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SECURITIES AND EXCHANGE COMMISSION

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DIVISION OF MARKET REGULATION

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

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

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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:

G-Trade Services LLC

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

1633 Broadway, 48th Floor

OFFICIAL USE ONLY FIRM ID. NO.

New York NY 10019 (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT PETER CAMERON HYZER (617) 316-1012 (Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\* Ernst & Young LLP

5 Times Square New York NY 10036 (Address) (City) (State) (Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

SEC 1410 (06-02)

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Handwritten signature and date 9/15

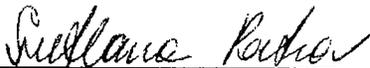
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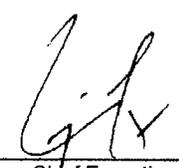
## OATH OR AFFIRMATION

We, Craig S. Lax and Peter Cameron Hyzer, affirm that, to the best of our knowledge and belief the accompanying statement of financial condition pertaining to the firm of G-Trade Services LLC, as of December 31st, 2010, are true and correct. We further 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.

The statement of financial condition of the Company is made available to all of the Company's members and allied members of the New York Stock Exchange.

SVETLANA PORTNOV  
NOTARY PUBLIC, State of New York  
No. 01PO6115753  
Qualified in Queens County  
Commission Expires Sept. 13, 20 12

  
Notary Public

  
Craig S. Lax, Chief Executive Officer

  
Peter Cameron Hyzer, Treasurer

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 or 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 or 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) Supplementary Report of Independent Registered Public Accounting Firm required by SEC Rule 17a-5(e)(3).

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



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## Report of Independent Registered Public Accounting Firm

The Member and Board of Managers of  
G-Trade Services LLC

We have audited the accompanying statement of financial condition of G-Trade Services LLC (the "Company") as of December 31, 2010. 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. 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included 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, and evaluating the overall statement of financial condition presentation. We believe that our audit 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 G-Trade Services LLC at December 31, 2010, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

February 23, 2011

## G-Trade Services LLC

### Statement of Financial Condition

December 31, 2010

#### **Assets**

Cash and cash equivalents	\$ 7,455,322
Restricted cash, securities and other restricted deposits	35,150,826
Receivables from brokers, dealers and clearing organizations	18,133,809
Receivables from customers	6,238,055
Fixed assets, net of accumulated depreciation and amortization of \$1,798,155	3,556,347
Other assets, net of allowance of \$34,488	1,011,827
Total assets	<u>\$ 71,546,186</u>

#### **Liabilities and member's equity**

##### Liabilities:

Due to banks	\$ 3,111,116
Payables to brokers, dealers and clearing organizations	6,467,274
Payables to customers	7,647,355
Payables to related parties	5,112,132
Accrued compensation and other liabilities	8,153,884
Total liabilities	<u>30,491,761</u>

Member's equity	<u>41,054,425</u>
Total liabilities and member's equity	<u>\$ 71,546,186</u>

*The accompanying notes are an integral part of this statement of financial condition.*

# G-Trade Services LLC

## Notes to Statement of Financial Condition

December 31, 2010

### **1. Organization and Description of Business**

G-Trade Services LLC (the "Company") is a registered broker-dealer under the Securities Exchange Act of 1934. The Company is a self-clearing institutional agency brokerage firm that specializes in execution and clearance services in over one hundred international markets for listed equity securities. The Company's institutional clients include banks, investment managers, hedge funds, pension plan sponsors and broker-dealers. The Company is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). FINRA serves as the Company's self-regulatory organization.

The Company is a wholly owned subsidiary of BNY ConvergEx Group, LLC ("Group). ConvergEx Holdings LLC ("Holdings") and its wholly owned subsidiary Eze Castle Software, Inc. ("Eze Castle") own all of the membership interests in Group (together, Holdings, Group, and Eze Castle to be referred to as "ConvergEx"). The Bank of New York Mellon Corporation ("BNY Mellon") (through its wholly owned subsidiary, Agency Brokerage Holding, LLC) and private investment funds managed by GTCR Golder Rauner, LLC, a private equity firm, each hold a 33.2 percent ownership stake in Holdings, with the remaining ownership stake held by ConvergEx's management team, directors, and employees.

### **2. Significant Accounting Policies**

The statement of financial condition has been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and codified in the Accounting Standards Codification ("ASC"), as set forth by the Financial Accounting Standards Board ("FASB"). Significant accounting policies are as follows:

#### **Use of Estimates**

The preparation of the statement of financial condition, in conformity U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts in the statement of financial condition and the accompanying notes. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

All unrestricted highly liquid investments with initial or remaining maturities of less than 90 days at the time of purchase are considered cash and cash equivalents. These investments include demand deposits, money market accounts and U.S. Treasury bills.

## G-Trade Services LLC

### Notes to Statement of Financial Condition (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Restricted Cash, Securities and Other Restricted Deposits**

Under the terms of the agreements between the Company and some of its clearing organizations and banks, balances owed are collateralized by certain of the Company's cash and securities balances.

Other restricted deposits are certificates of deposits which have variable maturities of less than 90 days to less than 1 year. The carrying amounts of these certificates of deposits on the statement of financial condition approximate fair value.

##### **Securities Transactions**

Receivables from brokers, dealers and clearing organizations include amounts receivable for fails to deliver, cash deposits for securities borrowed, amounts receivable from clearing organizations, and commissions receivable from broker dealers. The Company typically borrows securities when securities are needed to deliver against a settling transaction, such as a fail to receive or non-standard settlements requested by a customer. Securities borrowed transactions require the Company to deposit cash with the lender, and are recorded at the value of the cash advanced to the lender. The cash advanced to the lender is equal to or greater than the fair value of the securities borrowed. The Company monitors the fair value of the securities borrowed on a regular basis and adjusts the collateral, as appropriate.

Receivables from customers consist of customer fails to deliver.

Payables to brokers, dealers and clearing organizations include amounts payable for fails to receive and amounts payable to clearing organizations on unsettled trades.

Payables to customers consist of customer fails to receive. Securities held by the Company and intended for settlement against customer orders are held as collateral for customer receivables. Securities purchased on behalf of customers, including those that collateralize margin, are not reflected as assets of the Company in the statement of financial condition.

##### **Allowance for Doubtful Accounts**

The allowance for doubtful accounts is based on the Company's assessment of the collectability of receivables related to securities transactions and other receivables. The Company considers factors such as historical experience, credit quality, age of balances, and current economic conditions that may affect collectability in determining the allowance for doubtful accounts.

## G-Trade Services LLC

### Notes to Statement of Financial Condition (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Fair Value of Financial Instruments**

The carrying amounts reported on the statement of financial condition for cash and cash equivalents and restricted cash, securities and other restricted deposits approximate fair value based on the on-demand nature of cash and the short-term maturity and the daily repricing mechanisms for these instruments. Other financial assets and liabilities with short and intermediate-term maturities and defined settlement amounts, including receivables, payables, and accrued liabilities, are reported at their contractual amounts, which approximate fair value.

##### **Fixed Assets**

Fixed assets are reported at cost, net of accumulated depreciation and amortization. Furniture and equipment and computer hardware are depreciated on a straight-line basis over estimated useful lives between three and ten years. Purchased software costs are amortized on a straight-line basis over five years. Leasehold improvements are amortized on a straight-line basis over the life of the lease or the improvement, whichever is shorter.

The Company capitalizes certain costs incurred in connection with developing or modifying software for internal use. Qualifying internally developed software costs are capitalized and amortized over the estimated useful life of the software ranging from five to seven years. The Company evaluates internally developed software for impairment on at least an annual basis and whenever changes in circumstances indicate impairment could exist.

##### **Other Assets**

Other assets primarily consist of prepaid expenses, interest and dividend receivables and other miscellaneous receivables.

##### **Accrued Compensation and Other Liabilities**

Accrued compensation and other liabilities primarily consist of accrued compensation, accrued expenses, accounts payable, and other miscellaneous liabilities.

## G-Trade Services LLC

### Notes to Statement of Financial Condition (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Income Taxes**

The Company is treated as a single member limited liability company for tax purposes and, as such, is disregarded for federal, state and local income tax purposes. The Company has recorded its apportioned share of state and local income taxes, including the New York City unincorporated business tax, pursuant to a tax sharing agreement (“TSA”) between Group and the Company. Group, as the taxpayer of record, is responsible for payment of state and local income taxes to the taxing authorities. The tax provision for the Company has been computed in accordance with the TSA.

##### **Derivatives**

The Company utilizes foreign exchange forward contracts, from time to time, to reduce its exposure to adverse fluctuations in foreign exchange rates. These instruments are recorded at fair value based on industry standard pricing services. Adjustments are made to change to a trade date basis if unrealized gains and losses are significant. As of December 31, 2010, the changes in value of outstanding foreign exchange forward contracts entered into with third parties were not material.

##### **Foreign Currency Gains and Losses**

The Company uses the U.S. dollar as its functional currency. Monetary assets and liabilities denominated in foreign currencies are converted into U.S. dollars at exchange rates prevailing at the statement of financial condition date.

##### **Recent Accounting Developments**

In January 2010, the FASB issued guidance to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements).

The guidance is effective for reporting periods beginning after December 15, 2009, except for the disclosure on the roll forward activities for Level 3 fair value measurements, which is

## G-Trade Services LLC

### Notes to Statement of Financial Condition (continued)

#### 2. Significant Accounting Policies (continued)

effective for reporting periods beginning after December 15, 2010. The adoption of these changes had no material impact on the Company's statement of financial condition.

#### 3. Financial Instruments

All financial instruments are measured and reported on a fair value basis. The ASC defines fair value and establishes a framework for measuring fair value, as well as a fair value hierarchy based on inputs used to measure fair value.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

##### *Fair Value Hierarchy*

A description of the valuation techniques applied to the Company's major categories of assets and liabilities measured at fair value on a recurring basis follows.

##### *Deposits*

- Time Deposits. The fair value of certificates of deposit is determined using third-party quotations. These deposits are generally categorized in Level 2 of the fair value hierarchy.

The following fair value hierarchy table presents information about the Company's assets measured at fair value as of December 31, 2010.

Description	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
Assets:				
Certificates of deposit	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000
Total assets	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000

Certificates of deposit are included in restricted cash, securities and other restricted deposits on the statement of financial condition. There were no transfers among Levels during the year.

## G-Trade Services LLC

### Notes to Statement of Financial Condition (continued)

#### 4. Restricted Cash, Securities and Other Restricted Deposits

The Company and Group agreed to deposit a total of \$35 million in deposit accounts with a clearing agent that could be used as collateral to offset losses incurred by the clearing agent, related to the Company, if such losses occur. The Company's portion of this deposit is \$30 million, which is comprised of cash of \$20,849,477, other restricted deposits of \$10,000,000 and U.S. Treasury bills with a market value of \$4,301,349. Separately, Group maintains a balance with this clearing agent that may fluctuate during the year and was approximately \$5 million at December 31, 2010. The \$30 million of collateral is classified as restricted cash, securities and other restricted deposits in the statement of financial condition.

#### 5. Receivables from and Payables to Brokers, Dealers and Clearing Organizations

At December 31, 2010, amounts receivable and payable to brokers, dealers and clearing organizations include:

Receivables:	
Clearing organizations	\$ 8,929,516
Securities failed to deliver	8,504,518
Broker-dealers	614,310
Securities borrowed	85,465
Total receivables	<u>\$ 18,133,809</u>
Payables:	
Broker-dealers	\$ 3,787,933
Securities failed to receive	2,679,341
Total payables	<u>\$ 6,467,274</u>

All material fail to deliver and fail to receive transactions settled subsequent to December 31, 2010 without any adverse financial effect.

## G-Trade Services LLC

### Notes to Statement of Financial Condition (continued)

#### 6. Receivables from and Payables to Customers

At December 31, 2010, amounts receivable and payable to customers include:

Receivables:	
Securities failed to deliver	\$ 6,238,055
Total receivables	<u>\$ 6,238,055</u>
Payables:	
Securities failed to receive	\$ 7,647,355
Total payables	<u>\$ 7,647,355</u>

All material fail to deliver and fail to receive transactions settled subsequent to December 31, 2010 without any adverse financial effect.

#### 7. Fixed Assets

At December 31, 2010, fixed assets were comprised of:

	At December 31, 2010		
	Acquisition Value	Accumulated Depreciation	Net Book Value
Internally developed software	\$ 2,342,190	\$ (236,837)	\$ 2,105,353
Computer hardware	1,865,367	(945,225)	920,142
Software	1,018,832	(531,431)	487,401
Leasehold improvements	18,048	(2,075)	15,973
Furniture and fixtures	92,867	(77,647)	15,220
Telecommunications equipment	17,198	(4,940)	12,258
Total	<u>\$ 5,354,502</u>	<u>\$ (1,798,155)</u>	<u>\$ 3,556,347</u>

The Company capitalized \$715,824 of internally developed software costs in 2010. In addition, the Company purchased \$544,524 of internally developed software from Group for development work Group employees performed on behalf of the Company. The Company removed fully depreciated fixed assets totaling \$576,781 during the year.

As of December 31, 2010, there were no assets under capital lease agreements.

## G-Trade Services LLC

### Notes to Statement of Financial Condition (continued)

#### **8. Related Party Transactions**

The Company provides clearing and execution services of non-U.S. electronic trades to BNY ConvergeX Execution Solutions LLC (“CES”). At December 31, 2010, the Company owed \$104,833 to CES related to trades the Company cleared on behalf of CES, which is reflected in payables to related parties on the statement of financial condition.

The Company provides clearing and execution services of non-U.S. electronic trades to ConvergeX Ltd. There were no outstanding balances related to these services as of December 31, 2010.

The Company provides execution services of non-U.S. electronic trades to NorthPoint Trading Partners LLC (“NorthPoint”). At December 31, 2010, the Company was due \$509 from NorthPoint related to trades the Company executed on behalf of NorthPoint, which is reflected in other assets, net of allowance on the statement of financial condition.

ConvergeX Global Markets, Ltd. (“CGM”) provides execution services of non-U.S. electronic trades to the Company. The Company provides certain administrative support services to CGM. At December 31, 2010, the Company owed \$3,704,850 to CGM related to non-U.S. electronic trades executed by CGM, which is reflected in payables to related parties on the statement of financial condition.

The Company uses a BNY Mellon data center and disaster recovery site. There were no outstanding balances with BNY Mellon as of December 31, 2010.

The Company provides and receives certain management, administrative and technical services to and from Group, CES and other affiliates. At December 31, 2010, the Company owed \$1,289,664 in aggregate to these affiliates for these services, which is reflected in payables to related parties on the statement of financial condition.

Eze Castle Transaction Services LLC (“ECTS”), an affiliate, provides broker-dealers with financial information exchange (“FIX”) connectivity services from the Eze Order Management System (“EzeOMS”) to the Company. The EzeOMS is provided to asset management clients by Eze Castle Software LLC (“Eze LLC”), an affiliate. The EzeOMS terminals are used by the customers to submit orders and effect transactions through the Company. At December 31, 2010, the Company owed \$12,785 to ECTS, which is reflected in payables to related parties on the statement of financial condition.

The Company has a clearing agreement with Pershing Securities Limited (“PSL”), an indirect wholly owned subsidiary of BNY Mellon, in which PSL provides execution and clearing

## G-Trade Services LLC

### Notes to Statement of Financial Condition (continued)

#### **8. Related Party Transactions (continued)**

services in the United Kingdom for the Company. At December 31, 2010, the Company was due \$222,856 from PSL, which is reflected in receivables from brokers, dealers and clearing organizations on the statement of financial condition.

The Company has a clearing agreement with Pershing Securities LLC (“Pershing”), an indirect wholly owned subsidiary of BNY Mellon, pursuant to which Pershing performs clearing services for certain transactions for the Company. At December 31, 2010, the Company was due \$1,136,184 from Pershing, which is reflected in receivables from brokers, dealers and clearing organizations on the statement of financial condition.

The Company subleases Florida office spaces from BNY Mellon. CES also provides office space and related services to the Company in New York. The Company also provides office space to CES and CGM. There were no outstanding balances owed for these subleases.

#### **9. Regulatory Requirements**

The Company is subject to the SEC’s Uniform Net Capital Rule (“Rule 15c3-1”). The Company computes net capital under the alternative method, which requires the maintenance of net capital, as defined, equal to the greater of \$250,000 or 2% of aggregate debits arising from customer transactions, as defined. At December 31, 2010, the Company had net capital of \$34,230,461 and its excess net capital was \$33,980,461. The Company settles its broker and customer transactions through various settlement agents and accordingly, is exempt from SEC Rule 15c3-3 under provision (k)(2)(i) of the Rule.

Advances to affiliates, dividend payments and other equity withdrawals are subject to certain notification and other requirements of Rule 15c3-1 and other regulatory bodies.

## G-Trade Services LLC

### Notes to Statement of Financial Condition (continued)

#### 10. Commitments and Contingencies

The Company is obligated under non-cancelable operating leases to pay the following minimum rentals:

Year:	<u>Lease Payments</u>
2011	\$ 365,454
2012	283,536
2013	193,098
2014	102,660
2015	68,440
	<u>\$ 1,013,188</u>

The operating leases are subject to periodic escalation charges. The Company's operating lease for its New York office expires on August 31, 2015. The Company's operating leases for its Florida office expires on September 30, 2011.

The Company is involved in legal proceedings concerning matters arising in connection with the conduct of the Company's businesses. The Company believes, based on currently available information and advice of counsel, that the results of such proceedings, in the aggregate, will not have a material adverse effect on the Company's statement of financial condition. The Company intends to defend itself vigorously against all claims asserted in these matters.

## G-Trade Services LLC

### Notes to Statement of Financial Condition (continued)

#### **11. Deferred Compensation**

The Company provides a portion of each executive's and other highly compensated individual's annual bonus as a long-term cash award. Employees vest over 40 months of service, including the year for which the award was granted, and are payable at the end of that period. Compensation expense is accrued ratably over that period. As part of the programs, employees can elect to index their deferral to various investment options. Payments to the employees are made to employees on the payment date in the amount of the initial award adjusted by the percentage change in value of any elected investment options. In order to hedge any risk associated with changes in the amounts due to employees upon vesting, Group has purchased investments similar to the elected options. The plan had no material effect on the Company's financial position in 2010. Based on performance of the employees' elections to date, the Company plans to make payments related to these deferred bonus programs of \$180,462 in 2011, \$498,293 in 2012 and \$694,251 in 2013, respectively.

#### **12. Retirement Savings Plan**

All employees of the Company that meet eligibility requirements have the option of participating in the retirement savings plan of ConvergeEx. This plan has two components, a defined contribution profit sharing plan and a 401(k) match program. The Company is required to make annual contributions to the plan on behalf of its employees.

#### **13. Restructuring**

During 2010, the Company recorded restructuring charges relating to the reorganization of certain operations. Under this plan, the Company reduced its workforce by approximately 5 employees, or 7% of the Company's total worldwide workforce. These actions were undertaken in light of current reduced demand for non-U.S. equity program trading execution only services. The majority of the actions related to this plan were completed by the end of 2010. The entire amount was related to severance and related benefits. A portion of the liability was paid in 2010. The Company expects that the remaining severance and related benefits of \$112,041 will be paid in 2011.

## G-Trade Services LLC

### Notes to Statement of Financial Condition (continued)

#### **14. Off-Balance Sheet Risks**

##### **Customer Activities and Credit Risk**

In the normal course of business, the Company's customer and correspondent clearance activities involve the execution and settlement of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contractual obligations.

The Company's customer securities activities are transacted on a delivery versus payment basis. In delivery versus payment transactions, the Company is exposed to risk of loss in the event of the customers' or brokers' inability to meet the terms of their contracts.

The Company's exposure to credit risk can be directly impacted by volatile securities markets, which may impair the ability of counterparties to satisfy their contractual obligations. The Company seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit limits based upon a review of the customers' and counterparty brokers' financial condition and credit ratings. The Company's credit exposure arising in connection with its executing, settling, and financing security transactions versus its executing brokers is viewed as insignificant due to the nature of the counterparties in question and the Company's policy of requiring receipt of payment prior to the delivery of securities. Additionally, the net exposure arising from the Company's obligations to deliver and receive given security positions from its executing brokers is smaller than its overall gross exposure, as these transactions are collateralized by the underlying security.

In the normal course of business, the Company obtains securities under securities borrowed and resale agreements on terms which permit it to repledge or resell the securities to others. At December 31, 2010, the Company had no outstanding borrowed securities.

The Company may maintain cash and cash equivalents at financial institutions in excess of federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to significant credit risks.

## G-Trade Services LLC

### Notes to Statement of Financial Condition (continued)

#### **14. Off-Balance Sheet Risks (continued)**

##### **Guarantees**

In the normal course of business, certain activities of the Company's involve the execution of securities transactions for institutional customers and other broker-dealers, which are cleared and settled by PSL in the United Kingdom, Pershing and other large institutions in other international markets. Pursuant to the terms of its clearing agreements with these clearing agents, the Company is required to reimburse the clearing agents for any losses incurred resulting from a counterparty failing to satisfy its contractual obligation. At December 31, 2010, there were no amounts to be indemnified to these clearing agents pursuant to these agreements.

Future events could occur that may require the Company to reimburse its clearing agents for losses arising from counterparty's failing to satisfy its contractual obligation. However, based on history and experience, management feels that the likelihood of such an event is remote. The Company seeks to mitigate this risk by assigning and enforcing counterparty credit limits, performing customer credit evaluations, and monitoring trading activity. At December 31, 2010, there were no amounts guaranteed and no liability was established.

At December 31, 2010, Group and Eze Castle had approximately \$750 million of debt outstanding. Group's ownership interest in the Company was pledged as security against the debt.

##### **15. Subsequent Events**

The Company has evaluated all subsequent events through February 23, 2011, and has determined that no subsequent events have occurred that would require disclosure in the statement of financial condition or accompanying notes.