clearing Agreement

The Company is self-clearing and has a clearing arrangement with a bank to clear any trades and custody assets. The bank has custody of the Company's cash balance.

The cash position serves as collateral for any amounts due to the bank. The cash position also serves as collateral for potential defaults of the Company's customers which are carried on the books and records of the Company.

The Company is subject to credit risk to the extent that the bank may be unable to fulfill its obligations to repay amounts owed to the Company.

The cash on deposit at the bank is insured up to \$250,000 by the Federal Deposit Insurance Corporation.

2. Related Party Transactions

Pursuant to a management service agreement (the "Agreement") with the parent of the Member, the Company will receive various services from an affiliate of the Member's parent. The Agreement is for a period of twelve months and can be extended for successive one year periods unless cancelled by either party, upon 30 days written notice. These services include salaries, professional fees, office space, equipment and general and administrative expenses. At December 31, 2008, the Company had \$311,217 accrued related to these expenses.

3. Regulatory Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum regulatory net capital and requires that the ratio of aggregate indebtedness to regulatory net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2008, the Company had regulatory net capital of \$5,429,211 and a minimum regulatory net capital requirement of \$100,000. The Company's ratio of aggregate indebtedness to net capital at December 31, 2008 was .06 to 1.

HSH N Financial Securities LLC

Notes to Statement of Financial Condition

4. **Subordinated Borrowings**

As of December 31, 2008, the Company has a subordinated loan agreement (“SLA”) with the Member. The SLA provides for the Member to lend up to \$10,000,000 on a revolving basis, bearing interest at an annual rate of the Member’s cost of funds plus 0.08%. During the year and as of December 31, 2008, the Company did not draw on the SLA. The Company incurred a commitment fee for the SLA in the amount of \$8,087 for the year ended December 31, 2008.



**Independent Auditors' Report
on Internal Control Required by
Securities and Exchange Commission
Rule 17a-5(g)(1) for a Broker-Dealer Claiming
an Exemption from SEC Rule 15c-3-3**

The Member
HSH N Financial Securities LLC
New York, New York

In planning and performing our audit of the financial statements of HSH N Financial Securities LLC (the "Company") as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of 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. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.



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 controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's 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 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 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 internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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



BDO Seidman, LLP
Accountants and Consultants

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, as described in the second paragraph of this report, were adequate at December 31, 2008 to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, the Financial Industry Regulatory Authority 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.

BDO Seidman, LLP

Certified Public Accountants

New York, New York

February 24, 2009

BDO[®]

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