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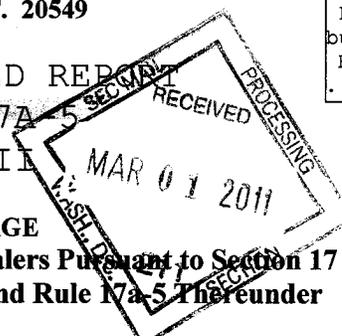
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ISSION

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



SEC FILE NUMBER
8- 8-52892

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

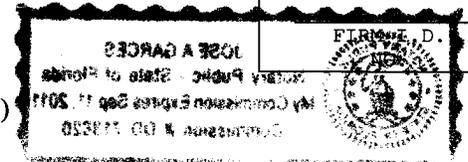
NAME OF BROKER-DEALER:

DIAMOND CARTER TRADING, L.L.C.

OFFICIAL USE ONLY

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

120 Broadway, Suite 2010-04



(No. and Street)

New York
(City)

New York
(State)

10271
(Zip Code)

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

John Diamond

(212) 433-7815
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

MaloneBailey LLP, Certified Public Accounting Firm

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

15 Maiden Lane, Suite 1003
(Address)

New York
(City)

New York
(State)

10038
(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY	

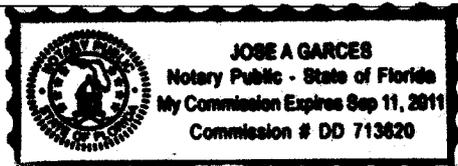
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form

displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, John Diamond, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Diamond Carter Trading, L.L.C., as of December 31, 20 10, 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:



John Diamond
Signature

Managing Member

Title

Jose A. Garces

Notary Public

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

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

Diamond Carter Trading, LLC

STATEMENT OF FINANCIAL CONDITION

December 31, 2010

Diamond Carter Trading, LLC

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL CONDITION	2
NOTES TO FINANCIAL STATEMENTS	3

INDEPENDENT AUDITORS' REPORT

To the Members of
Diamond Carter Trading, LLC
New York, New York

We have audited the accompanying statement of assets, liabilities and members' equity of Diamond Carter Trading, LLC (the "Company") as of December 31, 2010. 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 the 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 Diamond Carter Trading, LLC at December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

February 28, 2011

DIAMOND CARTER TRADING, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2010

ASSETS

Cash and cash equivalents	\$ 165,614
Securities owned, at market	114,186,573
Due from clearing broker	38,925,122
Receivable from owner	471,697
Prepaid expenses	6,613
JBO investment	10,000
Other current assets	19,539
Fixed assets net of accumulated depreciation of \$3,450	<u>10,088</u>
TOTAL ASSETS	<u>\$ 153,795,246</u>

LIABILITIES AND MEMBERS' EQUITY

Securities sold, not yet purchased, at market	\$ 81,191,199
Accounts payable and accrued expenses	<u>412,829</u>
	<u>81,604,028</u>
Members' Equity	<u>72,191,218</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 153,795,246</u>

The accompanying notes are an integral part of these financial statements.

DIAMOND CARTER TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Diamond Carter Trading, LLC (the "Company") is registered as a securities broker-dealer with the Securities and Exchange Commission and is a member of the New York Stock Exchange-American Stock Exchange ("NYSE AMEX") Equities Exchange.

The Company is engaged in the activity of trading securities and futures.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

All short-term investments with an original maturity of three months or less are considered to be cash equivalents.

Concentration of Credit Risk

The Company is engaged in various investment and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

At December 31, 2010, the Company's clearing brokers held assets of \$153,111,695 on behalf of the Company.

Additionally, cash balances are held principally at two financial institutions and exceed the \$250,000 insurable limit. The Company believes it mitigates its risk by investing in or through major financial institutions. Recoverability is dependent upon the performance of the institution.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

DIAMOND CARTER TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Securities transactions and related income and expenses are recorded on the books on a trade date basis.

Depreciation

The cost of computers, furniture and equipment is depreciated over the estimated useful lives of the related assets of 3 to 7 years on a straight line basis.

Recent Accounting Pronouncements

The Company does not expect any recent accounting pronouncements to have any material impact on its financial condition or results of operations.

NOTE 3 – FAIR VALUE OF INVESTMENTS

Fair Value Measurements

Fair value is an estimate of the exit price, representing the amount that would be received to, sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction cost. Fair value measurement under generally accepted accounting principles provides for use of a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Company.
- Level 3: Unobservable inputs. Unobservable inputs reflect the assumptions that the Company develops based on available information about what market participants would use in valuing the asset or liability.

DIAMOND CARTER TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 3 – FAIR VALUE OF INSTRUMENTS (continued)

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. The Company uses judgment in determining fair value of assets and liabilities and Level 3 assets and liabilities involve greater judgment than Level 1 and Level 2 assets or liabilities.

The following are the Company's investments owned and securities sold short by level within the fair value hierarchy at December 31, 2010.

<u>Assets</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>
Securities owned	\$ <u>153,111,695</u>	Level 1
<u>Liabilities</u>		
Securities sold, not yet purchased	\$ <u>81,191,199</u>	Level 1

NOTE 4- INCOME TAXES

No provisions for federal and state income taxes are made in the financial statements as these taxes are the responsibility of the Company's members under a limited liability corporation.

NOTE 5- COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office space from its clearing broker on a month to month basis. Rent expense for 2010 was \$75,595.

NOTE 6 – NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This Rule requires that the ratio of aggregate indebtedness to net capital may not exceed 15 to 1, and equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2010, the Company's net capital was \$52,785,324 which was \$52,685,324 in excess of its required net capital of \$100,000. The Company's debt to debt-equity ratio was 0.0078 to 1.

DIAMOND CARTER TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE 7 – OFF-BALANCE SHEET RISKS

Pursuant to a clearance agreement, the Company clears its futures transactions through a clearing broker. Under certain conditions as defined in the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions initiated by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the securities transactions introduced by the Company.

NOTE 8 – RELATED PARTY TRANSACTIONS

During 2010, the Company made distributions to an owner. After the distributions had already been paid, the Company realized it had overpaid the owner for the year by \$471,697. The owner has agreed to the amount of the over-payment and the Company intends to net the outstanding receivable against future distribution payments to be made to the owner under the operating agreement.

During 2010, the Company paid \$150,000 to a family member of an owner for consulting services which is included on consulting expense in the statement of revenues and expenses for the year ended December 31, 2010.

NOTE 9 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 28, 2011, the date that these financial statements were issued. The Company believes that there are no subsequent events requiring further disclosure.