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Washington, D.C. 20549

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8- 66988

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Walleye Trading LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

14601 27th Ave N, Suite 102

Plymouth

(No. and Street)

MN

55447

(City)

(State)

(Zip Code)

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

Peter Goddard

(952) 345-6611

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

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

220 South Sixth Street

Minneapolis

MN

55402

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

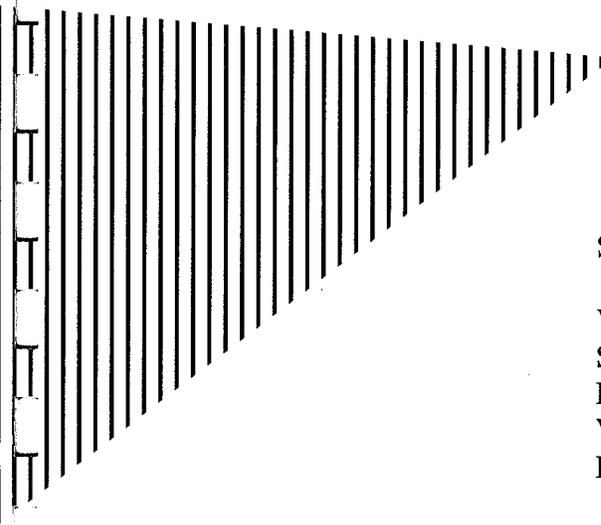
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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STATEMENT OF FINANCIAL CONDITION

Walleye Trading LLC
SEC File Number: 8-66988
December 31, 2011
With Report of Independent
Registered Public Accounting Firm

Ernst & Young LLP

 **ERNST & YOUNG**

Walleye Trading LLC

Statement of Financial Condition

December 31, 2011

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Report of Independent Registered Public Accounting Firm

The Manager and Member
Walleye Trading LLC

We have audited the accompanying statement of financial condition of Walleye Trading 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 Walleye Trading LLC at December 31, 2011, in conformity with U.S. generally accepted accounting principles.



March 27, 2012

Walleye Trading LLC

Statement of Financial Condition

December 31, 2011

Assets

Cash	\$ 5,689
Receivables from brokers, dealers, and others, net	307,493,367
Securities owned, at fair value (pledged)	1,388,943,093
Memberships in exchanges	<u>7,209,515</u>
Total assets	<u>\$1,703,651,664</u>

Liabilities and member's equity

Liabilities:

Accrued liabilities	\$ 14,049,478
Securities sold, not yet purchased, at fair value	1,618,929,634
Subordinated borrowings	<u>500,000</u>
Total liabilities	<u>1,633,479,112</u>

Member's equity	<u>70,172,552</u>
Total liabilities and member's equity	<u>\$1,703,651,664</u>

See accompanying notes.

Walleye Trading LLC

Notes to Statement of Financial Condition

December 31, 2011

1. Organization

Walleye Trading LLC (the Company), a Delaware limited liability company, is a registered broker and dealer in securities under the Securities Exchange Act of 1934 and a wholly owned subsidiary of Walleye Investments Fund LLC. The Company is primarily a market-making firm, engaged in U.S. equity options market-making, Eurodollar options market-making, and index options market-making. The Company is a member of the following exchanges: International Securities Exchange, Inc.; the Chicago Board of Options Exchange, Inc.; the NYSE Amex, LLC; the Boston Options Exchange Group LLC; the NYSE ARCA Exchange, Inc.; the NASDAQ OMX PHLX Inc.; the BATS Exchange, Inc.; and the Chicago Mercantile Exchange, Inc.

The Company clears its securities transactions through Goldman Sachs Execution & Clearing, L.P. (the Clearing Broker).

Walleye Trading Advisors, LLC (the Company Manager), a Minnesota limited liability company, serves as the manager of the Company. The Company Manager provides all services to operate the Company and maintains the financial records of the Company.

2. Significant Accounting Policies

The Company's statement of financial condition has been prepared in accordance with U.S. generally accepted accounting principles. The following is a summary of significant accounting policies followed by the Company.

Revenue Recognition

Market-making and proprietary securities transactions and the related revenues and expenses are recorded on a trade-date basis. Securities owned and securities sold, not yet purchased are stated at fair value.

Dividends are recorded on the ex-dividend date. Interest expense is incurred on securities financed with the clearing broker and on subordinated borrowings and is accounted for on an accrual basis.

Walleye Trading LLC

Notes to Statement of Financial Condition (continued)

2. Significant Accounting Policies (continued)

Memberships in Exchanges

Exchange memberships, which represent ownership interests in the exchange and provide the Company with the right to conduct business on the exchange, are recorded at cost or, if an other-than-temporary impairment in value has occurred, at a value that reflects management's estimate of the impaired value. There were approximately \$1,783,000 in exchange membership impairments in 2011.

Recently Issued Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in ASU 2011-04 change the wording used to describe many of the requirements in U.S. Generally accepted accounting principles (U.S. GAAP) for measuring fair value and for disclosing information about fair value measurements. Some of the amendments clarify FASB's intent about the application of existing fair value measurement and disclosure requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. ASU 2011-04 is effective for annual periods beginning after December 15, 2011. Therefore, ASU 2011-04 will be effective for the Company's year beginning January 1, 2012. Adoption of ASU 2011-04 is not expected to have a material impact on the Company's statement of financial condition.

In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*. The amendments in ASU 2011-11 will enhance disclosures by requiring improved information about financial and derivative instruments that are either 1) offset (netting assets and liabilities) in accordance with Section 210-20-45 or Section 815-10-45 of the FASB Accounting Standards Codification (ASC), or 2) subject to an enforceable master netting arrangement or similar agreement. ASU 2011-11 is effective for annual periods beginning on or after January 1, 2013, and requires retrospective disclosures for comparative periods presented. Therefore, ASU 2011-11 will be effective for the Company's year beginning January 1, 2013. Adoption of ASU 2011-11 is not expected to have a material impact on the Company's statement of financial condition.

Walleye Trading LLC

Notes to Statement of Financial Condition (continued)

2. Significant Accounting Policies (continued)

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 amounts reported in the statement of financial condition and accompanying notes. Management believes that the estimates utilized in preparing the Company's statement of financial condition are reasonable and prudent. Actual results could differ from these estimates.

3. Receivables From Brokers, Dealers, and Others

Included in receivables from brokers, dealers and others is the net trading settlement balance within the clearance account held at the Clearing Broker. Receivables from brokers, dealers, and others, includes a \$355,989 net payable for open dealer equity futures. This amount represents the daily variation margin required to settle all open future contracts. Also included in receivables from brokers, dealers, and others are dividends receivable and exchange liquidity rebates receivable, which will be received from the Clearing Broker.

The Company conducts business with brokers and dealers that are members of the major securities exchanges.

4. Fair Value

Various inputs are used in determining the fair value of the Company's assets and liabilities. These inputs are summarized in the three broad levels listed below:

Level 1 – Quoted prices in active markets for identical securities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for identical or similar instruments in markets that are not active; and valuation techniques for which significant assumptions are observable, either directly or indirectly. The observable assumptions for the valuation techniques can include contractual cash flows, benchmark yields, and credit spreads to determine fair value.

Walleye Trading LLC

Notes to Statement of Financial Condition (continued)

4. Fair Value (continued)

Level 3 – Significant unobservable inputs (including the Company’s own assumptions in determining the fair value of investments).

The following table presents the Company’s fair value hierarchy for assets and liabilities measured on a recurring basis as of December 31, 2011:

	As of December 31, 2011			Fair Value
	Level 1	Level 2	Level 3	
Assets				
Receivables from brokers, dealers, and others, net:				
Futures variation margin	\$ (355,989)	\$ –	\$ –	\$ (355,989)
Securities owned, at fair value (pledged):				
Options:				
Index	199,110,547	–	–	199,110,547
Equity	484,238,764	–	–	484,238,764
Eurodollar	175,451,976	–	–	175,451,976
Equities	507,214,546	–	–	507,214,546
U.S. Treasuries	20,036,800	–	–	20,036,800
Other debt securities	–	2,626,675	–	2,626,675
Foreign debt	–	263,785	–	263,785
Memberships in exchanges	–	6,639,515	–	6,639,515
Total assets at fair value	<u>\$ 1,385,696,644</u>	<u>\$ 9,529,975</u>	<u>\$ –</u>	<u>\$ 1,395,226,619</u>
Liabilities				
Securities sold, not yet purchased, at fair value:				
Options:				
Index	\$ 288,867,059	\$ –	\$ –	\$ 288,867,059
Equity	512,143,242	–	–	512,143,242
Eurodollar	155,443,603	–	–	155,443,603
Equities	622,752,860	–	–	622,752,860
U.S. Treasuries	20,081,300	–	–	20,081,300
Foreign debt	–	19,641,570	–	19,641,570
Total liabilities at fair value	<u>\$ 1,599,288,064</u>	<u>\$ 19,641,570</u>	<u>\$ –</u>	<u>\$ 1,618,929,634</u>

Walleye Trading LLC

Notes to Statement of Financial Condition (continued)

4. Fair Value (continued)

All securities owned are pledged to the Clearing Broker on terms that permit it to sell or repledge the securities to others subject to certain limitations.

Securities sold, not yet purchased represent obligations of the Company to deliver the specified security at the contracted price and quantities and thereby create a liability to purchase the security in the market at prevailing prices.

The level assigned to a particular security and the inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. No securities owned or securities sold, not yet purchased were deemed to be Level 3 during the year ended December 31, 2011. Futures and futures sold are valued based upon Level 1 fair value measurements, with the resulting variation margin included in receivables from, or payables to brokers, dealers, and others. There were no realized or unrealized gains or losses in Level 3 during the year and no transfers between any levels for the year.

5. Income Taxes

Tax positions that are not more-likely-than-not to be sustained upon examination by a taxing authority based on the technical merit of the position would result in a current year-expense or the absence of a benefit as appropriate for the tax position. The Company has determined there are no uncertain tax positions. Generally, the tax authorities can examine any tax returns filed for the last three years. No federal, state, or local income taxes have been provided on profits of the Company because the Company is disregarded for tax purposes and is wholly owned by a partnership whose partners are individually liable for the taxes on their share of the income or loss.

6. Related-Party Transactions

The Company has an Administrative Services Agreement (the Agreement) with the Company Manager. The Agreement calls for the expenses associated with managing the Company, including both advisory services and other administrative services, to be allocated to, and paid by the Company. These expenses are recorded on an accrual basis by the Company. These expenses are charged monthly by the Company Manager. At December 31, 2011, \$5.3 million of these expenses were payable to the Company Manager by the Company and are included in accrued liabilities on the statement of financial condition.

Walleye Trading LLC

Notes to Statement of Financial Condition (continued)

7. Subordinated Borrowings

During the year ended December 31, 2011, the Company has renewed a cash subordination agreement approved by PHLX, totaling \$500,000, from an unaffiliated counterparty at an interest rate based on the prime rate, plus 225 basis points. The subordinated borrowings mature on October 31, 2012.

The subordinated borrowing, which is subordinated to all claims of general creditors of the Company, constitutes part of the Company's net capital under the Uniform Net Capital Rule and may be repaid only if, after giving effect to such repayment, the Company continues to meet its minimum net capital requirements.

8. Financial Instruments

Financial instruments recorded at fair value on the Company's statement of financial condition include securities owned and securities sold, not yet purchased. Other financial instruments are recorded by the Company at contract amounts and include receivables from brokers, dealers, others, and subordinated borrowings. Memberships in exchanges owned are recorded at the lower of cost or estimated fair value. Financial instruments carried at contract amounts, either have short-term maturities (one year or less), are repriced frequently, or bear market interest rates; and accordingly, are carried at amounts approximating fair value.

In the normal course of business, the Company enters into derivative contracts (Derivatives) for its options market-making and proprietary trading strategies and uses futures to manage the market and credit risks as part of its overall risk management process. The Derivatives that the Company may hold include, but are not limited to, dealer equity options, index options, Eurodollar options, and futures within the same product. The Company records its derivative trade-related activities at fair value.

Walleye Trading LLC

Notes to Statement of Financial Condition (continued)

8. Financial Instruments (continued)

The following tables are intended to provide additional information about the effect of the derivatives on the statement of financial condition of the Company. The contracts and notional amounts as of December 31, 2011, are representative of the activity on a monthly basis for the year.

Type	Number of Contracts and Notional as of December 31, 2011			
	Long Contracts	Short Contracts	Long Notional	Short Notional
Futures	8,262	(28,550)	\$ 20,554,500	\$ (66,251,750)
Index Options	69,863	(68,632)	8,094,650	(7,992,550)
Equity Options	1,825,116	(1,895,216)	182,513,730	(189,523,880)
Eurodollar Options	368,414	(399,585)	916,798,150	(996,587,050)

Type	Statement of Financial Condition Location as of December 31, 2011		
	Securities Owned	Receivables From Brokers, Dealers, and Others, Net	Securities Sold, Not Yet Purchased
Futures	\$ -	\$ (355,989)	\$ -
Index Options	199,110,547	-	(288,867,059)
Equity Options	484,238,764	-	(512,143,242)
Eurodollar Options	175,451,976	-	(155,443,603)

9. Financial Instruments With Off-Balance Sheet Risk

In the ordinary course of business, the Company's activities involve the execution, settlement, and financing of various securities transactions. These activities may expose the Company to credit and market risks in the event the counterparty or the Clearing Broker is unable to fulfill its contractual obligations. Such risks may be increased by volatile trading markets.

The Company also assumes short positions in its inventory. These transactions result in off-balance sheet market risk, as the Company's ultimate obligation to satisfy the short sale may exceed the amount recognized in the statement of financial condition.

Walleye Trading LLC

Notes to Statement of Financial Condition (continued)

9. Financial Instruments With Off-Balance Sheet Risk (continued)

Option contracts provide a counterparty with the right, but not the obligation, to purchase or sell a financial instrument at a predetermined exercise price before, or on an established date. For options sold short, the Company receives a premium upon initial settlement and then bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

All of the Company's receivables, securities owned, and securities sold, not yet purchased are maintained at the Clearing Broker. Should the Clearing Broker fail to meet its obligations, the Company would be exposed to credit risk.

10. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's (the SEC's) Uniform Net Capital Rule (Rule 15c3-1). The Company computes its net capital requirements under the basic method provided for in Rule 15c3-1. Advances to affiliates, repayment of subordinated borrowings, dividend payments, and other equity withdrawals are subject to certain notification and other provisions of Rule 15c3-1 or other regulatory requirements.

At December 31, 2011, the Company had net capital of approximately \$26.4 million, which was approximately \$25.5 million in excess of the required net capital of \$936,632.

Under the clearing arrangement with the Clearing Broker, the Company is required to maintain certain minimum levels of net capital and comply with other financial ratio requirements. At December 31, 2011, the Company was in compliance with all such requirements. In addition, the Clearing Broker is required to complete a period reserve computation of Proprietary Accounts of Introducing Brokers (PAIB) and to notify the Company of any PAIB deficits; no such PAIB deficits were reported to the Company in 2011.

11. Indemnifications

The Company enters into contracts that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Walleye Trading LLC
Notes to Statement of Financial Condition (continued)

12. Subsequent Events

The Company has evaluated events or transactions that may have occurred after the balance sheet date for potential recognition or disclosure and noted the following item, which is not deemed to impact the December 31, 2011, statement of financial condition as presented herein. The Company had a discretionary capital distribution of approximately \$7.7 million on February 29, 2012.

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