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



11015920

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: April 30, 2013  
Estimated average burden hours per response: 12.00

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

SEC FILE NUMBER  
8-39247

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 01/01/2010 AND ENDING 12/31/2010  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: CATHAY SECURITIES, INC.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

202 CANAL STREET, SUITE 403

(No. and Street)

NEW YORK, NY 10013

(City)

(State)

(Zip Code)

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

RUSERIM S. HASAN

212-285-2261

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

WONG & CO.

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

57 WEST 38 STREET, 12TH/FL, NEW YORK NY 10018

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

**FOR OFFICIAL USE ONLY**

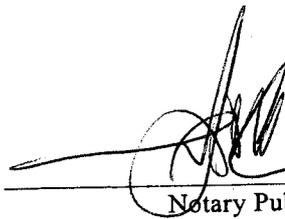
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

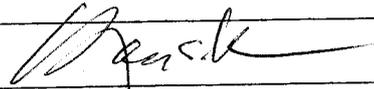
Handwritten initials and date: AB 3/10

OATH OR AFFIRMATION

I, RUSERIM S. HANSAN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CATHAY SECURITIES, INC., as of DECEMBER 31, 2010, 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:

N/A

  
Notary Public  
JAFREY S. LIU  
Notary Public, State of New York  
No. 01115030049  
Qualified in Kings County  
Certificate Filed in New York County  
Commission Expires July 5, 2014

  
Signature  
Pres  
Title

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

X CERTIFIED PUBLIC ACCOUNTANTS' SUPPLEMENTARY REPORT OF INTERNAL CONTROL



## REPORT OF INDEPENDENT AUDITORS

Board of Directors of  
Cathay Securities, Inc.:

We have audited the accompanying statement of financial condition of Cathay Securities, Inc., (the Company) as of December 31, 2010, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform and audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cathay Securities, Inc. at December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Focus Report is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New York, New York  
February 18, 2011

**CATHAY SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2010**



**ASSETS**

Cash and Cash Equivalents (Note 2)	\$ 63,069
Receivable From Broker	118,202
Office Furnishings, Net of Accumulated Depreciation and Amortization of \$104,147 (Note 2)	7,769
Deferred Income Taxes (Note 2 and 3)	55,000
Other Assets	20,366
Total Assets	<u>\$ 264,406</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Accounts Payable and Accrued Expenses	\$ 13,746
Stockholders' Equity: (Note 4)	
Capital Stock	76,200
Additional Paid-in-Capital	232,300
Accumulated Deficit	(57,840)
Total Stockholders' Equity	<u>250,660</u>
Total Liabilities and Stockholders' Equity	<u>\$ 264,406</u>

See Auditors' Report and Accompanying Notes

**CATHAY SECURITIES, INC.**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2010**

**REVENUES:**

Commission Income, Net (Note 2)	\$	132,946
Other Income		10,551
Interest Income		6,916
Total Revenues		<u>150,413</u>

**EXPENSES:**

Salaries		46,900
Payroll Related Expenses		4,111
Occupancy Costs		80,088
Communication Costs		30,372
Equipment Rental		9,706
Office Expense		20,628
Professional Fees		24,238
Computer & Clearing Charges		24,041
Insurance		2,631
Entertainment Expense		4,566
Miscellaneous		2,450
Depreciation (Note 2)		5,068
Total Expenses		<u>254,799</u>
Loss Before Income Taxes		<u>(104,386)</u>
Income Tax Benefits (Notes 2 and 3)		(40,000)
Net Loss	\$	<u><u>(64,386)</u></u>

See Auditors' Report and Accompanying Notes

**CATHAY SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net Loss	\$ (64,386)
Adjustments to Reconcile Net Loss to Net Cash Generated by Operating Activities:	
Depreciation Expense	5,068
Deferred Income Tax	(40,000)
Decrease in Receivable From Broker	10,200
Decrease in Other Assets	1,475
Decrease in Accounts Payable & Accrued Expenses	(289)
Net Cash Used by Operating Activities	<u>(87,932)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Office Equipment	<u>(6,773)</u>
Net Cash Used by Investing Activities	<u>(6,773)</u>

Net Decrease in Cash	<u>(94,705)</u>
Cash, Beginning of Year	<u>157,774</u>
Cash, End of Year \$	<u><u>63,069</u></u>

**Supplemental Disclosure of Cash Flows Information:**

Cash Paid During The Year For:	
Corporate Income and Franchise Taxes	\$ 1,542
Interest Expense	\$ 0

See Auditors' Report and Accompanying Notes

**CATHAY SECURITIES, INC.**

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

**YEAR ENDED DECEMBER 31, 2010**

	Capital Stock	Paid-in Capital	Retained Earnings (Deficit)	Total
Balance, 12-31-2009	\$ 76,200	\$ 232,300	\$ 6,546	\$ 315,046
Additions	0	0	0	0
Net Loss	0	0	(64,386)	(64,386)
Balance, 12-31-2010	<u>\$ 76,200</u>	<u>\$ 232,300</u>	<u>\$ (57,840)</u>	<u>\$ 250,660</u>

See Auditors' Report And Accompanying Notes

**CATHAY SECURITIES, INC.**

**COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT  
TO RULE 15c3-1 UNDER THE SECURITY EXCHANGE ACT OF 1934**

**YEAR ENDED DECEMBER 31, 2010**

**NET CAPITAL:**

Total Stockholders' Equity	\$ 250,660
Total Stockholders' Equity Qualified for Net Capital	<u>250,660</u>
Deductions and/or Charges	
Non-Allowable Assets:	
Office Furnishings, Net	(7,769)
Security Deposit	(18,977)
Deferred Income Taxes	(55,000)
Other Assets	<u>(1,389)</u>
	<u>(83,135)</u>
Net Capital Before Haircuts on Securities Positions	<u>167,525</u>
Haircuts on Securities:	
Money Market Fund	<u>(2,256)</u>
<b>Net Capital</b>	<b>\$ 165,269</b>

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:**

Minimum Net Capital Required	\$ 50,000
<b>Excess Net Capital</b>	<u>115,269</u>
Net Capital less Greater of 10% of Total Aggregate Indebtedness or 120% of Minimum Net Capital Required	\$ <u>105,269</u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS:**

Accounts Payable and Accrued Expense	\$ 13,746
Total Aggregate Indebtedness	<u>13,746</u>
<b>Percentage of Aggregate Indebtedness to Net Capital</b>	<b>8.32%</b>

See Auditors' Report and Accompanying Notes

## CATHAY SECURITIES, INC.

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

#### Note 1 - Organization

Cathay Securities, Inc. (the Company) was incorporated on November 2, 1987 under the laws of the State of New York.

The Company became a registered broker/dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934 on January 27, 1988, and a member of the National Association of Securities Dealers, Inc. on March 28, 1988. The Company conducts all its businesses on a fully disclosed basis. All customer security accounts are carried by Ridge Clearing and Outsourcing Solutions, Inc.

#### Note 2 - Accounting Policies

The accounting policies and practices of the Company conform with generally accepted accounting principles. The significant policies are summarized below:

##### Revenue Recognition

Commissions on all securities transactions are recognized when services are performed.

##### Fixed Assets

Office furnishings are stated at costs and depreciated over their estimated useful lives on a straight-line basis for both financial and federal income tax reporting purposes. Leasehold Improvements are amortized over the term of the office lease.

Depreciation expense, relating to property and equipment, charged to operations for the year ended December 31, 2010 was \$5,068.

##### Income Taxes

The Company accounts for income taxes in accordance with Financial Accounting Standards Board Accounting Standards Codification ((FASB ASC) 740, "Income Taxes", which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate principally to net operating loss carry forward. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company adopted the provisions of FASB ASC 740-10-25, which prescribe a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in income tax returns. FASB ASC 740-10-25 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with tax positions.

# CATHAY SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

### Note 2 - Accounting Policies (continued)

#### Income Taxes (continued)

The Company does not have any accruals for uncertain tax positions as of December 31, 2010. It is not anticipated that unrecognized tax benefits would significantly increase or decrease within 12 months of the reporting date.

#### Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

The carrying values of cash, receivable from clearing organization, loans to stockholders, other assets, and accounts payable and accrued expenses approximate fair values due to the short term nature of these financial instruments.

FASB ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs – Inputs, other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

The Company did not identify any financial and non financial assets and liabilities that are required to be presented on the balance sheets at fair value.

# CATHAY SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

### Note 2 - Accounting Policies (continued)

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

#### Note 3 – Income Taxes

Deferred income tax asset, at December 31, 2010 in the amount of \$55,000 was recognized for operating losses that are available to offset future taxable income.

The Company has about unused operating loss carryforward totaling \$234,000 expiring in various years through 2030. The income tax benefits for the year ended December 31, 2010 consist of the following:

Federal Income Tax Benefit	\$24,000
State and City Income Tax Benefits	\$16,000

#### Note 4 - Capital Stock

As of December 31, 2010, the Company had 5,000 shares of no par value common stock authorized and 1,000 shares issued and outstanding.

#### Note 5 - Commitments

The Company had entered into a five-year office lease agreement expiring on June 30, 2015. The following is a schedule of future minimum rental payments required under the above lease as of December 31, 2010:

Year Ending December 31	Amount
2011	\$80,683
2012	82,951
2013	85,291
2014	87,691
2015	44,458

#### Note 6 - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires that aggregate indebtedness shall not exceed fifteen times net capital. In addition, the Company is required to maintain a minimum net capital of \$50,000. At December

**CATHAY SECURITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

Note 6 – Net Capital Requirements (continued)

31, 2010, the Company's net capital was \$165,269, which was \$115,269 in excess of the required net capital, and the Company's aggregate indebtedness to net capital ratio was 0.08 to 1.

The Company is exempt from the provisions of 15c3-3 under Securities Exchange Act of 1934 as set forth in the conditions for exemption in paragraph (k)(2)(ii).

There are no material differences between the amounts presented above, which are the amounts based on the accompanying audited financial statements, and the amounts reported in the Company's focus report filed in January, 2011.

Note 7 - Financial Instruments With Off-Balance Sheet Risk

The Company introduces all customer transactions in securities traded in U.S. securities markets to another New York Stock Exchange member firm on a fully disclosed basis. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to non-performance by customer or counterparties.

The Company's exposure to credit risk associated with the non-performance of customers and counterparties in fulfilling their contractual obligations pursuant to these securities transactions can be directly impacted by volatile trading markets, which may impair the customer's or counterparty's ability to satisfy their obligations to the Company.

In the event of non-performance the Company may be required to purchase or sell financial instruments at unfavorable market prices resulting in a loss to the Company. The Company does not anticipate non-performance by customers and counterparties in the above situations.

The Company seeks to control the aforementioned risks by requiring customers or counterparties to maintain collateral in compliance with regulatory requirements, the clearing broker's guidelines and industry standards. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral, or to reduce positions, when necessary. The Company also has a policy of reviewing the credit standing of each customer and counterparty with which it conducts business.

Note 9 – Subsequent Events

The Company's management has performed subsequent events procedures through February 18 2011, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein



## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE REQUIRED BY SEC RULE 17a-5

Board of Directors of  
Cathay Securities, Inc.:

In planning and performing our audit of the financial statements and supplemental schedules of Cathay Securities, Inc. (the Company), for the year ended December 31, 2010, we considered its internal control including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17-a5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) 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
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T if the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control structure and the practices and procedures referred 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 of procedures are to provide management with reasonable but not absolute assurance that assets for which 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 or 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

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 misstatement 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 accounting principles generally accepted in the United States of America 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. However, we noted no matters involving internal control structure, including procedures for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that the practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2010, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the 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 should not be used any other purposes.



New York, New York  
February 18, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

FORM  
X-17A-5

FOCUS REPORT  
(FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT)  
PART IIA 12

(Please read instructions before preparing Form)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a)  16      2) Rule 17a-5(b)  17      3) Rule 17a-11  18  
4) Special request by designated examining authority  19      5) Other  26

NAME OF BROKER-DEALER

SEC. FILE NO.

CATHAY SECURITIES, INC. 13

8-39247 14

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

FIRM ID NO.

202 CANAL ST, SUITE 403 20

21821 15

(No. and Street)

FOR PERIOD BEGINNING (MM/DD/YY)

NEW YORK 21 NY 22 10013 23

10/01/10 24

(City)

(State)

(Zip Code)

AND ENDING (MM/DD/YY)

12/31/10 25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT (Area code) - Telephone No.

30

31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT

OFFICIAL USE

32

33

34

35

36

37

38

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS ? YES  40 NO  41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT  42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 24<sup>th</sup> day of January 20 11

Manual Signatures of:

1) [Signature]  
Principal Executive Officer or Managing Partner

2) \_\_\_\_\_  
Principal Financial Officer or Partner

3) \_\_\_\_\_  
Principal Operations Officer or Partner

ATTENTION - Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f (a) )



FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA

BROKER OR DEALER

CATHAY SECURITIES, INC.

as of 12/31/10

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING,  
NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS  
LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I.</u> <u>Liabilities</u>	<u>Non-A.I.</u> <u>Liabilities</u>	<u>Total</u>
13. Bank loans payable .....	\$ <u>1045</u>	\$ <u>1255</u>	\$ <u>1470</u>
14. Payable to brokers or dealers:			
A. Clearance account .....	<u>1114</u>	<u>1315</u>	<u>1560</u>
B. Other .....	<u>1115</u>	<u>1305</u>	<u>1540</u>
15. Payable to non-customers .....	<u>1155</u>	<u>1355</u>	<u>1610</u>
16. Securities sold not yet purchased, at market value .....		<u>1360</u>	<u>1620</u>
17. Accounts payable, accrued liabilities, expenses and other .....	13,746 <u>1205</u>	<u>1385</u>	13,746 <u>1685</u>
18. Notes and mortgages payable:			
A. Unsecured .....	<u>1210</u>		<u>1690</u>
B. Secured .....	<u>1211</u>	<u>1390</u>	<u>1700</u>
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		<u>1400</u>	<u>1710</u>
1. from outsiders \$ .....	<u>970</u>		
2. Includes equity subordination (15c3-1(d)) of .....	<u>980</u>		
B. Securities borrowings, at market value from outsiders \$ .....	<u>990</u>	<u>1410</u>	<u>1720</u>
C. Pursuant to secured demand note collateral agreements .....		<u>1420</u>	<u>1730</u>
1. from outsiders \$ .....	<u>1000</u>		
2. includes equity subordination (15c3-1(d)) of .....	<u>1010</u>		
D. Exchange memberships contributed for use of company, at market value .....		<u>1430</u>	<u>1740</u>
E. Accounts and other borrowings not qualified for net capital purposes .....	<u>1220</u>	<u>1440</u>	<u>1750</u>
20. TOTAL LIABILITIES .....	\$ 13,746 <u>1230</u>	\$ <u>1450</u>	\$ 13,746 <u>1760</u>
 <u>Ownership Equity</u>			
21. Sole proprietorship .....			\$ <u>1770</u>
22. Partnership (limited partners) .....	\$ <u>1020</u>		<u>1780</u>
23. Corporation:			
A. Preferred stock .....			<u>1791</u>
B. Common stock .....		76,200	<u>1792</u>
C. Additional paid-in capital .....		232,300	<u>1793</u>
D. Retained earnings .....		(57,840)	<u>1794</u>
E. Total .....		250,660	<u>1795</u>
F. Less capital stock in treasury .....		( )	<u>1796</u>
24. TOTAL OWNERSHIP EQUITY .....			\$ 250,660 <u>1800</u>
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....			\$ 264,406 <u>1810</u>

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA

BROKER OR DEALER

CATHAY SECURITIES, INC.

as of

12/31/10

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$	250,660	3480
2. Deduct ownership equity not allowable for Net Capital			( ) 3490
3. Total ownership equity qualified for Net Capital		250,660	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$	250,660	3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Notes B and C)	\$	83,135	3540
B. Secured demand note deficiency			3590
C. Commodity futures contracts and spot commodities- proprietary capital charges			3600
D. Other deductions and/or charges			3610
		83,135	( ) 3620
7. Other additions and/or allowable credits (List)			3630
8. Net Capital before haircuts on securities positions	\$	167,525	3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Exempted securities			3735
2. Debt securities			3733
3. Options			3730
4. Other securities			3734
D. Undue concentration			3650
E. Other (List)		2,256	3736
		2,256	( ) 3740
10. Net Capital	\$	165,269	3750

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**  
CATHAY SECURITIES, INC.

as of 12/31/10

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

11. Minimum net capital required (6-2/3% of line 19)	\$	916	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	50,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	50,000	3760
14. Excess net capital (line 10 less 13)	\$	115,269	3770
15. Net capital less greater of 10% of line 19 or 120% of line 12	\$	105,269	3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.I. liabilities from Statement of Financial Condition	\$	13,746	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
19. Total aggregate indebtedness	\$	13,746	3840
20. Percentage of aggregate indebtedness to net capital (line 19 divided by line 10)	%	8.32	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c-3-1(d)	%	0.00	3860

**COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**

**Part B**

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	3880
24. Net capital requirement (greater of line 22 or 23)	\$	3760
25. Excess net capital (line 10 less 24)	\$	3910
26. Net capital in excess of the greater of: 5% of combined aggregate debit items or 120% of minimum net capital requirement	\$	3920

**NOTES:**

(A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:

1. Minimum dollar net capital requirement, or
2. 6-2/3% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.

(B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of the memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.

(C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**

CATHAY SECURITIES, INC.

For the period (MMDDYY) from 10/01/10 3932 to 12/31/10 3933  
Number of months included in this statement 3 3931

**REVENUE**

**STATEMENT OF INCOME (LOSS)**

1. Commissions:

a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$	3935
b. Commissions on listed option transactions		65 <u>3938</u>
c. All other securities commissions		37,538 <u>3939</u>
d. Total securities commissions		37,603 <u>3940</u>
2. Gains or losses on firm securities trading accounts		
a. From market making in options on a national securities exchange		3945
b. From all other trading		3949
c. Total gain (loss)		3950
3. Gains or losses on firm securities investment accounts		
4. Profits (losses) from underwriting and selling groups		3952
5. Revenue from sale of investment company shares		3955
6. Commodities revenue		3970
7. Fees for account supervision, investment advisory and administrative services		3990
8. Other revenue		2,054 <u>3975</u>
9. Total revenue	\$	39,657 <u>4030</u>

**EXPENSES**

10. Salaries and other employment costs for general partners and voting stockholder officers		6,000 <u>4120</u>
11. Other employee compensation and benefits		4,371 <u>4115</u>
12. Commissions paid to other brokers-dealers		4140
13. Interest expense		4075
a. Includes interest on accounts subject to subordination agreements	<u>4070</u>	
14. Regulatory fees and expenses		4195
15. Other expenses		36,783 <u>4100</u>
16. Total expenses	\$	47,154 <u>4200</u>

**NET INCOME**

17. Net Income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$	(7,497) <u>4210</u>
18. Provision for Federal income taxes (for parent only)		(24,000) <u>4220</u>
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above		4222
a. After Federal income taxes of	<u>4238</u>	
20. Extraordinary gains (losses)		4224
a. After Federal income taxes of	<u>4239</u>	
21. Cumulative effect of changes in accounting principles		4225
22. Net income (loss) after Federal income taxes and extraordinary items	\$	16,503 <u>4230</u>

**MONTHLY INCOME**

23. Income (current month only) before provision for Federal Income taxes and extraordinary items	22,248 <u>4211</u>
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FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA

BROKER OR DEALER  
CATHAY SECURITIES, INC.

For the period (MMDDYY) from 10/01/10 to 12/31/10

STATEMENT OF CHANGES IN OWNERSHIP EQUITY  
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1. Balance, beginning of period		\$	234,157	4240
A. Net income (loss)			16,503	4250
B. Additions (includes non-conforming capital of	\$	4262	)	4260
C. Deductions (includes non-conforming capital of	\$	4272	)	4270
2. Balance, end of period (from item 1800)		\$	250,660	4290

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period		\$		4300
A. Increases				4310
B. Decreases				4320
4. Balance, end of period (from item 3520)		\$		4330

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

<b>BROKER OR DEALER</b> CATHAY SECURITIES, INC.	as of <u>12/31/10</u>
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**Exemptive Provision Under Rule 15c3-3**

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based :

- A. (k) (1) - Limited business (mutual funds and/or variable annuities only) ..... \$ 4550
- B. (k) (2) (i) - "Special Account for the Exclusive Benefit of customers" maintained ..... 4560
- C. (k) (2) (ii) - All customer transactions cleared through another broker-dealer on a fully disclosed basis.  
 Name(s) of Clearing Firm(s) - Please separate multiple names with a semi-colon  
Pension Financial Services Inc. 4335 X 4570
- D. (k) (3) - Exempted by order of the Commission ..... 4580

Ownership Equity and Subordinated Liabilities maturing or proposed to be  
 withdrawn within the next six months and accruals, (as defined below),  
 which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual (See below for code to enter)	Name of Lender or Contributor	Insider or Outsider ? (In or Out)	Amount to be with- drawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
<u>4600</u>	<u>4601</u>	<u>4602</u>	<u>4603</u>	<u>4604</u>	<u>4605</u>
<u>4610</u>	<u>4611</u>	<u>4612</u>	<u>4613</u>	<u>4614</u>	<u>4615</u>
<u>4620</u>	<u>4621</u>	<u>4622</u>	<u>4623</u>	<u>4624</u>	<u>4625</u>
<u>4630</u>	<u>4631</u>	<u>4632</u>	<u>4633</u>	<u>4634</u>	<u>4635</u>
<u>4640</u>	<u>4641</u>	<u>4642</u>	<u>4643</u>	<u>4644</u>	<u>4645</u>
<u>4650</u>	<u>4651</u>	<u>4652</u>	<u>4653</u>	<u>4654</u>	<u>4655</u>
<u>4660</u>	<u>4661</u>	<u>4662</u>	<u>4663</u>	<u>4664</u>	<u>4665</u>
<u>4670</u>	<u>4671</u>	<u>4672</u>	<u>4673</u>	<u>4674</u>	<u>4675</u>
<u>4680</u>	<u>4681</u>	<u>4682</u>	<u>4683</u>	<u>4684</u>	<u>4685</u>
<u>4690</u>	<u>4691</u>	<u>4692</u>	<u>4693</u>	<u>4694</u>	<u>4695</u>
TOTAL			\$ <u>4699</u>		

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Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c) (2) (iv)), which could be required by the lender on demand or in less than six months.

WITHDRAWAL CODE:	DESCRIPTION
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals
4.	15c3-1(c) (2) (iv) Liabilities

**CATHAY SECURITIES, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED  
DECEMBER 31, 2010  
WITH**

**REPORT AND SUPPLEMENTARY REPORT OF  
CERTIFIED PUBLIC ACCOUNTANTS**