

SECUR



11020598

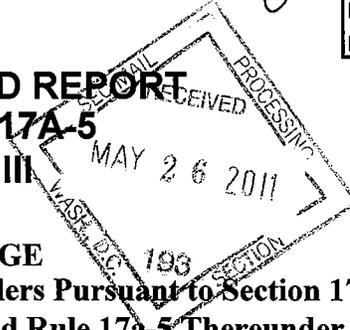
MISSION

CW

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

SEC FILE NUMBER	
8 -	67668

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



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 04/01/2010 AND ENDING 03/31/2011
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Exotix USA, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

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

444 Madison Avenue, 36th Floor

(No. and Street)

New York

NY

10022

(City)

(State)

(Zip Code)

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

Joseph Boyle

(212) 551-3490

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Rothstein, Kass & Company, P.C.

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

4 Becker Farm Road

Roseland

New Jersey

07068

(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

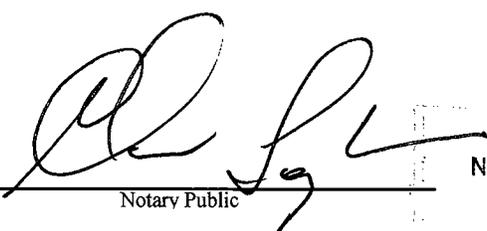
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

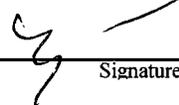
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Joseph Boyle, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Exotix USA, Inc., as of March 31, 2011, 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:



Notary Public



Signature
CHIEF EXECUTIVE OFFICER

Title

CLAUDIA TAYLOR
NOTARY PUBLIC, State of New York
No. 01TA5068172
Qualified in Kings County
Commission Expires 10/28/2014

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.
- (o) Independent auditor's report on internal accounting control.
- (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

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



EXOTIX USA, INC.

**STATEMENT OF FINANCIAL CONDITION
AND
INDEPENDENT AUDITORS' REPORT**

MARCH 31, 2011

EXOTIX USA, INC.

CONTENTS

Independent Auditors' Report	1
Financial Statement	
Statement of Financial Condition	2
Notes to Financial Statement	3-9

Certified
Public
Accountants

Rothstein, Kass & Company, P.C.
4 Becker Farm Road
Roseland, NJ 07068
tel 973.994.6666
fax 973.994.0337
www.rkco.com

Beverly Hills
Dallas
Denver
Grand Cayman
Irvine
New York
Roseland
San Francisco
Walnut Creek

Rothstein Kass

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
Exotix USA, Inc.

We have audited the accompanying statement of financial condition of Exotix USA, Inc. (the "Company") as of March 31, 2011. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Exotix USA, Inc. as of March 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Rothstein, Kass & Company, P.C.

Roseland, New Jersey
May 24, 2011

EXOTIX USA, INC.

STATEMENT OF FINANCIAL CONDITION

March 31, 2011

ASSETS

Cash	\$	5,293,047
Restricted cash		272,835
Deferred tax assets		65,237
Income tax receivable		36,400
Property and equipment, net		447,731
Security deposit		28,184
Other assets		<u>80,268</u>
	\$	<u>6,223,702</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Accounts payable and accrued expenses	\$	448,814
Income taxes payable		31,091
Payable to affiliate, net		239,050
Deferred rent		<u>145,521</u>
Total liabilities		<u>864,476</u>

Stockholder's equity

Common stock, \$.01 par value, 1,000 shares authorized, issued, and outstanding		10
Additional paid-in capital		1,999,990
Retained earnings		<u>3,359,226</u>
Total stockholder's equity		<u>5,359,226</u>
	\$	<u>6,223,702</u>

EXOTIX USA, INC.

NOTES TO FINANCIAL STATEMENT

1. Nature of business and summary of significant accounting policies

Nature of Business

Exotix USA, Inc. (the "Company") is a corporation formed under the laws of Delaware on May 15th 2007. On January 14th 2008, the Company became a broker-dealer and as such is registered with the U.S. Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The company is wholly-owned by Exotix Holdings Limited (the "Parent").

The Company is engaged in providing market information, market prices, and efficient trade execution in fixed income and other financial instruments to professional and institutional investors in the Americas. The Company offers the intermediation of loans extended to sovereign and corporate entities primarily located in emerging markets and between professional and institutional investors on a matched principal or name give-up basis. The Company conducts business exclusively with institutional buy side investors, securities dealers and other professional market participants.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

These financial statements were approved by management and available for issuance on May 24, 2011. Subsequent events have been evaluated through this date.

Restricted Cash

Restricted cash consisted of a letter of credit with a financial institution, in the form of a certificate of deposit, which is held to secure one of the Company's leases.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. All property and equipment is being depreciated on a straight-line basis over the estimated useful lives of the related assets. Amortization of leasehold improvement is computed on a straight-line basis over the estimated useful life of the asset or the term of the lease, whichever is shorter. The Company provides for depreciation and amortization as follows:

Asset	Useful Life	Estimated Principal Method
Furniture and fixtures	7 years	Straight-line
Office and other equipment	3 years	Straight-line
Leasehold improvements	shorter of estimated life of asset or lease term	Straight-line

EXOTIX USA, INC.

NOTES TO FINANCIAL STATEMENT

1. Nature of business and summary of significant accounting policies (continued)

Revenue and Expense Recognition from Securities Transactions

Securities transactions and the related revenues and expenses are recorded on the trade-date basis at their gross amounts less a reserve for open trades with anticipated long or conditional settlement. The Company clears all of its securities business on a fully disclosed basis through Exotix Limited, an affiliate based in London, England.

Reserve for Trade Settlement

The Company carries its receivable from affiliate (clearing broker) at cost less a reserve for open trades. On a periodic basis, the Company evaluates its receivables and establishes a reserve for certain open trades, based on anticipated long or conditional settlement to account for the possibility that the conditions for the settlement cannot be met. The Company's reserve for trade settlement was approximately \$316,000 at March 31, 2011, which exceeded the gross receivable from affiliate, due to the affiliate advancing funds to the Company on open trades.

Income Taxes

The Company follows an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax asset and liabilities are computed for difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from tax authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the financial statements as appropriate. Accrued interest and penalties related to income tax matters are classified as a component of income tax expense.

In accordance with GAAP, the Company is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. state and local jurisdictions. Generally the Company is no longer subject to income tax examinations by major taxing authorities for years before March 31, 2008. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in the Company recording a tax liability that reduces retained earnings. Based on its analysis, the Company has determined that the adoption of this policy did not have a material impact on the Company's financial statements upon adoption. However, the Company's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. The Company recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income tax fees payable, if assessed. No interest expense or penalties have been recognized as of and for the year ended March 31, 2011.

EXOTIX USA, INC.

NOTES TO FINANCIAL STATEMENT

1. Summary of significant accounting policies (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

Translation of Foreign Currency and Foreign Exchange Gain/Loss

Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the March 31, 2011 exchange rates. Transactions denominated in foreign currencies, including purchases and sales of investments, and income and expenses, are translated into United States dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are reflected in the statement of operations.

During 2011, the Company set up a bank account denominated in Pound Sterling (GBP) to offset the risk of settlement of the transactions conducted with the Parent. For the year ended March 31, 2011, approximately \$178,000 is included in other income as a result of the fluctuation of the exchange rate on the cash held in this account.

2. Customer transactions

In the normal course of business, the Company effects, as agent, transactions on behalf of customers on a basis of either delivery or receipt versus payment. If these agency transactions do not settle due to failure to perform by either the customer or the counterparty, the Company may be obligated to discharge the obligation of the nonperforming party and, as a result, may incur a loss if the market value of the securities is different from the contract amounts. The risk of loss to the Company is normally limited to differences in market values of the securities compared to their contract amounts.

3. Related party transactions

Payable to affiliate, net

Substantially all of the Company's commission revenue is derived from effecting securities transactions on behalf of customers, primarily United States institutional investors, and in some cases with its affiliates. Pursuant to a clearing arrangement with an affiliate, the Company's commissions from customers are collected by an affiliate and remitted to the Company monthly. As of March 31, 2011 there was a net payable to affiliate under this arrangement of approximately \$239,000 due to the affiliate advancing funds to the Company on open trades prior to the Company recognizing the revenue for the open trades.

EXOTIX USA, INC.

NOTES TO FINANCIAL STATEMENT

3. Related party transactions (continued)

Clearance fees

The Company pays clearing fees to an affiliate. Clearing fees expense to this affiliate amounted to approximately \$84,000 for the year ended March 31, 2011. The Company receives the commission revenue from customers after deducting the commission expense owing to the affiliates. As a result, there are no commissions payable to affiliates.

4. Property and equipment

Details of property and equipment at March 31, 2011 are as follows:

Office equipment	\$	236,229
Leasehold improvements		29,959
Furniture and fixtures		400,628
		<u>666,816</u>
Less accumulated depreciation and amortization		219,085
	\$	<u>447,731</u>

Depreciation and amortization expense for the year ended March 31, 2011 was approximately \$136,000.

5. Net capital requirement

The Company, as a member of FINRA, is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This Rule requires the maintenance of minimum net capital. At March 31, 2011, the Company's net capital was approximately \$4,113,000 which was approximately \$3,863,000 in excess of its minimum requirement of \$250,000.

EXOTIX USA, INC.

NOTES TO FINANCIAL STATEMENT

6. Income taxes

The provision for income taxes consists of the following:

Current	
Federal	\$ 616,961
State and local	353,370
	<u>970,331</u>
Deferred	
Federal	(112,894)
State and local	(79,051)
	<u>(191,945)</u>
	<u>\$ 778,386</u>

At March 31, 2011, the Company had deferred tax assets of approximately \$65,000. The Company's deferred tax assets are primarily attributable to the differences between depreciation for tax purposes and depreciation for book purposes, deferred rent used for financial reporting and changes in the reserve for trade settlement.

7. Concentrations of credit and off-balance sheet risk

Concentrations of credit risk

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company maintains its cash balances in various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution.

Off-balance sheet risk

Pursuant to clearance agreements, the Company introduces all of its securities transactions to its affiliated clearing broker on a fully-disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing broker. In accordance with the clearance agreements, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company.

EXOTIX USA, INC.

NOTES TO FINANCIAL STATEMENT

8. Exemption from Rule 15c3-3

The Company is exempt from the SEC Rule 15c3-3 pursuant to the exemptive provisions of sub-paragraphs (k)(2)(i) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

9. Fair value of financial investments

The fair value of the Company's financial instruments, including trade receivables and payables, approximates the carrying value due to their short-term nature.

10. Commitments

Operating leases

The Company leases its office space under operating leases that expire at various times through January 2020. The leases are secured by a security deposit totaling \$28,184 and a letter of credit with a financial institution in the amount of \$272,835, in the form of a certificate of deposit, which is included in restricted cash in the statement of financial condition at March 31, 2011. Aggregate future minimum annual rental commitments are as follows:

Year Ending March 31,	
2012	\$ 449,458
2013	452,364
2014	455,365
2015	388,599
2016	387,305
Thereafter	<u>1,484,669</u>
	<u>\$ 3,617,760</u>

Rent expense for the year ended March 31, 2011 was approximately \$446,000.

Employment agreements

The Company has employment agreements with four key employees whereby the Company agrees to pay those employees base salaries ranging from \$50,000 to \$225,000 per annum. These agreements provide for bonuses to be paid to such employee, at the Company's discretion. These agreements provide for separation for cause or at the option of the employee or employer, providing proper notice is given pursuant to the specific agreements. These employment agreements have no expiration.

EXOTIX USA, INC.

NOTES TO FINANCIAL STATEMENT

10. Commitments (continued)

The Company has an employment agreement with a key employee whereby the Company agrees to pay that employee a base salary of \$225,000 per annum. The Company also pays this employee an incentive bonus calculated as thirty one percent of the net brokerage revenue generated by the employee during the applicable quarterly period the incentive bonus shall, before any payment is due, be reduced by the amount of the base salary paid to the employee during the applicable quarterly period. The Company also has a compensation arrangement with this employee in which the employee receives 3% per annum of earnings before interest, taxes, depreciation and amortization ("EBITDA") and 3% of the increase in EBITDA year over year. The agreement provides for separation for cause or at the option of the employee, providing proper notice is given. The employment agreement has no expiration.

11. Employee benefit plan

The Company maintains a retirement plan (the "Plan"), pursuant to Section 401(k) of the Internal Revenue Code, for eligible participants to make voluntary contributions of a portion of their annual compensation, on a deferred basis, subject to limitations provided by the Internal Revenue Code. The Company matches up to 5% of employee contributions to the Plan. At March 31, 2011, the Company incurred expenses related to the Plan in the amount of approximately \$54,000.