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

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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: Jesjardins Securities International Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1170, PEEL STREET, SUITE 300

(No. and Street)

MONTREAL

QUÉBEC CANADA

H3B 0A9

(City)

(State)

(Zip Code)

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

MANON TESSIER

514-281-2244 X3543

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

PRICEWATERHOUSE COOPERS CCP

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

1250 RENE-LEVESQUE WEST SUITE 200 MONTREAL

QUÉBEC CANADA H3B 2G4

(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)

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OATH OR AFFIRMATION

I, ANTONIO LOMBARDI, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DESJARDINS SECURITIES INTERNATIONAL INC.

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:

KENNY NICHOLS #149-143  
Tous les districts judiciaires du dc.

*Kenny Nichols*  
Notary Public

*Antonio Lombardi*  
Signature  
FINOP  
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).

**February 22<sup>nd</sup>, 2011**

**SEC Headquarters  
Securities and Exchange Commission  
Registrations branch  
Mail Stop 8031  
100F Street, NE  
Washington, DC 20549**

**Re: Annual audit report December 31<sup>st</sup>, 2010**

**To comply with the requirements of annual audit, please find enclosed this list of documents:**

- **Annual Audited Report Form X-17A-5 Part III**
- **The Independent public accountant opinion (Price Waterhouse coopers LLP)**
- **Financial Statements of Desjardins Securities International**

**Best Regards,**

**Desjardins Securities International**



**DESJARDINS SECURITIES  
INTERNATIONAL INC.**

**Financial Statements**

December 31, 2010

*(in US dollars)*

**DESJARDINS SECURITIES INTERNATIONAL INC.**

**Balance sheets**  
**as at December 31**  
(in US dollars)

	2010	2009
<b>Asset</b>		
Cash and cash equivalent	\$ 2,464,943	\$ 4,240,651
Amounts receivable		
From brokers and financial institutions	1,937,799	306,706
Deposits	100,000	100,000
From parent company, without interest or reimbursement terms	74,071	-
Others	48,374	17,049
	<u>2,160,244</u>	<u>423,755</u>
Income taxes receivable	-	126,572
Future income tax asset (note 3)	946	1,094
	<u>\$ 4,626,133</u>	<u>\$ 4,792,072</u>
<b>Liabilities</b>		
Amounts payable		
To parent company, without interest or reimbursement terms	\$ -	\$ 571,489
Income taxes payables	62,761	-
Others	3,241	48,751
	<u>66,002</u>	<u>620,240</u>
Shareholder's equity (note 4)	<u>4,560,131</u>	<u>4,171,832</u>
	<u>\$ 4,626,133</u>	<u>\$ 4,792,072</u>

*The accompanying notes are an integral part of the financial statements.*

**On behalf of the Board**

....., Director  
Sylvain Perreault

....., Director  
Ken Manget

**DESJARDINS SECURITIES INTERNATIONAL INC.**  
**Statements of profit (loss) and comprehensive income (loss)**  
**for the years ended December 31**  
(in US dollars)

	2010	2009
<b>Revenue</b>		
Commissions	\$ 2,101,481	\$ 1,262,208
Investment income	74,812	52,842
Net interest expense	(10,454)	(2,067)
Other	356,107	307,813
	<u>2,521,946</u>	<u>1,620,796</u>
<b>Operations and administration</b>		
Management fees	1,357,206	896,326
Other operating and administrative expenses	621,494	1,053,083
	<u>1,978,700</u>	<u>1,949,409</u>
Profit (loss) before income taxes	543,246	(328,613)
Income tax expense (recovery) <sup>(note 3)</sup>	154,947	(102,940)
<b>Profit (loss) and comprehensive income (loss)</b>	<u>\$ 388,299</u>	<u>\$ (225,673)</u>

*The accompanying notes are an integral part of the financial statements.*

**DESJARDINS SECURITIES INTERNATIONAL INC.****Statements of changes in shareholder's equity  
for the years ended December 31  
(in US dollars)**

	Share capital	Retained earnings	Total
As at December 31, 2008	\$ 1,974,889	\$ 1,182,742	\$ 3,157,631
Issued	1,239,874	-	1,239,874
Comprehensive loss	-	(225,673)	(225,673)
Balance as at December 31, 2009	\$ 3,214,763	\$ 957,069	\$ 4,171,832
Comprehensive income	-	388,299	388,299
Balance as at December 31, 2010	\$ 3,214,763	\$ 1,345,368	\$ 4,560,131

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

**DESJARDINS SECURITIES INTERNATIONAL INC.****Statements of cash flows  
for the years ended December 31  
(in US dollars)**

	2010	2009
<b>Operating activities</b>		
Net income (loss)	\$ 388,299	\$ (225,673)
Non-cash items (note 6)	148	181
Net changes in operating assets and liabilities (note 6)	(1,518,595)	678,500
	(1,130,148)	453,008
<b>Financing activities</b>		
Shares issuance	-	1,239,874
Change in amounts payable to parent company	(645,560)	(1,728,039)
	(645,560)	(488,165)
Increase (decrease) in cash and cash equivalents during the year	(1,775,708)	(35,157)
Cash and cash equivalents, beginning of year	4,240,651	4,275,808
Cash and cash equivalents, end of year	\$ 2,464,943	\$ 4,240,651

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

**DESJARDINS SECURITIES INTERNATIONAL INC.**  
**Computation of Net Capital for brokers and dealers pursuant to**  
**SEC Rule 15c3-1 under the Securities and Exchange Act of 1934**  
**for the years ended December 31**  
**(in US dollars)**

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**1. DESCRIPTION OF BUSINESS**

The Company, incorporated on January 24, 2001 under the Canada Business Corporations Act, operates a full-service securities brokerage business.

The Company is a member of the Financial Industry Regulatory Authority (FINRA) and is registered as a broker-dealer with the US Securities and Exchange Commission.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a) Accounting policy changes**

*Fair value of Financial Instruments*

The Company carries certain of its assets and liabilities at fair value, measured on a recurring basis, in the accompanying consolidated balance sheets. In fiscal 2010, the Company adopted ASC 825 Financial Instruments which establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels which distinguish between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The level in the fair value hierarchy within which the respective fair value measurement falls is determined based on the lowest level input that is significant to the measurement in its entirety. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities, Level 2 inputs are other than quotable market prices included in Level 1 that are observable for the asset or liability either directly or indirectly through corroboration with observable market data. Level 3 inputs are unobservable inputs for the assets or liabilities that reflect management's own assumptions about the assumptions market participants would use in pricing the asset or liability.

The Company's financial instruments, primarily consisting of cash and cash equivalents, accounts receivable and accounts payable, approximate fair value due to the short term maturity of these instruments.

*Accounting for transfers of financial assets*

Effective for transfers of financial assets occurring in years beginning after November 15, 2009, the Company will adopt FAS 166, "Accounting for transfers of financial assets and extinguishments of liabilities" which significantly change how companies account for transfers of financial assets. This new FAS did not have any significant impact on the Company's operations and financial condition.

**b) Use of estimates**

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

**DESJARDINS SECURITIES INTERNATIONAL INC.**  
**Computation of Net Capital for brokers and dealers pursuant to**  
**SEC Rule 15c3-1 under the Securities and Exchange Act of 1934**  
**for the years ended December 31**  
**(in US dollars)**

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**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Transactions**

Transactions and related revenues and expenses are recorded on a trade date basis.

**d) Financial instruments**

Financial assets are classified in one of the following categories: "held for trading", "available for sale" or "loans and receivables". Financial liabilities are classified in the category "held for trading" or in the category "others".

Financial assets and liabilities held for trading and available for sale assets are carried at fair value in the balance sheet. Changes in the fair value of held for trading assets and liabilities are recognized in earnings in the period they occur while changes in available for sale assets are recognized in other comprehensive income until they are derecognized. Loans and receivables and financial liabilities in the others category are carried at amortized cost under the effective interest rate method.

Trading securities

Trading securities are classified as held for trading. Fair value is determined based on market prices for traded securities. The valuation of over-the-counter fixed income securities is subject to, among others, security liquidity, the width of the bid/ask spread and the relative range of market price adjustments and current return. Change in fair value is recognized in earnings in the period it occurs.

Fair value

The fair value of a financial instrument on initial recognition corresponds to the transaction price, i.e. the fair value of the consideration given or received between companies in a competitive market.

Subsequent to initial recognition, the fair values of financial instruments quoted on an active market are based on bid prices for financial assets and on ask prices for financial liabilities.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and when the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

**e) Cash and cash equivalents**

Cash and cash equivalents are comprised of cash, and money market investments.

**DESJARDINS SECURITIES INTERNATIONAL INC.**  
**Computation of Net Capital for brokers and dealers pursuant to**  
**SEC Rule 15c3-1 under the Securities and Exchange Act of 1934**  
**for the years ended December 31**  
**(in US dollars)**

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**f) Foreign currency translation**

The Company's monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the year-end exchange rate. The Company's revenue and expenses denominated in foreign currencies are translated at the exchange rate in effect at the transaction dates. Translation gains and losses are included in earnings.

**g) Income taxes**

The Company uses the tax liability method to account for income taxes. Under this method, future income tax assets or liabilities are determined for all temporary differences between the financial reporting and tax bases of assets and liabilities and measured using substantively enacted income tax rates expected to apply in the years in which the assets are expected to be realized or the liabilities settled. Income tax assets are recognized when it is more likely than not that they will be realized.

**h) Comparatives figures**

Certain prior period comparative figures have been reclassified to conform with the current period's presentation.

**DESJARDINS SECURITIES INTERNATIONAL INC.**  
**Computation of Net Capital for brokers and dealers pursuant to**  
**SEC Rule 15c3-1 under the Securities and Exchange Act of 1934**  
**for the years ended December 31**  
(in US dollars)

**3. INCOME TAXES**

**a) Income tax expense (recovery)**

	2010	2009
Current	\$ 154,799	\$ (103,121)
Future	148	181
	<u>\$ 154,947</u>	<u>\$ (102,940)</u>

Earnings are subject to Canadian income taxes. The effective tax rate on earnings varies from year to year according to the changes in the combined statutory income tax rate. The provision for income taxes in the statement of earnings differs from the amount that would have been arrived at by applying the Canadian statutory tax rate as a result of the following:

	2010	2009
Income taxes at the Canadian combined statutory rate of 29.9 % (30.9% in 2009)	\$ 156,600	\$ (101,541)
Changes in income taxes resulting for the following:		
Non-deductible expenses and other	750	1,901
Impact on future income taxes of a tax rate variance	-	(6,895)
Previous year adjustment	(2,403)	3,595
	<u>\$ 154,947</u>	<u>\$ (102,940)</u>

**b) Future income tax asset**

The net future income tax asset includes the following:

	2010	2009
<b>Future income tax asset</b>		
Fixed assets	\$ 946	\$ 1,094

**DESJARDINS SECURITIES INTERNATIONAL INC.**  
**Computation of Net Capital for brokers and dealers pursuant to**  
**SEC Rule 15c3-1 under the Securities and Exchange Act of 1934**  
**for the years ended December 31**  
(in US dollars)

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**4. SHAREHOLDER'S EQUITY**

**a) Authorized share capital**

- An unlimited number of voting and participating Class A shares, without par value.
- An unlimited number of non-voting, participating Class B shares, convertible to Class D shares, without par value.
- An unlimited number of voting, non-participating Class C shares, without par value.
- An unlimited number of non-voting, non-participating Class D shares, non-cumulative dividend of 1% per month, without par value.
- An unlimited number of non-voting, non-participating Class E shares, non-cumulative dividend of 1% per month, without par value.
- An unlimited number of non-voting, non-participating Class F shares, non-cumulative dividend of 8% per year, without par value.
- An unlimited number of non-voting, non-participating Class G shares, non-cumulative dividend of 8% per year, without par value.

**b) Share capital issued**

	2010	2009
4,075,000 Class A common shares	\$ 3,214,763	\$ 3,214,763

On January 29, 2009, the Company issued 1,500,000 Class A shares for \$1,239,874 in cash.

**c) Capital management**

Common shareholder's equity consists of common shares and retained earnings. Capital management contributes to the Company's profitability as regulatory capital is allocated to key activities for which precise profitability objectives and criteria have been established, which include an allocation process for capital margin limits, oversight and appropriate reporting in the form of liquidity, capital and profitability tests as per the regulation in force. The Company strives to maintain an optimal level of capital to support its activities while generating an attractive and competitive return for its shareholder, in relation to industry standards and the Company's risk profile.

**d) Net capital requirement**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15 c3 - 1, which requires the maintenance of minimum net capital equal to the greater of \$100,000 or 6 2/3% of aggregate indebtedness, both as defined by the Rule. The ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. As at December 31, 2010, the Company had net capital of \$2,070,989, which exceeds the required net capital of \$100,000 by \$1,970,989. The Company's ratio of aggregate indebtedness to net capital was 0.0319 to 1 as at December 31, 2010 (0.1769 to 1 in 2009).

**DESJARDINS SECURITIES INTERNATIONAL INC.**  
**Computation of Net Capital for brokers and dealers pursuant to**  
**SEC Rule 15c3-1 under the Securities and Exchange Act of 1934**  
**for the years ended December 31**  
(in US dollars)

**5. RELATED PARTY TRANSACTIONS**

Desjardins Securities International Inc. is a wholly owned subsidiary of Desjardins Securities Inc., which is an entity of the Mouvement des caisses Desjardins du Québec. The Company has concluded transactions with parent company and other entities included in the Mouvement des caisses Desjardins.

These transactions were conducted in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The transactions and balances with these entities are the following:

	2010	2009
Management fees (parent company)	\$ 1,357,206	\$ 896,326
Cash	457,638	232,879
Amounts receivable (payable) to parent company	74,071	(571,489)

**6. SUPPLEMENTARY INFORMATION**

	2010	2009
Non-cash items		
Future income taxes	\$ 148	\$ 181
Net changes in operating assets and liabilities		
Amounts receivable from brokers and financial institutions	\$ (1,631,093)	\$ (2,942)
Other amounts receivable	(31,325)	(5,063)
Other amounts payable	(45,510)	(85,490)
Income taxes	189,333	771,995
	(1,518,595)	678,500
Interest paid	\$ 34,530	\$ 7,164
Income taxes paid	(35,565)	925,146

**DESJARDINS SECURITIES INTERNATIONAL INC.**  
**Computation of Net Capital for brokers and dealers pursuant to**  
**SEC Rule 15c3-1 under the Securities and Exchange Act of 1934**  
**for the years ended December 31**  
(in US dollars)

**7. FINANCIAL RISK MANAGEMENT**

In the normal course of business, the Company purchases and sells, for itself and for its clients, a variety of financial instruments to earn commission revenue. Each agreement or contract exposes the Company to varying degrees of liquidity, credit and market risk.

**a) Liquidity risk**

Liquidity risk is related to the difficulty or impossibility of quickly converting the Company's assets into cash in order to efficiently fulfill its financial obligations, particularly in order to fulfill the offsetting requirement and clients' requests for funds.

The following table presents financial liabilities by residual contractual maturity:

	2010				
	Payable on demand	Less than 1 year	1 to 5 years	5 years and more	Total
Advance from parent company	\$ -	\$ -	\$ -	\$ -	\$ -
Amounts payable	\$ 3,241	\$ -	\$ -	\$ -	\$ 3,241

	2009				
	Payable on demand	Less than 1 year	1 to 5 years	5 years and more	Total
Advance from parent company	\$ 571,489	\$ -	\$ -	\$ -	\$ 571,489
Amounts payable	\$ 48,751	\$ -	\$ -	\$ -	\$ 48,751

**b) Credit risk**

Credit risk principally relates to the failure by a client to honour its contractual obligations or to an unfavourable market fluctuation that would prevent the Company from realizing its guarantees in full. This risk is managed in accordance with the credit policies established by management. Most of these transactions are standardized contracts executed in recognized markets and subject to daily settlement of the various margins.

Credit risk concentration arises when the Company holds securities from a same issuer (or group of issuers). As at December 31, 2010 and 2009, the Company had no significant concentration.

**c) Market risk**

Market risk relates to the risk of variations in the fair value of financial instruments due to fluctuations in the parameters associated with that value, including interest rates, currencies, credit spreads and volatility.

As at December 31, 2010 and 2009, the Company is not significantly exposed to market risk given its holdings, if any, are in the money market.

**DESJARDINS SECURITIES INTERNATIONAL INC.**  
**Computation of Net Capital for brokers and dealers pursuant to**  
**SEC Rule 15c3-1 under the Securities and Exchange Act of 1934**  
**for the years ended December 31**  
(in US dollars)

	2010	2009
Total shareholders' equity	\$ 4,560,131	\$ 4,171,832
Deduct non-allowable assets		
Refundable taxes older than 30 days	-	126,572
Cash deposit with parent company	304,529	232,879
Receivable from parent company	74,071	-
Due from brokers and financial institutions	1,725,981	50,264
Other receivables	48,374	17,049
Future income taxes	946	1,094
Total non-allowable assets	<u>2,153,901</u>	<u>427,858</u>
Other deductions – Insurance deductible margin on securities position and foreign exchange margin	<u>335,241</u>	<u>238,166</u>
Net capital	<u>2,070,989</u>	<u>3,505,808</u>
Computation of aggregate indebtedness to net capital requirement		
Required minimum net capital: The greater of \$100,000 or 6 2/3% of aggregate indebtedness \$66,002 (\$620,240 in 2009)	100,000	100,000
<b>Excess net capital</b>	<b>\$ 1,970,989</b>	<b>\$ 3,405,808</b>
Ratio: Aggregate indebtedness to net capital	<b>0.0319 to 1</b>	<b>0.1769 to 1</b>

*The differences between the audited Computation of Net Capital included in this report and the corresponding schedule included in the Company's unaudited December 31, 2010 Part IIA Focus filing are due to year end adjustments to the exchange rate used to convert share capital, to the income tax calculations, and reversal to revenue.*

**DESJARDINS SECURITIES INTERNATIONAL INC.**  
**Computation for determination of reserve requirements for brokers and dealers pursuant to**  
**SEC Rule 15c3-3 under the Securities and Exchange Act of 1934**  
**for the years ended December 31, 2010 and 2009**  
(in US dollars)

The Company is exempt from the reserve requirements of Rule 15c3-3 of the Security and Exchange Act under paragraph (k) (2) (ii) of that Rule.