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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8-53574

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 January 1, 2009 (MM/DD/YY) AND ENDING December 31, 2009 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - ~~[illegible]~~ CITADEL SECURITIES LLC

OFFICIAL USE ONLY
FIRM ID. NO.

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

131 South Dearborn Street
(No. and Street)

Chicago (City) Illinois (State) 60603 (Zip Code)

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

PATRICIA STASNY (312) 395-4366
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

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

1 North Wacker Drive (Address) Chicago (City) IL (State) 60606 (Zip Code)

SECURITIES AND EXCHANGE COMMISSION
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BRANCH OF REGISTRATIONS AND EXAMINATIONS
03

CHECK ONE:

- [x] 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).*

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
One North Wacker
Chicago IL 60606
Telephone (312) 298 2000
Facsimile (312) 298 2001

Report of Independent Auditors

To the Members of Citadel Securities LLC
(formerly Citadel Derivatives Group LLC):

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Citadel Securities LLC (the "Company") at December 31, 2009 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 statement of financial condition is free of material misstatement. An audit 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, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 22, 2010

CITADEL

CITADEL SECURITIES LLC
(FORMERLY CITADEL DERIVATIVES GROUP LLC)
(A Delaware Limited Liability Company)

(SEC File Number 8-53574)

Statement of Financial Condition as of December 31, 2009
and Independent Auditors' Report

CITADEL SECURITIES LLC
FORMERLY CITADEL DERIVATIVES GROUP LLC
(A Delaware Limited Liability Company)
(SEC File Number 8-53574)

Consolidated Statement of Financial Condition as of December 31, 2009 and Independent Auditors' Report and Report on Internal Control Under SEC Rule 17a-5

Claim for Exemption from the Registration Requirements of the Regulations Adopted by the U.S. Commodity Futures Trading Commission (the "CFTC") has been filed by the Commodity Pool Operator of Citadel Securities LLC on the basis of CFTC Rule 4.13(a)(4)

Filed pursuant to Rule 17a-5(e)(3) under the Securities Exchange Act of 1934 as a PUBLIC DOCUMENT

CITADEL SECURITIES LLC
(FORMERLY CITADEL DERIVATIVES GROUP LLC)

STATEMENT OF FINANCIAL CONDITION
December 31, 2009
(Expressed in U.S. dollars in thousands)

ASSETS

Assets:		
Cash and cash equivalents	$	295,882
Securities owned		5,655,436
Securities purchased under agreements to resell		116,248
Receivable from brokers, dealers, clearing organizations and futures clearing brokers		626,118
Securities borrowed		11,211,006
Collateral held under securities loan agreements		5,885,790
Dividends receivable		2,842
Receivable from affiliates		2,902
Exchange memberships and trading rights, at cost (fair value $72,390)		60,201
Interest receivable		20,422
Other assets		15,221
Total assets	$	23,892,068

LIABILITIES AND MEMBERS' CAPITAL

Liabilities:		
Securities sold, not yet purchased	$	5,542,263
Securities sold under agreements to repurchase		3,200,847
Payable to brokers, dealers and clearing organizations		9,733
Securities loaned		13,902,558
Dividends payable		1,665
Payable to affiliates for clearing activities		110,363
Payable to affiliates		1,919
Interest payable		8,709
Other liabilities		34,791
Total liabilities		22,812,848
Members' capital		1,079,220
Total liabilities and members' capital	$	23,892,068

See notes to statement of financial condition.

CITADEL SECURITIES LLC
(FORMERLY CITADEL DERIVATIVES GROUP LLC)

NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2009
(Expressed in U.S. dollars)

(1) Organization:

Citadel Securities LLC ("CDRG"), a Delaware limited liability company formerly known as Citadel Derivatives Group LLC, is registered with the U.S. Securities and Exchange Commission ("SEC") as a broker and dealer, is registered with the U.S. Commodity Futures Trading Commission ("CFTC") as a Futures Commission Merchant ("FCM"), is a member of the Financial Industry Regulatory Authority ("FINRA"), is a clearing member of the Depository Trust Company ("DTC"), National Securities Clearing Corporation ("NSCC"), Fixed Income Clearing Corporation ("FICC"), Chicago Mercantile Exchange ("CME") and Chicago Board of Trade ("CBOT"), is a clearing member and participant in the Options Clearing Corporation ("OCC") and the New York Stock Exchange ("NYSE") stock loan programs and is a member of the Boston Options Exchange, Chicago Board Options Exchange ("CBOE"), CBOE Futures Exchange, CBOE Stock Exchange, Chicago Stock Exchange, ICE Futures Exchange, International Securities Exchange, NYSE Alternext, NYSE AMEX Options, NYSE Arca (Equities and Options), Nasdaq, Nasdaq Options Market, Nasdaq OMX, Nasdaq OMX BX, Nasdaq OMX PHLX and BATS exchange.

For the year ended December 31, 2009, Citadel Derivatives Group Investors LLC ("CDGI") and CLP Holdings LLC ("CLPH") were the sole members of CDRG. From January 1, 2009 through January 30, 2009, Citadel Trading Group LLC ("CITG") was wholly-owned and consolidated by CDRG. On January 30, 2009, CITG merged with and into CDRG. CDRG and CITG, during the period it was consolidated by CDRG, are hereinafter referred to as the "Company".

The Company primarily engages in market making in U.S. options and equities on various U.S. exchanges, trade execution, clearing and financing services, proprietary trading, institutional sales and trading and investment banking services, including capital markets and underwriting activities. Citadel Holdings I LP ("CH1P") is the Manager of CDRG and is responsible for managing all investment activities for CDRG. CH1P has claimed an exemption from registration as a "commodity pool operator" with the CFTC with respect to CDRG pursuant to CFTC Rule 4.13(a)(4).

Citadel Investment Group, L.L.C. ("CIG"), an affiliate of CH1P, provides administrative and investment-related services to the Company. Omnium LLC, formerly known as Citadel Solutions LLC ("Omnium"), an affiliate of CIG, is responsible for providing certain administrative services to the Company.

(2) Summary of Significant Accounting Policies:

The accompanying statement of financial condition has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of the statement of financial condition in accordance with GAAP requires CH1P 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 significantly from those estimates.

(2) Summary of Significant Accounting Policies, Continued:

Clearance Activity

Clearance activity conducted on behalf of affiliates is recorded on a settlement date basis.

Principal Transactions

Principal transactions are recorded on a trade-date basis. The cost of securities purchased through other brokers includes commissions and related costs of executing transactions.

Investment Banking

Expenses associated with underwriting and financial advisory transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded.

Cash and Cash Equivalents

The Company defines cash and cash equivalents on the statement of financial condition as funds held in liquid investments with original maturities of ninety days or less, as well as investments in money market funds. Substantially all cash and cash equivalents are held at a major U.S. financial institution.

Securities Owned

Substantially all the Company's securities owned, at fair value, are held at major U.S. financial institutions which are permitted by contract or custom to sell or repledge these securities.

Interest and Dividend Income and Expense

Dividends received (paid) on equity securities are accrued on the ex-dividend date. Interest income (expense) is recognized on the accrual basis.

Payment for Order Flow

The Company, in its capacity as an equities and equity options market maker, frequently receives and makes payments for providing or receiving order flow to markets and customers. Payment for order flow is recognized on a trade-date basis. As of December 31, 2009, $10,616,696 and $21,307,621 of order flow revenue receivable and order flow expense payable, respectively, were held in other assets and other liabilities on the statement of financial condition.

Offsetting Financial Instruments

Financial assets and liabilities, as well as cash collateral received and posted, are offset by counterparty when the Company believes there exists a legally enforceable right to set off the recognized amounts. As a result, the net exposure to each counterparty is reported as either an asset or liability on the statement of financial condition.

(2) Summary of Significant Accounting Policies, Continued:

Foreign Currency Translation

The Company may hold assets and liabilities denominated in foreign currencies. The fair value of assets and liabilities is translated into U.S. dollars using spot currency rates on the date of valuation as determined by CH1P.

Securities Borrowed and Securities Loaned

Securities borrowing and lending transactions are reported as operating activities and require cash or other financial instruments as collateral to be deposited or taken in. Such financial instruments may include obligations of corporations and equities. Securities borrowed are recorded at the amount of cash collateral advanced plus accrued interest receivable. Securities loaned are recorded at the amount of cash and fair value of securities collateral received plus accrued interest payable, as required. Under the accounting guidance for transfers and servicing, in order to qualify for financing-type transfer accounting, a security loaned transaction must involve the transfer of financial assets over which the transferor retains control. The securities received as collateral meet the requirements under the accounting guidance and are reflected in collateral held under securities loan agreements on the statement of financial condition.

Securities borrowing and lending transactions are collateralized as a percentage of the fair value of the securities borrowed or loaned. In an attempt to mitigate counterparty credit risk related to securities borrowed and securities loaned, securities are marked to fair value on a daily basis and, correspondingly, cash flows are exchanged and/or securities are transferred between the borrower and lender to satisfy the resulting changes in collateral requirements. At December 31, 2009, the Company has evaluated the collateral pledged and received in connection with securities borrowed and securities loaned transactions and does not anticipate losses as a result of a counterparty's failure to return collateral.

During the year, the Company engaged in securities borrowing and lending transactions with affiliates and non-affiliates. As part of these transactions, as of December 31, 2009, the fair value of securities borrowed by the Company was $10,727,108,991, for which cash of $11,209,480,622 and securities with a fair value of $6,765,654 were pledged as collateral. The fair value of securities loaned was $13,229,635,263, for which cash of $8,015,091,745 and securities with a fair value of $5,885,789,780 were received as collateral. Included in securities borrowed and securities loaned is $1,525,064 of interest receivable and $1,676,273 of interest payable, respectively.

Repurchase and Reverse Repurchase Agreements

The Company engages in collateralized financing transactions consisting of securities sold under agreements to repurchase ("repurchase agreements") and securities purchased under agreements to

(2) Summary of Significant Accounting Policies, Continued:

Repurchase and Reverse Repurchase Agreements, Continued

resell ("reverse repurchase agreements"). Repurchase and reverse repurchase agreements are short-term in nature, and are recorded at contract value, plus accrued interest, on the statement of financial condition. The Company records the net repurchase agreement or reverse repurchase agreement position by counterparty on the statement of financial condition if the right of offset exists. Repurchase agreements and reverse repurchase agreements are collateralized primarily through pledging or receipt of securities. CH1P monitors collateral fair value on a daily basis relative to the contract value, including interest, and when necessary, requires the transfer of cash or securities in order to manage its exposure and ensure sufficient collateral.

During the year, the Company had reverse repurchase agreements with affiliates and non-affiliates and repurchase agreements with non-affiliates. The Company has accepted collateral that it is permitted by contract or custom to sell or repledge. As of December 31, 2009, as a result of entering into reverse repurchase agreements, the Company obtained collateral with a fair value of $116,051,933. At December 31, 2009, the Company also had repurchase agreements with collateral posted having a fair value of $3,460,446,086.

Valuation of Financial Instruments

The Company measures and reports securities owned; securities sold, not yet purchased; financial instruments held as collateral under securities loan agreements; investments in money market funds; and derivative financial instruments ("Financial Instruments") at fair value, as determined by CH1P. Financial Instruments are generally characterized by the geographies/time zone(s) of trading. The fair value determined by CH1P is based on available information and represents CH1P's best estimate of fair value. The fair value determined may not necessarily reflect the amount which might ultimately be realized in an arm's length sale or liquidation of the Financial Instruments and such differences may be material. All Financial Instruments are valued at the close of business on each date of determination in the relevant time zone as determined by CH1P. Valuations are not changed subsequent to such closing time, irrespective of whether part or all of a group of Financial Instruments continue to trade after the close of business and prior to the next opening of business in such time zone, except that CH1P may value (or revalue as the case may be) any and all Financial Instruments based on pricing or other relevant information obtained after the close of business if CH1P believes that doing so is necessary to better reflect fair value and consistent with the Company's governing documents.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable, willing parties. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of estimation and judgment by CH1P, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

(2) Summary of Significant Accounting Policies, Continued:

Valuation of Financial Instruments, Continued

The accounting guidance for fair value measurements and disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A Financial Instrument's level within the fair value hierarchy is based on the lowest level of any input, individually or in the aggregate, that is significant to the fair value measurement.

Financial Instruments are valued by CH1P taking into consideration third party pricing sources to the extent possible. Third party pricing sources may include one or more exchanges, organized dealer markets, electronic trading facilities, brokers and dealers. For certain Financial Instruments, indications of fair value may be quoted by a limited number of market participants. CH1P may arbitrate the price information received in determining the best estimate of fair value for the Financial Instrument. Financial Instruments also may be valued on the basis of a spread or price differential, as quoted by dealers, to other financial instruments.

Effective January 1, 2009, the Company adopted the authoritative guidance under GAAP on determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly. Accordingly, if the Company determines that either the volume and/or level of activity for an asset or liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair value. Valuation techniques such as an income approach might be appropriate to supplement or replace a market approach in those circumstances. The guidance also provides a list of factors to determine whether there has been a significant decrease in relation to normal market activity. Regardless, however, of the valuation technique and inputs used, the objective for the fair value

(2) Summary of Significant Accounting Policies, Continued:

Valuation of Financial Instruments, Continued

measurement in those circumstances is unchanged from what it would be if markets were operating at normal activity levels and/or transactions were orderly; that is, to determine the current exit price. The adoption did not affect the Company's financial position as the Company's fair value methodologies were consistent with the new guidance.

Financial Instruments which are traded on one or more exchanges, organized dealer markets or electronic trading facilities are generally valued at their closing price on the exchange upon which they are principally traded. Such Financial Instruments are generally classified within level 1 of the fair value hierarchy.

Exchange traded options are generally valued based upon the average of the bid and asked prices as reported by various exchanges upon which those options are traded. Such instruments are generally classified within level 1 of the fair value hierarchy.

Equity interests in exchanges and electronic communication networks ("ECNs") are generally valued based upon comparables and other market indicators. ECNs are generally classified within level 3 of the fair value hierarchy.

Over-the-counter ("OTC") derivative financial instruments are valued using market-based inputs to models, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Where models are used, the selection of a particular model to value an OTC derivative financial instrument depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. CH1P generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivative financial instruments that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment. OTC derivative financial instruments are classified within level 2 of the fair value hierarchy when all of the significant inputs can be corroborated to market evidence.

Certain OTC derivative financial instruments that trade in less liquid markets with more limited levels of price transparency are classified within level 3 of the fair value hierarchy. The valuations of these less liquid OTC derivative financial instruments are typically based on level 1 and/or level 2 inputs that can be observed in the market, as well as unobservable level 3 inputs. Subsequent to initial recognition, CH1P updates the level 1 and level 2 inputs to reflect observable market changes, with resulting gains and losses reflected within level 3. Level 3 inputs are updated when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations, or other empirical market data.

(2) Summary of Significant Accounting Policies, Continued:

Valuation of Financial Instruments, Continued

Fixed income instruments are valued using quoted market prices, broker or dealer quotations, external pricing providers or alternative pricing sources with reasonable levels of price transparency and include corporate bonds and bank loans. These securities are generally classified within level 2 or level 3 of the fair value hierarchy depending on the availability of observable market activity.

For Financial Instruments in which there is no readily determinable available third party pricing, the fair value determined by CH1P represents its best estimate of fair value. In all instances, any Financial Instrument may either be valued by CH1P, or CH1P may consider the valuation of such Investment Position provided by the person or entity, if any, who controls or manages such Financial Instruments or who is engaged by CH1P to value such Financial Instruments.

Exchange Memberships

The Company's exchange memberships, which represent ownership interests in certain exchanges and which provide the Company with the right to conduct business on those exchanges, and exchange memberships which represent only the right to conduct business on the exchange, and which are accounted for as intangible assets, are recorded at cost or, if an other than temporary impairment in value has occurred, at a value that reflects CH1P's estimate of the impairment. There were no exchange memberships with other than temporary impairments as of December 31, 2009. The disclosure of the fair market value of the exchange memberships is based on recent sales, where available. CH1P may arbitrate the price information received in determining the best estimate of the fair value for exchange memberships.

Other Financial Instruments

CH1P estimates the aggregate carrying value of other financial instruments (including receivables and payables) recognized on the statement of financial condition approximates their fair value as such financial instruments are short-term in nature, bear interest at current market rates or are subject to frequent repricing.

(3) Taxes:

CDRG is a Delaware limited liability company and elected to be taxed as a partnership for federal and state income tax purposes. As a partnership, CDRG is not subject to federal or state income tax directly. CDRG's members will include their allocable share of CDRG's current year taxable income or loss on their respective federal and state tax filings, as applicable.

CDRG may be subject to income taxes in other jurisdictions in which it conducts operations.

(3) Taxes, Continued:

CITG (for the period January 1, 2009 through January 30, 2009) is taxed as a disregarded entity for U.S. Federal income tax purposes, and as such, is not subject to U.S. income taxes. CDRG will include the income, gains, losses and deductions related to CITG on its partnership income tax returns for the period ended December 31, 2009.

In July 2006, the Financial Accounting Standards Board ("FASB") issued accounting guidance related to income taxes which provides direction for how uncertain tax positions should be recognized, measured, presented, and disclosed. The Company adopted the accounting guidance on January 1, 2009. Under this guidance, the recognition of a benefit from a tax position requires that management determine whether such tax position is "more likely than not" to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If this threshold is met, the tax benefit is then measured and recognized at the largest amount that is greater than 50 percent likely of being realized upon settlement.

The Company has determined that no cumulative adjustment was required to be recognized upon adoption of the accounting guidance. For the year ended December 31, 2009, no interest or penalties have been accrued. CH1P's conclusions regarding the accounting standard may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance from the FASB, and ongoing analyses of tax laws, regulations and interpretations thereof.

The Company has filed and it is expected that it will continue to file U.S. federal and Illinois partnership income tax returns. The Company's filed income tax returns are no longer subject to tax examination for years prior to 2006. At December 31, 2009, the Company has no knowledge of any tax returns under examination.

(4) Fair Value Disclosures:

The following fair value hierarchy tables present information about the Company's assets and liabilities measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations (see Note 2 for the Company's policies regarding the hierarchy):

	Assets at Fair Value as of December 31, 2009 (in thousands)				
	Level 1	**Level 2**	**Level 3**	**Netting and Collateral** (1)	**Total**
Corporate debt securities (2)	$ –	$ 299,259	$ –	$ –	$ 299,259
Equity securities (2)					
Basic materials	100,824	4	–	–	100,828
Consumer	525,121	99	–	–	525,220
Energy & utilities	196,603	47	–	–	196,650
Financial	967,261	195	570	–	968,026
Industrial	155,242	3	–	–	155,245
Other	159	25	–	–	184
Technology	612,336	27	–	–	612,363
U.S. government securities (2)	–	100,907		–	100,907
Exchanges and ECN's (2)	–	–	111,495	–	111,495
Cash equivalents	264,520	–	–	–	264,520
Collateral held under securities loan agreements	5,538,929	346,861	–	–	5,885,790
Total investment assets	8,360,995	747,427	112,065	–	9,220,487
Futures (4)	756	–	–		
Options (2)	2,578,683	6,440	–		
Warrants (2)	136	–	–		
Receivable from affiliate (Note 5)	–	–	1,531		
Total derivative assets	2,579,575	6,440	1,531	330,810	2,918,356
Total assets at fair value	$ 10,940,570	$ 753,867	$ 113,596	$ 330,810	$ 12,138,843

(4) Fair Value Disclosures, Continued:

	Liabilities at Fair Value as of December 31, 2009 (in thousands)				
	Level 1	Level 2	Level 3	Netting and Collateral (1)	Total
Corporate debt securities (2)	$ –	$ 390,834	$ –	$ –	$ 390,834
Equity securities (2)					
Basic materials	102,132	3	–	–	102,135
Consumer	386,958	38	–	–	386,996
Energy & utilities	241,451	1	–	–	241,452
Financial	392,653	172	–	–	392,825
Industrial	157,272	–	–	–	157,272
Other	155	1	–	–	156
Technology	243,944	–	–	–	243,944
U.S. government securities (2)	–	11,705	–	–	11,705
Securities loaned (3)	5,538,929	346,861	–	–	5,885,790
Total investment liabilities	7,063,494	749,615	–	–	7,813,109
Futures(4)	14,164	–	–		
Options (2)	3,609,494	5,356	–		
Warrants (2)	94	–	–		
Total derivative liabilities	3,623,752	5,356	–	(14,164)	3,614,944
Total liabilities at fair value	$ 10,687,246	$ 754,971	$ –	$ (14,164)	$ 11,428,053

(1) Amounts represent the impact of legally enforceable netting agreements that allow the Company to present the positive and negative positions and any cash collateral held or placed on a net basis with the same counterparties.

(2) Amounts are included in securities owned or securities sold, not yet purchased, as applicable on the statement of financial condition

(3) The securities loaned balance reflects only that portion of the obligation to return securities collateral received.

(4) Included in receivable from brokers, dealers, clearing organizations and futures clearing brokers as discussed in Note 6.

(5) Transactions with Related Parties:

Pursuant to an administrative services agreement, the Company makes payments to CIG and its affiliates for direct and allocable administrative, general and operating expenses paid by CIG and its affiliates, on behalf of the Company. Payable to affiliates as of December 31, 2009 includes $1,906,507 due to CIG.

CLPH and CDGI incur expenses from Omnium for certain administrative services, a proportionate share of which are allocated to the Company. At December 31, 2009, $12,910 of the Company's expense was outstanding to be paid to CLPH in relation to these fees, and is reflected in payable to affiliates on the statement of financial condition.

(Expressed in U.S. dollars)

(5) Transactions with Related Parties, Continued:

During the year, the Company engaged in securities borrowing and lending transactions with Citadel Institutional Finance Company Ltd. ("CIFC"), Wingate Capital Ltd. ("WING"), and Citadel Derivatives Trading Ltd. ("CDRT"), all affiliated entities. The following table presents information about the fair value of the securities borrowed by the Company from each affiliate together with the related cash collateral and fair value of securities pledged:

	As of December 31, 2009		
Affiliate	**Fair Value of Securities Borrowed**	**Cash Collateral Pledged**	**Fair Value of Securities Collateral Pledged**
CDRT	$ 82,645,563	$ 86,492,776	$ –
CIFC	1,079,859,349	1,124,145,572	6,765,654
WING	72,124,441	75,607,210	–
Total	**$ 1,234,629,353**	**$ 1,286,245,558**	**$ 6,765,654**

The following table presents information about the fair value of the securities loaned by the Company to each affiliate together with the related cash collateral and fair value of securities collateral received:

	As of December 31, 2009		
Affiliate	**Fair Value of Securities Loaned**	**Cash Collateral Received**	**Fair Value of Securities Collateral Received**
CDRT	$ 234,717,490	$ 103,447,426	$ 147,032,976
CIFC	9,966,527,132	6,281,900,657	4,302,522,769
Total	**$ 10,201,244,622**	**$ 6,385,348,083**	**$ 4,449,555,745**

Included in securities borrowed are $56,769, $569,603, and $45,990 of interest receivable from CDRT, CIFC and WING, respectively.

Additionally, as of December 31, 2009, the Company had a payable to CIFC in the amount of $5,817,283 related to investment activities, which is reflected in payable to affiliates for clearing activities on the statement of financial condition.

During the year, the Company purchased 6,000 Class A shares in CME from CDRT for $1,384,680 which is included in exchange memberships and trading rights on the statement of financial condition.

Pursuant to a swap agreement entered into between Citadel Wellington LLC ("Wellington") and CDRG on January 1, 2008, CDRG allocates a pro rata share of the appreciation or depreciation of its Shared Portfolio Assets (an equity interest in an options exchange as defined in the swap agreement) to Wellington and receives interest related to the financing of its Shared Portfolio Assets from Wellington. Interest accrues at a rate of one month LIBOR plus 1.50% on Wellington's basis in the Shared Portfolio Assets. Wellington's basis is calculated as the total capital of Wellington divided by

(Expressed in U.S. dollars)

(5) Transactions with Related Parties, Continued:

the sum of the total capital of Wellington plus the total capital of CDGI, times the market value of the Shared Portfolio Assets at the beginning of the month. For the year ended December 31, 2009, CDRG paid $425,564 in net settlements to Wellington under this swap agreement. At December 31, 2009, the fair value of the swap was $1,531,139 which is included in receivable from affiliates on the statement of financial condition.

In prior years, CITG had entered into subordinated loan agreements with Citadel Kensington Global Strategies Fund Ltd. ("Kensington"), an affiliate. As approved by FINRA, the loan proceeds received by CITG in the amount of $100,000,000 in 2002 and $20,000,000 in 2005, were classified as subordinated borrowings from affiliate on the statement of financial condition. On January 30, 2009, CITG returned all loan proceeds to Kensington.

Included in receivable from affiliates on the statement of financial condition is $1,370,365 related to clearing activities the Company had with GEMF. Included in payable to affiliates for clearing activities on the statement of financial condition is $103,731,628 related to clearing activities the Company had with CDRT and $813,487 related to clearing activities the Company had with CEFL.

Certain of the Company's present and future obligations arising out of transactions entered into under agreements with various counterparties have been guaranteed by affiliated entities. As of December 31, 2009, CH1P believes that the probability of exercise on these guarantees to be unlikely given the collateralization on securities lending transactions and the daily mark to market between counterparties involved in the transactions.

(6) Receivables from and Payables to Brokers, Dealers, Clearing Organizations and Futures Clearing Brokers:

Amounts receivable from and payable to brokers, dealers, clearing organizations and futures clearing brokers at December 31, 2009, consist of the following:

	Receivables	Payables
Securities failed to deliver/receive	$ 7,820,391	$ 1,914,809
Net receivables/payables from brokers and dealers	252,950,899	6,586,238
Net receivables/payables from clearing organizations	33,780,077	1,231,625
Receivables from futures clearing brokers	331,566,959	-
	$626,118,326	$ 9,732,672

The Company clears certain of its proprietary transactions through a clearing broker. The net receivables/payables from brokers and dealers related to the aforementioned transactions contain cash margin balances and are collateralized by securities owned by the Company. The clearing brokers'

(6) Receivables from and Payables to Brokers, Dealers, Clearing Organizations and Futures Clearing Brokers, Continued:

internal and regulatory collateral requirements on open short positions and securities purchased on margin require that cash and/or securities be maintained in the Company's accounts to satisfy such requirements.

Included in net receivables from clearing organizations are cash deposits held at the clearing organizations of $32,886,501 made in the normal course of business. Additionally, $569,846 of preferred securities were purchased from and pledged to DTC in conjunction with the Company's DTC membership and are included in securities owned on the statement of financial condition.

The Company pledged U.S. Treasury notes and strips to the OCC and NSCC having a fair value of $286,691,338 and $13,024,114, respectively, to fulfill the Company's clearing fund and margin obligations. The securities pledged were received as collateral for securities borrowed and reverse repurchase transactions.

(7) Risk Management:

The Company is subject to various risks, including, but not limited to, market risk, off-balance sheet risk, credit risk, currency risk, and liquidity risk. CH1P attempts to monitor manage these risks on an ongoing basis. While CH1P generally seeks to hedge certain portfolio risks, CH1P may not attempt to hedge all market or other risks in the portfolio, and it may decide to only partially hedge certain risks.

Market Risk

Market risk is the potential for changes in the value of Financial Instruments. Categories of market risk include exposures to equity prices, interest rates, and commodity prices. A description of each market risk category is set forth below:

- Equity price risks result from exposures to changes in prices and volatilities of individual equities, equity baskets and equity indices.
- Interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads.
- Commodity price risks result from exposures to changes in spot prices, forward prices and volatilities of commodities, such as electricity, natural gas, crude oil, and petroleum products.

Market risk is directly impacted by the volatility and liquidity of the markets in which the underlying financial instruments are traded. The Company attempts to manage market risk in various ways, including through diversifying exposures, placing limitations on position sizes and hedging in related securities or derivative financial instruments. The ability to manage market risk may be constrained by changes in liquidity conditions and fast changes in the relative prices, volatilities and correlations between Financial Instruments and the instruments used to hedge such Financial Instruments.

(7) Risk Management, Continued:

Market Risk, Continued

The Company sells various financial instruments which it does not yet own or does not choose to deliver ("short sales"). The Company is exposed to market risk for short sales. If the fair value of a financial instrument sold short increases, the Company's obligation to deliver this instrument, reflected as a liability on the statement of financial condition. A short sale involves the risk of an unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase. To attempt to manage this market risk, the Company may hold investment positions which can be used to hedge or settle these obligations and monitors its market exposure daily, adjusting investment positions as deemed necessary. Also, the Company's ability to conduct short sales on certain specified securities could be restricted due to rules enacted by regulatory pronouncements and legislation, thus impacting the Company's ability to execute its investment strategies. Possible impacts include a reduced inventory of shares available for borrowing, and increased transaction costs relating to short selling.

Off-Balance Sheet Risk

The Company enters into investment transactions which may represent off-balance sheet risk. Off-balance sheet risk exists when the maximum potential loss on a particular investment is greater than the value of such investment, as reflected on the statement of financial condition. Off-balance sheet risk generally arises from the use of derivative financial instruments or short sales.

Credit Risk

Credit risk is the risk of losses due to the failure of a counterparty to perform according to the terms of a contract. Since the Company does not clear all of its own securities transactions, it has established accounts with other financial institutions for this purpose. This can, and often does, result in a concentration of credit risk with one or more of these institutions. Such risk, however, is partially mitigated by the obligation of certain of these financial institutions to comply with rules and regulations governing financial institutions in countries where they conduct their business activities. These rules and regulations generally require maintenance of minimum net capital and may also require segregation of customers' funds and financial instruments from the holdings of the financial institutions themselves. The Company actively reviews and attempts to manage exposures to various financial institutions in an attempt to mitigate these risks. The Company also attempts to minimize this credit risk by carrying minimal excess collateral above the specific collateral requirement computed pursuant to the contractual terms between the Company and the financial institutions as applicable.

The credit risk of exchange-traded and/or centrally cleared derivatives ("cleared derivatives"), such as exchange-traded futures, exchange-traded options and cleared OTC derivative financial instruments, is

(7) Risk Management, Continued:

Credit Risk, Continued

reduced by the rules or regulatory requirements of the individual exchanges and clearinghouses on which these instruments are traded and cleared. One of the requirements of the exchanges and clearinghouses is that cleared derivatives are margined on a daily basis, which reduces the credit risk related to such cleared derivatives.

The credit risk of non-cleared OTC derivative financial instruments may be greater than that of cleared derivatives given that non-cleared OTC derivative financial instruments are not regulated and require performance by a counterparty without the guaranty of a central clearinghouse. To the extent that an OTC contract is not collateralized or that there is a delay in the movement of collateral required by a contract, the Company may be exposed to counterparty credit risk. Likewise, any over-collateralization of OTC derivative financial instruments or repurchase agreements exposes the Company to counterparty credit risk. The Company generally enters into OTC derivative financial instrument transactions only with major financial institutions and others chosen after careful credit analysis, in an effort to limit OTC credit risk.

The Company seeks to reduce its exposure to credit risk associated to counterparty nonperformance by obtaining either cash or U.S. government securities collateral from its counterparties. CH1P monitors collateral fair value on a daily basis relative to the Company's counterparties' exposure, and when necessary, attempts to recall any material excess collateral balances. The Company also restricts its exposure to credit losses on derivative financial instruments held by entering into netting arrangements with all of its counterparties. Under the terms of such netting arrangements, if an event of default under such netting agreement occurs, all transactions with the relevant counterparty governed by such netting agreement are able to be terminated and settled on a net basis. Additionally, the Company also seeks to manage credit risk by, among other factors, monitoring exposures to and reviewing creditworthiness of, its counterparties. The Company also attempts to actively monitor the creditworthiness of such counterparties and rebalances financing sources to reduce this risk.

The Company clears a substantial portion of its equity options and equity securities through Bank of America Corporation or its affiliates, which also maintains the Company's positions. These positions are recorded at fair value under securities owned on the statement of financial condition. In addition, the clearing broker provides the majority of the financing for these securities. This can, and often does, result in a concentration of credit risk with this institution. Such risk, however, is partially mitigated by the obligation of this financial institution to comply with rules and regulations governing broker/dealers, including the requirement to maintain a minimum amount of net capital and may also require segregation of customers' funds and financial instruments from the holdings of the financial institutions themselves. The Company also attempts to actively review and manage exposures to various financial institutions to mitigate these risks.

(7) Risk Management, Continued:

Credit Risk, Continued

The cash and security account balances held at various major U.S. financial institutions, which typically exceed Federal Deposit Insurance Corporation and Security Investors Protection Corporation insurance coverage, also subject the Company to a concentration of credit risk. CH1P attempts to mitigate the credit risk that exists with the deposits in excess of insured amounts by regularly monitoring the credit ratings of such financial institutions.

The Company may invest in convertible bonds, corporate bonds, and other credit sensitive securities. Until such investments are sold or are paid in full at maturity, the Company is exposed to credit risk relating to whether the issuer will meet its obligations when the securities come due.

Currency Risk

The Company may invest directly in non-U.S. currencies or in securities that are denominated in, and that receive revenues in, non-U.S. currencies, or in derivatives that provide exposure to non-U.S. currencies, and as such is subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged. Currency rates may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad. As a result, the Company's investments in non-U.S. currencies and non-U.S. currency-denominated securities may reduce the returns of the Company.

Liquidity Risk

The Company (or its affiliates) generally invests on a highly leveraged basis, both through its financing arrangements, including repurchase agreements and through the degree of leverage typically embedded in the derivative financial instruments in which it invests. The use of leverage can dramatically magnify both gains and losses. Leverage through margin borrowings requires collateral to be posted with prime brokers, custodians and counterparties. Prime brokers, custodians and counterparties, generally have broad discretionary authority over valuing the collateral posted and requiring the posting of additional collateral. A prime broker, custodian or counterparty may have the right to reduce the value of such collateral or to require the posting of additional collateral even if no actual transaction in the underlying instrument has occurred, potentially resulting in the issuance of a margin call. This could also result in the Company having to otherwise sell assets at a time when the Company would not otherwise choose to do so. In order to mitigate the potential for these situations, CH1P attempts to actively maintain a substantial pool of excess liquidity at the Company (or its affiliates) for various contingent needs including, among others, mark to market losses on investments, changes in

(7) Risk Management, Continued:

Liquidity Risk, Continued

margin requirements as term financing facilities mature, debt repayment, and member's capital activity.

Other Risks

The Company may be subject to elements of risk not typically associated with investments in the U.S., due to concentrated investments in specific industries or investments in non-U.S issuers located in a specific country or region. Such concentrations may subject the Company to additional risks resulting from future political or economic conditions in such country or region and the possible imposition of adverse governmental laws of currency exchange restrictions affecting such country or region, which could cause the securities and their markets to be less liquid and prices more volatile than those of comparable U.S. companies.

Legal, tax and regulatory changes could occur during the term of the Company that may adversely affect the Company. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and short selling and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory change on the Company could be substantial and adverse.

Contingencies

In the normal course of business, the Company enters into contracts that contain provisions related to general indemnifications. The Company's maximum exposure under these arrangements is unknown, as any such exposure involves possible future claims that may be, but have not yet been, made against the Company, based on events which have not yet occurred. However, based on experience, CH1P believes the risk of loss from these arrangements to be remote.

The Company provides guarantees to securities clearinghouses. Under the standard securities clearinghouse membership agreement, members are required to guarantee the performance of other members. Under these agreements, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet the resulting shortfalls. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, CH1P believes the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is carried on the statement of financial condition for these transactions.

(8) Derivative Financial Instruments:

The Company transacts in derivative financial instruments including options and futures. These are instruments whose values are based, in part, upon underlying assets, indices, or reference rates or a combination of these factors, and generally represent future commitments to exchange cash flows, or to purchase or sell other financial instruments at specified future dates. A derivative financial instrument may be traded on an exchange or OTC. Exchange-traded derivative financial instruments are standardized and include futures and certain options contracts. OTC derivative financial instruments are negotiated between contracting parties and may include forwards, swaps, and certain options contracts.

Options are contracts that grant the holder, in return for payment of the purchase price (the "premium") of the option, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date, from or to the writer of the option. The writer of options receives premiums and bears the risk of unfavorable changes in the market price of the financial instruments underlying the options, changes in interest rates and market volatility (as applicable). Options written by the Company do not give rise to counterparty credit risk in excess of any unpaid premium because if exercised by the counterparty they obligate the Company, not its counterparty, to perform. Options written by the Company create off-balance sheet risk, as the Company's contingent obligation to satisfy the purchase or sale of securities underlying such options may exceed the amount recognized on the statement of financial condition.

Futures contracts are commitments to either purchase or sell a financial instrument or commodity at a future date for a specified price. These contracts may, in general, be settled in cash or through delivery of the underlying instrument. Futures contracts can be closed out at the discretion of the Company. However, illiquidity in the market could prevent the timely close-out of any unfavorable positions or require the Company to hold those positions until their expiration date, regardless of the changes in their value or the Company's investment strategy. These instruments can involve market risk and/or credit risk in excess of the amount recognized on the statement of financial condition.

(8) Derivative Financial Instruments, Continued:

The following table sets forth the fair value and the notional amount of the Company's derivative contracts by underlying risk exposure as of December 31, 2009. Gross derivative contracts in the table below exclude the effect of netting and do not represent the Company's actual exposure which may ultimately be reduced by netting agreements. Net derivative contracts represent the fair value of derivative assets and liabilities after the netting of cash collateral and by counterparty, when management believes the legal right of offset exists. Net balances agree to the derivative asset and derivative liability included in the fair value table in Note 4:

	As of December 31, 2009 (in thousands)			
	Derivative Assets		Derivative Liabilities	
	Fair Value	Notional	Fair Value	Notional
Interest rate contracts	$ 17,324	$ 507,330	$ 19,093	$ 554,592
Credit contracts	447	30,605	310	16,634
Foreign exchange contracts	15,834	334,451	12,239	249,492
Commodity contracts	89,248	1,884,888	81,789	2,122,074
Equity contracts	2,463,162	49,644,777	3,515,677	59,004,168
Receivable from affiliate (Note 5)	1,531	3,140	–	–
Gross derivative contracts	2,587,546	$52,405,191	3,629,108	$61,946,960
Cash collateral netting	344,974		–	
Counterparty netting	(14,164)		(14,164)	
Net derivative contracts	$2,918,356		$3,614,944	

The Company has concentration risk with respect to the counterparties of its derivative financial instruments. At December 31, 2009, two counterparties represented 98% of the Company's net derivative assets on the statement of financial condition. See Note 7 for a discussion of counterparty risk and risk management.

Certain of the Company's derivative and borrowing agreements contain termination event provisions linked to the Company failing to maintain a predetermined level of net asset value or members' capital over certain periods, and/or the decline of the Company's net asset value or members' capital and/or the decline of the Company's excess net capital as defined in SEC Rule 15c3-1 over certain periods. If the counterparty were to exercise its rights under such provisions, it could elect to cause settlement of the Company's net obligations under such derivative and borrowing agreements. As of December 31, 2009, the Company was in compliance with these trigger provisions.

The Company attempts to manage the risks associated with its derivative financial instruments along with its speculative investing activities in cash instruments as part of its overall risk management process (discussed in Note 7).

(9) Regulatory Requirements:

The Company is a registered broker, dealer and futures commission merchant subject to Rule 15c3-1 of the SEC and Rule 1.17 of the CFTC, which specify uniform minimum net capital requirements for their registrants. The Company has elected to use the alternative method as permitted by Rule 15c3-1. At December 31, 2009, net capital was $313,905,623, which was in excess of the Company's required net capital by $312,905,623.

The Company is also subject to the requirements of the SEC "Computation for Determination of Reserve Requirements" (Rule 15c3-3). However, the Company does not carry any securities for the account of a customer as defined in Rule 15c3-3. Therefore, there are no reportable amounts as of December 31, 2009.

The Company is registered with the CFTC as a futures commission merchant and is a member of the National Futures Association in such capacity and is subject to the requirements of CFTC customer segregation Rule 30.7. The Company does not carry accounts of customers trading on U.S. commodity exchanges, as defined in the Commodity Exchange Act. As a result, there are no reportable amounts as of December 31, 2009.

(10) Subsequent Events:

On December 31, 2009, the Company adopted the FASB amendments to general standards on accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of this guidance did not materially impact the Company's statement of financial condition. The Company has performed an evaluation of subsequent events through February 22, 2010, which is the date the financial statements were available to be issued.

On January 1, 2010, the Company began computing the SEC "Computation for Determination of Reserve Requirements" (Rule 15c3-3) as the Company's affiliated customers no longer maintain subordination of claims agreements. As a result the Company will segregate funds on weekly basis in a customer reserve bank account in accordance with Rule 15c3-3.