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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

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Section

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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

Washington, DC

REPORT FOR THE PERIOD BEGINNING 1/01/2011 AND ENDING 12/31/2011  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: NativeOne Institutional Trading, LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

30 Broad Street, 20th Floor

(No. and Street)

New York

New York

10004

(City)

(State)

(Zip Code)

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

Marie-Regina Forbes

(212) 742-8111

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

WithumSmith+Brown, PC

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

3040 U.S. Highway 22 West, Suite 110

Somerville, NJ

08876

(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)

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OATH OR AFFIRMATION

I, Marie-Regina Forbes, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NativeOne Institutional Trading, LLC, as of December 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:

GLORIA CALICCHIA
Notary Public, State of New York
No. 01CA0838880
Qualified in Kings County
Certificate filed in New York County
Commission Expires February 28, 2014

[Handwritten Signature]
Signature
Managing Member
Title

[Handwritten Signature: Gloria Calicchia]
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 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).



WithumSmith+Brown, PC  
Certified Public Accountants and Consultants

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**NATIVEONE INSTITUTIONAL TRADING, LLC**

**Statement of Financial Condition**

**December 31, 2011**

**With Independent Auditors' Report**

**Filed pursuant to Rule 17a-5(e)(3) under the  
Securities Exchange Act of 1934  
as a PUBLIC DOCUMENT**

**NATIVEONE INSTITUTIONAL TRADING, LLC**

**Statement of Financial Condition**

**December 31, 2011**

**With Independent Auditors' Report**

**Filed pursuant to Rule 17a-5(e)(3) under the  
Securities Exchange Act of 1934  
as a PUBLIC DOCUMENT**

**NativeOne Institutional Trading, LLC**  
**Table of Contents**  
**December 31, 2011**

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**Page(s)**

<b>Independent Auditors' Report</b> .....	1
<b>Financial Statements</b>	
Statement of Financial Condition.....	2
Notes to Financial Statements.....	3-4
<b>Supplementary Information</b>	
<b>Report on Internal Control Required by SEC Rule 17a-5(g)</b> .....	5-6



WithumSmith+Brown, PC  
Certified Public Accountants and Consultants

3040 Route 22 West, Suite 110  
Somerville, New Jersey 08876 USA  
908 526 6363 . fax 908 526 9944  
www.withum.com

Additional Offices in New Jersey,  
New York, Pennsylvania, Maryland,  
Florida, and Colorado

## Independent Auditors' Report

To the Members  
NativeOne Institutional Trading, LLC  
New York, New York

We have audited the accompanying statement of financial condition of NativeOne Institutional Trading, LLC as of December 31, 2011. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 basic financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of NativeOne Institutional Trading, LLC as of December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

February 28, 2012  
Somerville, New Jersey

A handwritten signature in black ink that reads "Withum Smith+Brown, PC". The signature is written in a cursive, flowing style.

**NativeOne Institutional Trading, LLC**  
**Statement of Financial Condition**  
**December 31, 2011**

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**Assets**

Cash and cash equivalents	\$ 10,501
Due from Broker	1,099,782
Due from member	271,397
Other assets	<u>13,833</u>
	<u>\$ 1,395,513</u>

**Liabilities and Members' Equity**

Liabilities	
Accounts payable and accrued expenses	\$ 29,222
Due to Affiliate	<u>56,727</u>
	<u>85,949</u>
Members' equity	<u>1,309,564</u>
	<u>\$ 1,395,513</u>

The Notes to Financial Statements are an integral part of this statement.

**NativeOne Institutional Trading, LLC**  
**Notes to Financial Statements**  
**December 31, 2011**

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**1. Organization and Nature of Business**

NativeOne Institutional Trading, LLC (the "Company") is organized as a New York Limited Liability Company, is a registered broker-dealer under the Securities Exchange Act of 1934, and is a member of the Financial Industry Regulatory Authority, the New York Stock Exchange, the American Stock Exchange, and the Securities Investor Protection Corporation. The Company provides equity and fixed income trading services to institutional clients in exchange for commissions.

The Company's majority member is NativeOne Financial Holdings, Inc. (the "Parent"). There are also individual minority members. The Company has certain transactions with some of its members and Raymond C. Forbes & Co., Inc. (the "Affiliate"), a broker-dealer affiliated with the Company through common ownership interests. As such, had the Company operated as an unaffiliated entity, the financial position and results of operations could differ from those reflected herein.

**2. Significant Accounting Policies**

**Basis of Accounting**

The financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

**Cash**

Cash and cash equivalents include cash on hand and in the bank, as well as all short-term securities held for the primary purpose of general liquidity. Such securities normally mature within three months from the date of acquisition.

**Revenue Recognition**

Commission revenues and related expenses are recognized on trade date basis, as required.

**Use of Estimates**

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

**3. Income Taxes**

The Company is a limited liability company and is treated as a partnership for federal and state income taxes. As such, the members will reflect income or loss, as applicable, on their individual tax returns.

The Company has analyzed its tax positions and has concluded that there are no unrecognized tax benefits at December 31, 2011. All of the Company's previously filed United States federal and New York State tax returns are subject to income tax examination. There are no tax related penalties or interest reflected on these financial statements.

**4. Related Party Transactions**

During the year, the Company advanced one of its members a total of \$271,397, which remains due as of December 31, 2011. The total amount due from the member is non-interest bearing.

Amounts due to affiliate represents amounts paid by the Affiliate on behalf of the Company for payroll and other expenses. The total expenses paid by the Affiliate on behalf of the Company during the year ended December 31, 2011 was \$104,132 of which \$56,727 remains payable to the Affiliate at December 31, 2011.

**NativeOne Institutional Trading, LLC**  
**Notes to Financial Statements**  
**December 31, 2011**

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**5. Credit Risk and Concentrations**

Financial instruments that are potentially subject to credit risk include cash and cash equivalents. The Company maintains its cash in a bank deposit account with one major financial institution. The Federal Deposit Insurance Corporation insures the Company's interest bearing bank account up to \$250,000.

**6. Fair Value of Assets and Liabilities**

Professional standards define fair value, establish a consistent framework for measuring fair value, and expand disclosure requirements for fair value measurements. Due to the nature of the Company's assets and liabilities, there are no disclosures required under these standards.

The Company's assets, including cash and cash equivalents and due from broker are carried at contracted values which approximate fair value. Similarly, accrued expenses are carried at contracted amounts, which approximate fair value.

**7. Commitments**

The Company entered into a clearing agreement with Broadcort Division of Merrill Lynch, Pierce, Fenner & Smith Inc. ("Broadcort") on January 3, 2011. The agreement is considered a secondary agreement to the primary agreement between Broadcort and one of the Company's members. The agreement can be terminated by either party with thirty days notice.

The Company also entered into a clearing agreement with Incapital LLC on August 31, 2011. The agreement has a three year term and will renew each year thereafter unless either party provides at least ninety days notice of its intent to terminate the agreement.

**8. Special Account for the Exclusive Benefit of Customers**

The Company is exempt from the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934 and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers" as the Company's activities are limited to those set forth in the conditions for exemption of rule 15c3-3(k)(2)(ii).

**9. Net Capital Requirements**

Pursuant to the basic uniform net capital provisions of the Securities and Exchange Commission, the Company is required to maintain a minimum net capital, as defined in such provisions. Further, the provisions require that the ratio of aggregate indebtedness, as defined, to net capital shall not exceed 15 to 1. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2011, the Company had net capital and net capital requirements of \$1,024,334 and \$100,000 respectively. The Company's aggregate indebtedness to net capital ratio was .08 to 1.

**10. Subsequent Events**

The Company has evaluated subsequent events through the date of financial statement issuance and has determined that there are no events requiring recognition or disclosure in these financial statements.

**SUPPLEMENTARY INFORMATION**



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## **Report on Internal Control Required by SEC Rule 17a-5(g) for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3**

To the Members  
NativeOne Institutional Trading, LLC

In planning and performing our audit of the financial statements of NativeOne Institutional Trading, LLC (the "Company") as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control that we consider to be a material weakness, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011, to meet the SEC's objectives.

This report recognizes that it is not practicable in an organization the size of NativeOne Institutional Trading, LLC, to achieve all the divisions of duties and crosschecks generally included in an internal control environment and that, alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "William Smith-Brown, PC". The signature is written in a cursive, flowing style.

February 28, 2012  
Somerville, New Jersey