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ANNUAL AUDITED REPORT

Washington, DC
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FORM X-17A-5

PART III

SEC FILE NUMBER
8- 42672

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 JANUARY 1, 2011 AND ENDING DECEMBER 31, 2011
(MM/DD/YY) (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **COMMERCE SQUARE TRADING, LLC**

OFFICIAL USE ONLY
FIRM ID. NO.

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

6075 POPLAR AVENUE, SUITE 700

(No. and Street)

MEMPHIS,
(City)

TENNESSEE
(State)

38119
(Zip Code)

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

VICKI LAWSON

(901) 761-8080

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

MAYER HOFFMAN MCCANN P.C.

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

5100 POPLAR AVENUE, 30TH FLOOR
(Address)

MEMPHIS,
(City)

TENNESSEE
(State)

38137
(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).

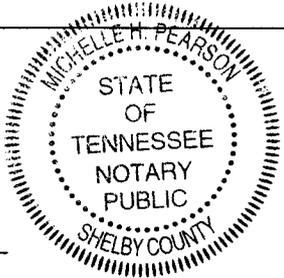
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, VICKI LAWSON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of COMMERCE SQUARE 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:

Michelle Pearson
Notary Public



Vicki Lawson
Signature
PRESIDENT
Title

My Commission Expires:
February 27, 2013

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 15c-3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditing report on internal accounting controls.

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

COMMERCE SQUARE TRADING, LLC

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Mayer Hoffman McCann P.C.

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Independent Auditor's Report

To the Member
Commerce Square Trading, LLC
Memphis, Tennessee

We have audited the accompanying statement of financial condition of Commerce Square Trading, LLC as of December 31, 2011, and the related statements of income, changes in member's equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Commerce Square Trading, LLC as of December 31, 2010 were audited by other auditors, Thompson Dunavant PLC, whose members became shareholders of Mayer Hoffman McCann P.C. as of August 1, 2011, and whose report dated February 25, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 statements referred to above present fairly, in all material respects, the financial position of Commerce Square Trading, LLC as of December 31, 2011, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 10 through 15 is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mayer Hoffman McCann P.C.

Memphis, Tennessee
February 24, 2012

COMMERCE SQUARE TRADING, LLC

Statements of Financial Condition
December 31, 2011 and 2010

	<u>Assets</u>	
	<u>2011</u>	<u>2010</u>
Current assets		
Cash	\$ 304,311	\$ 273,039
Accounts receivable	28,007	104,236
Prepaid expenses and other	15,366	-
Note receivable	268,750	-
Due from parent company	<u>427,328</u>	<u>592,196</u>
Total current assets	<u>\$ 1,043,762</u>	<u>\$ 969,471</u>
	<u>Liabilities and Member's Equity</u>	
Current liabilities		
Accrued expenses	\$ 16,000	\$ 55,958
Commitments and contingencies		
Member's equity	<u>1,027,762</u>	<u>913,513</u>
	<u>\$ 1,043,762</u>	<u>\$ 969,471</u>

The accompanying notes are an integral
part of these financial statements.

COMMERCE SQUARE TRADING, LLC

Statements of Income For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Commissions	\$ 1,275,880	\$ 2,128,455
Other	<u>882,687</u>	<u>803,346</u>
Total revenues	2,158,567	2,931,801
Expenses		
Management and originating fees	802,462	853,199
Compensation and benefits	523,369	837,149
Administration and other	377,148	291,177
Clearing fees	<u>336,339</u>	<u>491,621</u>
Total expenses	<u>2,039,318</u>	<u>2,473,146</u>
Income before income taxes	119,249	458,655
Provision for state income taxes	<u>5,000</u>	<u>11,000</u>
Net income	<u>\$ 114,249</u>	<u>\$ 447,655</u>

The accompanying notes are an integral part of these financial statements.

COMMERCE SQUARE TRADING, LLC

**Statements of Changes in Member's Equity
For the Years Ended December 31, 2011 and 2010**

Member's equity, January 1, 2010	\$ 465,858
Net income for 2010	<u>447,655</u>
Member's equity, December 31, 2010	913,513
Net income for 2011	<u>114,249</u>
Member's equity, December 31, 2011	<u>\$ 1,027,762</u>

The accompanying notes are an integral
part of these financial statements.

COMMERCE SQUARE TRADING, LLC

Statements of Cash Flows For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net income	\$ 114,249	\$ 447,655
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Changes in operating assets and liabilities		
Accounts receivable	76,229	120,588
Prepaid expenses and other	(15,366)	-
Note receivable	(268,750)	-
Due from parent company	164,868	(549,780)
Accrued expenses	<u>(39,958)</u>	<u>(19,813)</u>
Net cash provided by (used in) operating activities	<u>31,272</u>	<u>(1,350)</u>
Net increase (decrease) in cash	31,272	(1,350)
Cash at beginning of year	<u>273,039</u>	<u>274,389</u>
Cash at end of year	<u>\$ 304,311</u>	<u>\$ 273,039</u>

The accompanying notes are an integral
part of these financial statements.

COMMERCE SQUARE TRADING, LLC

Notes to Financial Statements
December 31, 2011 and 2010

Note 1 - Summary of significant accounting policies

Organization and nature of operations

Commerce Square Trading, LLC (the "Company"), a Delaware limited liability company, is a wholly-owned subsidiary of CSG Holdings, LLC ("Holdings"). The Company is registered with the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority, and is subject to regulation under the Securities Exchange Act of 1934. The Company is an introducing broker.

The Company executes all of its customers' transactions on a fully disclosed basis through clearing broker-dealers who carry the accounts and securities of the Company's customers.

Accounts receivable

Accounts receivable includes commissions and fee amounts receivable from clearing broker-dealers, and are stated at the amount management expects to collect from balances outstanding at year-end. Management closely monitors outstanding balances and writes off all balances not expected to be collected. Based upon management's assessment of the credit history with clearing broker-dealers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Revenue recognition

Commissions and related clearing expenses are recognized on a trade-date basis. Commissions are recorded at gross, and the clearing broker-dealer fees are recorded as expenses in the accompanying statements of income. Other revenue represents solicitation fees and special projects performed for clients on a fee basis. Other revenue is recognized as income when the services are performed and measurable.

Income taxes

The Company is a single member limited liability company wholly-owned by Holdings. As such, the Company is treated as a disregarded entity for federal income tax purposes and its activity is included in the federal income tax return of Holdings. Holdings, which is the entity that files the consolidated federal tax return, is a limited liability company and, as a result, no provision for federal income taxes is required. The Company is subject to state franchise and excise taxes.

The Company follows the asset and liability method for deferred income taxes. Under the asset and liability method, deferred state income taxes are recognized, if applicable, for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amount and the tax basis of existing assets and liabilities.

Events occurring after reporting date

Management has evaluated events and transactions that have occurred between December 31, 2011 and February 24, 2012, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

COMMERCE SQUARE TRADING, LLC

Notes to Financial Statements (Continued) December 31, 2011 and 2010

Note 1 - Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 and assumptions.

Statement of liabilities subordinated to the claims of general creditors

A statement of changes in liabilities subordinated to the claims of general creditors as required under Rule 17a-5 of the SEC is not presented, since no such liabilities existed at December 31, 2011 nor at any time during the year then ended.

Note 2 - Related party transactions

The Company is party to a management fee arrangement under which Holdings provides management and support services. Total expenses incurred under this arrangement amounted to \$401,740 for 2011 and \$100,000 for 2010.

The Company is party to an originating fee arrangement under which Consulting Services Group, LLC, a company affiliated through common ownership, provides client referrals to the Company. Total expenses incurred under this arrangement amounted to \$388,628 for 2011 and \$641,707 for 2010.

The Company rents office space and purchases support services, including primarily all personnel services, from Holdings. Total expenses incurred for such items amounted to \$416,599 for 2011 and \$483,273 for 2010.

Due from parent company totaling \$427,328 and \$592,196 at December 31, 2011 and 2010, respectively, represents amounts transferred to Holdings to fund consolidated operations.

Through February 2011, pursuant to the terms of a selling agreement, the Company received solicitation fees for referred clients who invested in funds managed by Centennial Partners, LLC ("Centennial"), a company affiliated through common ownership. Total fees received amounted to \$53,750 for 2011 and \$372,317 for 2010. Effective March 31, 2011, the Company terminated the selling agreement with Centennial in exchange for a promissory note receivable in the amount of \$430,000. The note is unsecured, non-interest bearing, and payable in quarterly principal installments of \$53,750 through January 2013. As of December 31, 2011, the balance of the note receivable was \$268,750. The \$430,000 received by the Company as a result of the termination is included in other revenues for 2011.

COMMERCE SQUARE TRADING, LLC

Notes to Financial Statements (Continued) December 31, 2011 and 2010

Note 3 - Contingencies

The Company from time to time may be involved in various claims and possible actions arising out of the normal course of business. Although the outcome of any such matters cannot be predicted with certainty, management believes that at the present time there are no pending or threatened matters that are reasonably likely to have a material adverse effect on the financial position or results of operations of the Company.

Note 4 - Employee benefit plan

The Company participates in a qualified 401(k) profit sharing plan maintained by Holdings. Employees who are twenty-one years of age with at least six months of employment are eligible to participate. Eligible employees may voluntarily defer a percentage of their compensation, not to exceed maximum limits set by the Internal Revenue Service. Employer matching and nonelective contributions are discretionary. There were no employer matching or nonelective contributions for 2011 or 2010.

Note 5 - Income taxes

The provision for income taxes for the years ended December 31, 2011 and 2010 is comprised of Tennessee excise taxes of \$5,000 and \$11,000, respectively.

Note 6 - Net capital and reserve requirements

The Company is required to maintain minimum net capital pursuant to the "Uniform Net Capital Rule" (Rule 15c3-1) of the Securities and Exchange Commission, which requires that a broker-dealer's aggregate indebtedness, as defined, shall not exceed fifteen times net capital, subject to a \$250,000 minimum. In addition, the Company may not allow withdrawal of equity capital if its aggregate indebtedness exceeds ten times its net capital as defined under the Rule. As of December 31, 2011 and 2010, the Company's net capital, as defined under the Rule, amounted to \$322,568 and \$301,064, respectively, which was \$72,568 and \$51,064, respectively, in excess of its required net capital. The Company's ratio of aggregate indebtedness to net capital was 0.05 to 1 at December 31, 2011 and 0.19 to 1 at December 31, 2010. Additionally, the Company is required by its clearing agent to maintain net capital of at least \$100,000.

Note 7 - Concentration of credit risk

The Company has concentrated its credit risk for cash by maintaining deposits in financial institutions within its geographic region which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and management believes the Company is not exposed to significant credit risk to cash.

SUPPLEMENTAL INFORMATION

COMMERCE SQUARE TRADING, LLC
Schedule I - Computation of Net Capital Pursuant to Rule 15c3-1 of
the Securities and Exchange Commission
December 31, 2011

Computation of Net Capital

Total member's equity	\$ 1,027,762
Less nonallowable assets:	
Prepaid expenses	8,013
Note receivable	268,750
Due from parent company	427,328
Stock haircut	<u>1,103</u>
Net capital	<u>\$ 322,568</u>

Computation of Aggregate Indebtedness

Accrued expenses	\$ <u>16,000</u>
Total aggregate indebtedness	<u>\$ 16,000</u>

Computation of Basic Net Capital Requirement

Minimum net capital requirement, greater of \$250,000 or 6.67% of aggregate indebtedness	\$ 250,000
Net capital in excess of minimum requirement	<u>72,568</u>
Net capital as computed above	<u>\$ 322,568</u>
Ratio of aggregate indebtedness to net capital	<u>0.05</u>

No material differences exist between the above computations and the corresponding computations most recently filed in the unaudited Form X-17A-5, Part II A as of December 31, 2011.

COMMERCE SQUARE TRADING, LLC
Schedule II - Computation for Determination of the Reserve Requirements
Under Securities and Exchange Commission Rule 15c3-3
December 31, 2011

Exemption Under Section (k)(2)(ii) has been Claimed

The Company is not required to file this schedule as it has claimed exemption from Securities and Exchange Commission Rule 15c3-3 under Section (k)(2)(ii) of the Rule. The Company is an introducing broker-dealer which clears all transactions with and for customers on a fully disclosed basis through clearing broker-dealers, and which promptly transmits all customer funds and securities to the clearing broker-dealers which carry all of the accounts of such customers and maintain and preserve such books and records pertaining thereto pursuant to the requirements of Rules 17a-3 and 17a-4, as are customarily made and kept by clearing broker-dealers.

COMMERCE SQUARE TRADING, LLC
Report of Independent Accountants on Internal Controls Required by SEC Rule 17a-5 for a
Broker/Dealer Claiming an Exemption from SEC Rule 15c3-3
For the Year Ended December 31, 2011

To the Member
Commerce Square Trading, LLC
Memphis, Tennessee

In planning and performing our audit of the financial statements and supplemental information of Commerce Square Trading, LLC (the "Company") as of and for the year ended December 31, 2011 in accordance with U.S. generally accepted auditing standards, 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. The study included tests of compliance with 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.
2. Recordation of differences required by Rule 17a-13.
3. 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 internal 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 accordance with U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

COMMERCE SQUARE TRADING, LLC
Report of Independent Accountants on Internal Controls Required by SEC Rule 17a-5 for a
Broker/Dealer Claiming an Exemption from SEC Rule 15c3-3 (Continued)
For the Year Ended December 31, 2011

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that internal control may become inadequate because of changes in conditions, or that the effectiveness of its 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 and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the Company's financial reporting.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim 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 of this report and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, 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 consideration of its internal control, we believe that the Company's practices and procedures were adequate at December 31, 2011 to meet the SEC's objectives.

This report is intended solely for the information and use of 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.

Maury Hoffman Mc Cann P.C.

Memphis, Tennessee
February 24, 2012

COMMERCE SQUARE TRADING, LLC
Independent Accountants' Report on Applying Agreed-Upon Procedures Related to an Entity's
SIPC Assessment Reconciliation
For the Year Ended December 31, 2011

To the Member
Commerce Square Trading, LLC
Memphis, Tennessee

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2011, which were agreed to by Commerce Square Trading, LLC and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating Commerce Square Trading, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Commerce Square Trading, LLC's management is responsible for Commerce Square Trading, LLC's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries [check copies and general ledger account details] noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2011, with the amounts reported in Form SIPC-7 for the year ended December 31, 2011, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers [NASD FOCUS report worksheet] noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers [NASD FOCUS report worksheet] supporting the adjustments noting no differences; and
5. Noted there was no overpayment applied to the current assessment with the Form SIPC-7.

COMMERCE SQUARE TRADING, LLC
Independent Accountants' Report on Applying Agreed-Upon Procedures Related to an Entity's
SIPC Assessment Reconciliation (Continued)
For the Year Ended December 31, 2010

We were not engaged to, and we did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above, and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman Mc Cann P.C.

Memphis, Tennessee
February 24, 2012

COMMERCE SQUARE TRADING, LLC

Financial Statements
and Supplemental Information
For the Years Ended December 31, 2011 and 2010