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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
<del>8-49219</del>

8-49219

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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

OFFICIAL USE ONLY
FIRM I.D. NO.

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

731 Lexington Avenue

(No. and Street)

New York

New York

10022

(City)

(State)

(Zip Code)

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

Gerald Burke

(212) 583-6000

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Pricewaterhouse Coopers LLP

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

300 Madison Avenue

New York

NY

10017

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

SEC  
Mail Processing  
Section

MAR 01 2013

FOR OFFICIAL USE ONLY	
Washington DC	405

\*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)

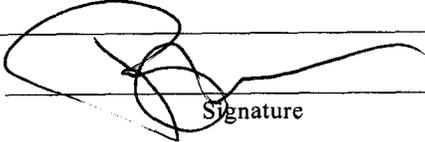
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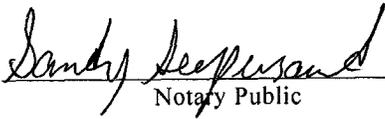
OATH OR AFFIRMATION

I, Gerald Burke, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Bloomberg Tradebook LLC, as of December 31, 2012, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature

Chief Financial Officer  
Title

  
Notary Public

**SANDY SEEPERSAUD**  
Notary Public - State of New York  
No. 01SE6243515  
Qualified in Queens County  
My Commission Expires June 20, 2015

This report \*\* contains (check all applicable)  (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).

**Bloomberg Tradebook LLC**  
**Statement of Financial Condition**  
**December 31, 2012**

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**Bloomberg Tradebook LLC**  
**Statement of Financial Condition**  
**December 31, 2012**

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**Bloomberg Tradebook LLC**

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**December 31, 2012**

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***Independent Auditor's Report***

To the Members of Bloomberg Tradebook LLC:

We have audited the accompanying consolidated statement of financial condition of Bloomberg Tradebook LLC (the "Company") as of December 31, 2012.

***Management's Responsibility for the Consolidated Statement of Financial Condition***

Management is responsible for the preparation and fair presentation of the consolidated statement of financial condition in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated statement of financial condition that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the consolidated statement of financial condition 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 consolidated statement of financial condition is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated statement of financial condition. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated statement of financial condition, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated statement of financial condition in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated statement of financial condition. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the accompanying consolidated statement of financial condition presents fairly, in all material respects, the financial position of Bloomberg Tradebook LLC at December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

February 27, 2013

**Bloomberg Tradebook LLC**  
**Consolidated Statement of Financial Condition**  
**December 31, 2012**

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**Assets**

Cash and cash equivalents	\$246,330,536
Segregated cash	16,310,107
Receivable from brokers and dealers, net of allowance of \$696,890 (Note 5)	15,007,512
Receivable from affiliates	1,754,946
Securities owned, at fair value (pledged as collateral)	4,998,988
Deferred tax assets	872,392
Other assets	1,740,124
Total assets	<u>\$287,014,605</u>

**Liabilities and Members' Equity**

Liabilities

Soft dollars payable	\$15,161,543
Payable to affiliates	3,125,767
Accounts payable and accrued expenses	4,481,167
Deferred revenue	366,758
Accrued employee compensation	8,675,330
Deferred compensation	6,019,829
Total liabilities	<u>37,830,394</u>
Contingencies and guarantees (Note 9)	
Members' equity	<u>249,184,211</u>
Total liabilities and members' equity	<u>\$287,014,605</u>

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

# **Bloomberg Tradebook LLC**

## **Notes to Consolidated Financial Statement**

### **December 31, 2012**

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

Bloomberg Tradebook LLC (the "Company"), a Delaware Limited Liability Company, was established on March 28, 1996, and commenced operations on December 12, 1996. Bloomberg LP ("Bloomberg"), a Delaware Limited Partnership, is the managing member and owns 99% of the Company. Bloomberg T-Book Inc., a Delaware Corporation, is also a member and owns 1% of the Company, collectively (the "Members"). The Company is a broker-dealer registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority ("FINRA") and Commodity Futures Trading Commission ("CFTC").

The Company was formed to provide customers of the Bloomberg Financial Information Network ("BLOOMBERG PROFESSIONAL"), which is owned and operated by Bloomberg, with an automated trade execution, clearance and settlement system ("Tradebook System") for multiple asset classes. The Tradebook System currently processes equities, futures and options. The Company earns commission revenue on securities transactions it processes and incurs expenses for executing and clearing services provided by third-party broker-dealers.

The financial statement includes the accounts of the Company and its wholly-owned subsidiary, BSEF LLC ("BSEF" or "Subsidiary"). The Subsidiary is currently not active but plans to operate as a swap execution facility based in the U.S. in the future.

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

##### **Basis of Presentation**

The financial statement has been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP".) Significant intercompany transactions and balances have been eliminated. The U.S. Dollar is the functional currency of the Company.

##### **Use of Estimates**

The preparation of financial statement in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. The most significant estimates in the financial statement are the allowance for doubtful accounts, deferred taxes and the fair value assumptions related to long term incentive plan ("LTIP"). Actual results could differ from these estimates.

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

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company maintains cash and cash equivalents with a major, high-credit quality, financial institution. At December 31, 2012, the Company has a cash balance that exceeded the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. In addition, \$244,381,000 was invested with a major, high-credit quality, financial institution, in a Eurodollar time deposit which matured on January 2, 2013.

##### **Securities Owned, at Fair Value and Securities Sold, but Not Yet Purchased**

All "securities owned, at fair value" and "securities sold, but not yet purchased" are recorded at fair value.

**Bloomberg Tradebook LLC**  
**Notes to Consolidated Financial Statement**  
**December 31, 2012**

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**Soft Dollars**

Under a commission management program, soft dollar arrangements are entered into between the Company and its customers. Commission payments that exceed customer commitments are allocated in the respective customer soft dollar accounts. Customer payments for research and research related services are reflected in these soft dollar accounts.

**3. Fair Value Measurement**

ASC 820 (*Fair Value Measurements and Disclosures*) defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements.

In accordance with ASC 820, the Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Financial assets and liabilities recorded on the Statement of Financial Condition are categorized based on the inputs to the valuation techniques as follows:

- Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access at the measurement date for identical assets or liabilities.
- Level 2 Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:
  - a. Quoted prices for identical or similar assets or liabilities in active or nonactive markets; and
  - b. Pricing models whose inputs are observable for substantially the full term of the asset or liability.
- Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As required by ASC 820, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Gains and losses for such assets and liabilities categorized within Level 3, if any, may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3).

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of certain financial assets or liabilities.

**Bloomberg Tradebook LLC**  
**Notes to Consolidated Financial Statement**  
**December 31, 2012**

To determine the fair values, the Company uses the market approach which uses observable prices and other relevant information generated by market transactions for identical securities held by the Company or comparable publicly traded securities with similar characteristics.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2012.

Description	Fair Value Measurements on a Recurring Basis			Total
	(Level 1)	(Level 2)	(Level 3)	
<b>Assets</b>				
Securities owned, at fair value	\$ 4,998,988	\$ -	\$ -	\$ 4,998,988
Total assets	\$ 4,998,988	\$ -	\$ -	\$ 4,998,988
<b>Liabilities</b>				
Securities sold, not yet purchased	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -	\$ -

\* Securities owned, at fair value, is a U.S. Government security with a maturity date of April 18, 2013 and is held on deposit at one of the Company's clearing brokers.

US GAAP requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair values. Certain financial instruments that are not carried at fair value on the Statement of Financial Condition are carried at amounts that approximate fair value due to their short term nature and generally negligible credit risk. These instruments include cash and cash equivalents, segregated cash, receivables from broker-dealers, due to/from affiliate, other assets, and soft dollars payable. Cash and cash equivalents are considered Level 1 financial assets while all other financial instruments listed above are considered Level 2.

**4. Segregated Cash**

At December 31, 2012, cash of \$16,310,107 is segregated in a special reserve bank account and represents funds allocated to customers as a result of soft dollar transactions.

**5. Receivable From Brokers and Dealers**

Amounts receivable from brokers and dealers at December 31, 2012, consist of the following:

Receivable from clearing and other brokers	\$ 15,610,307
Other	94,095
	<u>15,704,402</u>
Allowance for doubtful accounts	(696,890)
Net receivable from brokers	<u>\$ 15,007,512</u>

**Bloomberg Tradebook LLC**  
**Notes to Consolidated Financial Statement**  
**December 31, 2012**

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The Company monitors collections and payments and maintains an allowance for doubtful accounts. An allowance for doubtful accounts on receivable from broker dealers is maintained at a level that in management's judgment is adequate to absorb potential credit losses. The allowance for doubtful accounts is based upon the historical collection experience and specific collection issues that have been identified.

**6. Employee Compensation**

Bloomberg provides non-executive employees with compensation under various deferred compensation plans. Deferred compensation payable in more than twelve months is recorded at a discount. There is a long term deferred incentive program ("LTIP") with variable award amounts equal to a percentage of employees' total average annual compensation over a period as defined within the program. A portion of the LTIP is payable in August 2014 and the remainder is payable based on the Partnership's achievement of a revenue goal with the payout amounts linked to the timing of the achievement of this goal. The estimates used to record the LTIP liability are based on projected employee turnover, increases in compensation and revenue growth which impacts the anticipated attainment date for achieving the revenue goal.

In addition, the Company has an annual cash bonus plan which is linked to departmental performance, achievement of individual goals and a bonus target, which is adjusted based on terminal installations and attainment of certain revenue targets.

**7. Unincorporated Business Tax**

The Company is a limited liability company, which is treated as a partnership for tax purposes. As a result, the income or loss of the Company is includable in the federal and state tax returns of the respective members. The Company is required to pay New York City Unincorporated Business Tax ("UBT").

UBT is accounted for using the asset and liability method pursuant to ASC 740 (*Income Taxes*). Deferred taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future year's differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

The components of the deferred tax assets are as follows:

<b>Deferred tax assets</b>	
Deferred compensation	\$ 580,581
Unrealized loss on investment	6,510
Net Operating Loss	257,425
Allowance for doubtful accounts	<u>27,876</u>
	<u>\$ 872,392</u>

**Bloomberg Tradebook LLC**  
**Notes to Consolidated Financial Statement**  
**December 31, 2012**

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**8. Related Party Transactions**

Bloomberg licenses the use of the BLOOMBERG PROFESSIONAL to the Company and provides certain services to the Company, pursuant to a license and services agreement. These services include management and operation of the Tradebook System, administration, management, office space, and other services including, but not limited to, management information systems, telecommunications, accounting and financial services, legal and other support. In consideration, the fee paid equaled the product of Bloomberg's total cost incurred during the year for programming for, and hosting, the System and 120% (the "Tradebook Mark-Up") less the Total Tradebook System Credit (as defined in the licenses and services agreement in effect). Under this agreement, the fee paid would be only to the extent such fee does not reduce the Company's net capital below the minimum net capital required by the FINRA. The Company receives marketing services from certain Bloomberg subsidiaries and must pay each affiliate a fee for such services, approximately equal to the product of .50 times 110% of the operating costs.

At December 31, 2012, \$113,175 related to these service agreements is due and included in "Payable to affiliates" in the Statement of Financial Condition. In addition, the Company must be reimbursed for any excess fees provided to such affiliates. At December 31, 2012, \$357,115 related to the service agreements is due and included in "Receivable from affiliates" in the Statement of Financial Condition.

In addition, the Company must pay Bloomberg a terminal rebate fee, equal to credits received by customers on Bloomberg products that are earned based on trade executions effectuated on the Tradebook System. During the year ending December 31, 2012, the Company identified and recorded an out of period adjustment of \$1,108,000 related to a correction of the Company's terminal rebate fees from prior period (not presented herein). The Company has concluded that the impact of recognizing the out of period adjustment in the financial statement for the year ending December 31, 2012 was immaterial to the financial statement taken as a whole. The Company also reimburses Bloomberg for expenditures that Bloomberg incurs on behalf of the Company. At December 31, 2012, \$3,012,592 is due to Bloomberg, which is included in "Payable to affiliates" in the Statement of Financial Condition.

The Company receives executing and clearing services through an affiliate broker-dealer. As part of the arrangement, the affiliate collects commissions on behalf of the Company on settled trades. At December 31, 2012, the Company has a balance of \$177,693 included in "Receivable from affiliates" in the Statement of Financial Condition.

The Company also provides executing and clearing services to another affiliate broker-dealer through its clearing broker. As part of the arrangement, the Company collects commissions on behalf of an affiliate on settled trades. At December 31, 2012, \$994,015 of commissions, net of expenses, is due to the affiliate and included in "Receivable from affiliates" in the Statement of Financial Condition.

The remaining \$226,123 included in "Receivable from affiliates" in the Statement of Financial Condition relates to other balances.

Due to the above related party transactions, the financial position, results of operations and cash flows of the Company may differ from those that may have been achieved had the Company operated autonomously or as an entity independent of Bloomberg and its affiliates.

**Bloomberg Tradebook LLC**  
**Notes to Consolidated Financial Statement**  
**December 31, 2012**

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**9. Contingencies and Guarantees**

ASC 460 (*Guarantees*) requires the Company to disclose information about its obligations under certain guarantee arrangements.

**Indemnifications**

In the normal course of business, the Company's business activities involve the introduction of securities transactions originating on the BLOOMBERG PROFESSIONAL service or approved computer-to-computer interfaces that are executed, cleared and settled by the clearing brokers. These transactions are subject to the credit risk of counterparties or customer nonperformance. Pursuant to certain clearing agreements, the Company may be required to reimburse its clearing agents, without limit, for any losses due to any counterparty's failure to satisfy its contractual obligations. However, the transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through the settlement date. There was no liability recorded at December 31, 2012 for customer nonperformance.

In addition, the Company has the right to pursue collection or performance from its customers who do not perform under their contractual obligations. The Company monitors the credit standing of the clearing brokers and all customers with which it conducts business.

Pursuant to a transaction agreement, the Company is responsible for direct loss or damage incurred by customers of the BLOOMBERG PROFESSIONAL in the event of errors in transmission and/or processing caused by the BLOOMBERG PROFESSIONAL. The Company's liability is limited by the terms stated in the customer agreement. The Company maintains an insurance policy that provides protection against certain losses incurred in connection with the Company's normal business activities.

The Company provides representations and warranties to other counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not occurred. However, based on experience, the Company expects the risk of loss to be remote. As such, the Company believes that the fair value of such warranties is not material.

**Guarantees**

Pursuant to a clearing service agreement, the Company has issued a guarantee in favor of a third-party service provider for the prompt payment and settlement of security transactions processed by an affiliate. The amount of the guarantee is limited to an amount by which \$150,000,000 exceeds the tangible net worth of that affiliate as of the date of enforcement. However, the transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through the settlement date. As a result of the settlement of these transactions, there are no amounts to be indemnified to the guaranteed party at December 31, 2012.

**Bloomberg Tradebook LLC**  
**Notes to Consolidated Financial Statement**  
**December 31, 2012**

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**10. Net Capital Requirements**

The Company is subject to the Securities and Exchange Act's Uniform Net Capital Rule 15c3-1. The Company computes net capital under the alternative method, which requires that the maintenance of net capital, as defined, equal to the greater of \$250,000 or 2 percent of aggregate debit items arising from customer transactions, as defined. At December 31, 2012, the Company had excess net capital of \$241,015,761 and its net capital requirement was \$250,000.

The Company is exempt from SEC Rule 15c3-3 pursuant to paragraph (k)(2)(ii), because it does not carry security accounts for customers or perform custodial functions related to customer securities.

**11. Subsequent Events**

The Company has been approved for self-clearing registration or membership with various U.S. self-regulatory organizations ("SROs") and clearing organizations. The Members provided a \$135 million cash injection to the Company in the form of a capital contribution in anticipation of the launch of self-clearing operations for U.S. equities during 2013.

The Company evaluated whether any events or transactions occurred subsequent to the date of Statement of Financial Condition until February 27, 2013, and determined that there were no additional material events or transactions that would require recognition or disclosure in this financial statement.



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