



Section

FEB 27 2012

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

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

SEC FILE NUMBER  
8-66577

**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 01/01/2011 AND ENDING 12/31/2011  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
**EZE CASTLE TRANSACTION SERVICES LLC**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**12 Farnsworth Street 6<sup>th</sup> Floor**

OFFICIAL USE ONLY  
FIRM ID. NO.

**Boston** **MA** **02210**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**Giovanna Salamone** **(617) 316-1119**  
(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:**  
 Certified Public Accountant  
 Public Accountant  
 Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

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

Handwritten initials/signature

## OATH OR AFFIRMATION

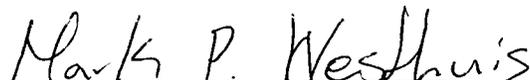
We, David Quinlan and Giovanna Salamone, swear (or affirm) that, to the best of myknowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of EZE CASTLE TRANSACTION SERVICES LLC as of December 31st, 2011, are true and correct. We further swear (or affirm) 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.



David Quinlan, President



Giovanna Salamone, Controller

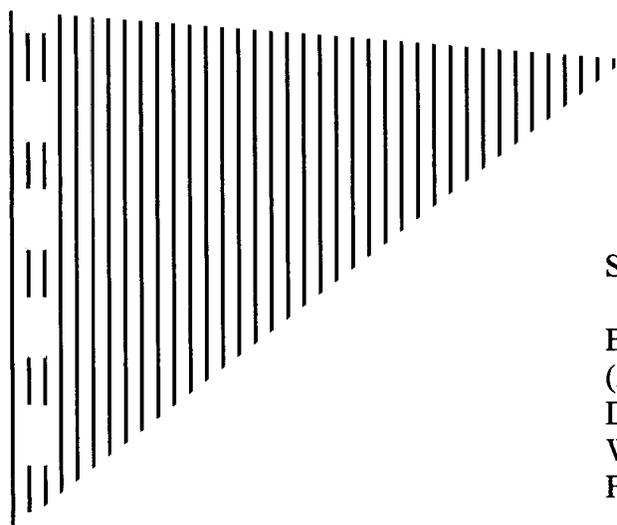
  
Notary Public



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 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.

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



STATEMENT OF FINANCIAL CONDITION

Eze Castle Transaction Services LLC  
(A Wholly-Owned Subsidiary of Eze Castle Software LLC)  
December 31, 2011  
With Report of Independent Registered Public Accounting  
Firm

Ernst & Young LLP

 **ERNST & YOUNG**

Eze Castle Transaction Services LLC  
(A Wholly-Owned Subsidiary of Eze Castle Software LLC)

Statement of Financial Condition

December 31, 2011

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Facing Page and Oath or Affirmation

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Audited Statement of Financial Condition

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## Report of Independent Registered Public Accounting Firm

The Member and Board of Managers of  
Eze Castle Transaction Services LLC (A Wholly-Owned  
Subsidiary of Eze Castle Software LLC)

We have audited the accompanying statement of financial condition of Eze Castle Transaction Services LLC (the "Company") as of December 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. 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 Eze Castle Transaction Services LLC at December 31, 2011, in conformity with U.S. generally accepted accounting principles.



February 24, 2012

Eze Castle Transaction Services LLC  
(A Wholly-Owned Subsidiary of Eze Castle Software LLC)

Statement of Financial Condition

December 31, 2011

**Assets**

Cash and cash equivalents	\$ 3,536,669
Receivables from brokers and dealers and unbilled revenue, net of allowance of \$498,938	12,068,344
Other assets	491,916
Total assets	<u>\$ 16,096,929</u>

**Liabilities and member's equity**

Liabilities:

Accounts payable and other accrued expenses	\$ 450,804
Due to affiliates	41,127
Total liabilities	<u>491,931</u>

Member's equity	<u>15,604,998</u>
Total liabilities and member's equity	<u>\$ 16,096,929</u>

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

**Eze Castle Transaction Services LLC**  
(A Wholly-Owned Subsidiary of Eze Castle Software LLC)

**Notes to Statement of Financial Condition**

December 31, 2011

**1. Organization and Description of Business**

Eze Castle Transaction Services LLC (the “Company”) is a registered broker-dealer under the Securities Exchange Act of 1934. The Company supplies sell-side brokers with Financial Information eXchange (“FIX”) connectivity services for the transmittal and receipt of trading-related messages between the brokers’ order management system or other electronic order collection systems and the Eze OMS, a software application developed and licensed to buy-side asset managers by Eze Castle Software LLC (“ECS” or “Parent”). Trading messages are sent through electronic connections whether physical, logical, virtual, or sponsored, and including, but not limited to, connections established for orders, indications of interest, notice of execution, drop copies, and connections staged via a third-party intermediary, between buy-side clients and sell-side brokers. 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 ECS. ECS is a wholly owned subsidiary of 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 with U.S. GAAP, requires management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and accompanying notes. Actual results could differ from those estimates.

Eze Castle Transaction Services LLC  
(A Wholly-Owned Subsidiary of Eze Castle Software LLC)

Notes to Statement of Financial Condition (continued)

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

**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.

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts is based on the Company's assessment of the collectability of receivables from brokers and dealers and unbilled revenue. 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.

**Fair Value of Financial Instruments**

The carrying amounts reported on the statement of financial condition for cash and cash equivalents approximate fair value based on the on-demand nature of cash and the short-term maturity and the daily pricing mechanisms of cash equivalents. Other 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.

**Other Assets**

Other assets consist primarily of amounts due from affiliates.

**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 ("UBT"), 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

**Eze Castle Transaction Services LLC**  
(A Wholly-Owned Subsidiary of Eze Castle Software LLC)

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

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

computed in accordance with the TSA. There is no provision for federal income tax because the Company's single member, Group, is a partnership for U.S. tax purposes. A partnership is generally not subject to federal, state or local income taxes with the exception of certain unincorporated business taxes and minimum state taxes. For federal and state income tax purposes, the ultimate members of Group are responsible for reporting their allocable share of the Company's income, gain, losses, deductions and credits on their tax returns.

**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**

Financial assets and liabilities are classified based on inputs used to establish fair value as follows:

- Level 1: Valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets;
- Level 2: Valuation inputs are quoted prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets and other valuation techniques utilizing observable inputs directly or indirectly related to the asset or liability being measured;
- Level 3: Valuation techniques utilize inputs that are unobservable and significant to the fair value measurement.

**Eze Castle Transaction Services LLC**  
(A Wholly-Owned Subsidiary of Eze Castle Software LLC)

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

**3. Financial Instruments (continued)**

At December 31, 2011, the Company did not own any financial assets or liabilities other than cash and cash equivalents or other assets and liabilities with short and intermediate term maturities and defined settlement amounts. Per the Company's accounting policies (Note 2), the carrying amounts of cash and other assets and liabilities with defined settlement amounts are reported at their contractual amounts, which approximates fair value.

**4. Related Party Transactions**

In the normal course of business, the Company enters into related party transactions with affiliates, including ECS, and certain other affiliated entities.

Under the Connectivity Services Agreement ("CSA") with ECS, the Company agrees to pay ECS a partnership fee for the support services and related technology rights provided to the Company in order for it to render FIX connectivity services. The fees charged by ECS are calculated based upon a flat fee and the eligible number of FIX connections as determined by the CSA.

Under the Servicing Agreement between the Company and ECS, ECS assists the Company by providing it with certain administrative services or goods and, in turn, the Company agrees to pay ECS a monthly servicing fee to cover such expenses. The service fees charged by ECS are determined through calculated allocations.

At December 31, 2011, the Company owed ECS \$41,127 relating to the CSA and Servicing Agreement reflected in due to affiliates on the statement of financial condition.

Under standard Connectivity Services Agreements, the Company supplies FIX connectivity services to certain affiliates, including ConvergEx Execution Solutions LLC ("CES"), ConvergEx Prime Services LLC ("CPS") and G-Trade Services LLC ("G-Trade"). The Company was due \$427,342, \$15,300 and \$37,296 from CES, CPS, and G-Trade, respectively, at December 31, 2011 relating to these services. These amounts are reflected in other assets on the statement of financial condition.

Eze Castle Transaction Services LLC  
(A Wholly-Owned Subsidiary of Eze Castle Software LLC)

Notes to Statement of Financial Condition (continued)

**5. Regulatory Requirements**

The Company is subject to the SEC's Uniform Net Capital Rule ("Rule 15c3-1"), which requires that the Company maintain minimum net capital, as defined thereunder, of one-fifteenth of aggregate indebtedness, as defined thereunder, or \$5,000, whichever is greater. At December 31, 2011, the Company had net capital of \$2,949,520, which was \$2,916,725 in excess of its minimum net capital requirement of \$32,795. The Company's aggregate indebtedness to net capital ratio was 0.17 to 1.

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

The Company is exempt from the provisions of Rule 15c3-3 pursuant to paragraph k(1) under the Securities Exchange Act of 1934.

**6. Commitments and Contingencies**

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.

**7. Concentration of Credit Risk**

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.

**8. Guarantees**

In the ordinary course of business, the Company enters into standard indemnification agreements. Pursuant to these agreements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified party for certain losses suffered or incurred by the indemnified party, generally the Company's business partners or customers, in connection with certain claims by any third party with respect to the Company's products or services. The term of these

Eze Castle Transaction Services LLC  
(A Wholly-Owned Subsidiary of Eze Castle Software LLC)

Notes to Statement of Financial Condition (continued)

**8. Guarantees (continued)**

indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnifications agreements is unlimited. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the statement of financial condition for these indemnifications.

At December 31, 2011, Group and Eze Castle had \$723,900,000 of debt outstanding. Group's ownership interest in the Company was pledged as security against the debt.

**9. Subsequent Events**

The Company makes monthly distributions to ECS based on estimated monthly profits. The distribution paid in January 2012 was \$1,400,000. The Company has evaluated all other subsequent events through February 24, 2012 and has determined that no other subsequent events have occurred that would require disclosure in the statement of financial condition or accompanying notes.

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