

\* MS 3/13

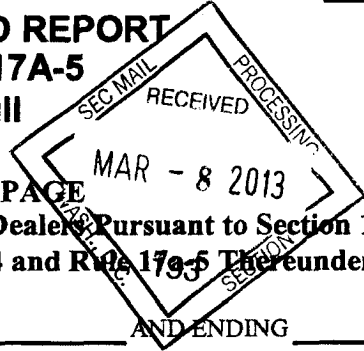
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	April 30, 2013
Estimated average burden hours per response . . .	12.00



13030944

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



SEC FILE NUMBER	
8 -	68304

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 1/1/2012 AND ENDING 12/31/2012  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
Latour Trading LLC

OFFICIAL USE ONLY	
FIRM ID. NO.	

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

377 Broadway, 10th Floor

(No. and Street)

New York

(City)

New York

(State)

10013

(Zip Code)

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

David Faucon

212-219-6000

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Rothstein Kass

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

4 Becker Farm Road

(Address)

Roseland

(City)

New Jersey

(State)

07068

(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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

MO 3/14/13

OATH OR AFFIRMATION

I, David Faucon, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Latour Trading 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

*CEO*

Title

**SZE KAN YEUNG**  
NOTARY PUBLIC, State of New York  
No. 01YE8151803  
Qualified in Queens County  
Commission Expires Aug. 28, 2014

Notary Public

This report\*\* contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims 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.
- (o) Independent auditor's report on internal accounting control.
- (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

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

**LATOUR TRADING LLC**

**STATEMENT OF FINANCIAL CONDITION  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2012**

# LATOUR TRADING LLC

## CONTENTS

---

<b>Independent Auditors' Report</b>	1
<b>Financial Statement</b>	
Statement of Financial Condition	2
Notes to Financial Statement	3-7

Certified  
Public  
Accountants

Rothstein Kass  
4 Becker Farm Road  
Roseland, NJ 07068  
tel 973.994.6666  
fax 973.994.0337  
www.rkco.com

Atlanta, GA  
Boston, MA  
Dallas, TX  
Denver, CO  
Detroit, MI  
New York, NY  
Roseland, NJ  
San Francisco, CA  
Walnut Creek, CA

# Rothstein Kass

## INDEPENDENT AUDITORS' REPORT

To Latour Trading LLC

We have audited the accompanying statement of financial condition of Latour Trading LLC (the "Company") as of December 31, 2012 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statement.

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of the 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 statement of financial condition that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of financial condition. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of financial condition, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the 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 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 statement of financial condition referred to above presents fairly, in all material respects, the financial position of Latour Trading LLC as of December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.



Roseland, New Jersey  
March 7, 2013

# LATOUR TRADING LLC

## STATEMENT OF FINANCIAL CONDITION

---

December 31, 2012

---

### ASSETS

Cash	\$ 5,416,028
Receivable from clearing brokers	53,821,723
Securities owned, at fair value	793,872,128
Other assets	<u>2,171,536</u>
	<u>\$ 855,281,415</u>

### LIABILITIES AND MEMBERS' EQUITY

#### Liabilities

Securities sold, not yet purchased, at fair value	\$ 739,424,355
Accounts payable and accrued expenses	11,390,032
Due to Managing Member	<u>259,480</u>
Total liabilities	<u>751,073,867</u>

#### Members' equity

	<u>104,207,548</u>
	<u>\$ 855,281,415</u>

# LATOUR TRADING LLC

## NOTES TO FINANCIAL STATEMENT

---

### 1. Nature of business and summary of significant accounting policies

#### *Nature of Business*

Latour Trading LLC (the "Company") is a limited liability company and a wholly-owned subsidiary of Tower Research Capital Investments LLC (the "Parent"). Tower Research Capital LLC is the managing member ("Managing Member") of the Company. The Company's operations consist primarily of proprietary trading in, but not limited to, equities and futures markets in the United States.

The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the CBOE Stock Exchange ("CBSX"), which is its designated examining authority.

#### *Basis of Presentation*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

#### *Valuation of Investments in Securities and Securities at Fair Value - Definition and Hierarchy*

In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and blockage discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

*Level 2* - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

# LATOUR TRADING LLC

## NOTES TO FINANCIAL STATEMENT

---

### 1. Nature of business and summary of significant accounting policies (continued)

#### *Valuation Techniques*

The Company values investments in securities and securities sold short that are freely tradable and are listed on a national securities exchange at their last sales price as of the end of each business day.

#### *Revenue and Expense Recognition from Securities Transactions and Futures Transactions*

Securities and futures transactions and the related revenues and expenses are recorded on the trade-date basis and unrealized gains and losses are reflected in revenues.

#### *Exchange Rebates*

The Company routes orders to national securities exchanges. Those exchanges charge fees for certain orders and provide rebates for others as described in each exchange's fee schedule. This amount represents an excess of such rebates earned by the Company over such fees charged to the Company in the aggregate across all exchanges.

#### *Income Taxes*

The Company is a single member limited liability company. As such, it is a disregarded entity for tax purposes and is not subject to pay any taxes on income. As the Company's activity is not subject to taxes, using currently enacted tax laws and rates, no provision for tax is provided, in accordance with GAAP.

At December 31, 2012, management has determined that the Company had no uncertain tax positions that would require financial statement recognition. This determination will always be subject to ongoing reevaluation as facts and circumstances may require. The Company's owner remains subject to income tax audits for the period beginning and subsequent to 2009.

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

### 2. Fair value measurements

The Company's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Company's significant accounting policies in Note 1.



# LATOUR TRADING LLC

## NOTES TO FINANCIAL STATEMENT

### 2. Fair value measurements (continued)

The following table presents information about the Company's assets and liabilities measured at fair value as of December 31, 2012:

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1) Balance as of December 31, 2012</b>	
<b>Assets</b> (at fair value)		
<b>Total Investments in securities</b>		
Common Stocks	\$	793,872,128
<b>Liabilities</b> (at fair value)		
<b>Total securities sold short</b>		
Common Stocks	\$	739,424,355

### 3. Futures contracts

The Company is subject to equity and commodity price risk in the normal course of pursuing its investment objectives. The Company may use futures contracts to gain exposure to, or hedge against, changes in the fair value of equities or other futures contracts. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

The purchase and sale of futures contracts requires margin deposits with a Futures Commission Merchant ("FCM"). Subsequent payments (variation margin) are made or received by the Company each day, depending on the daily fluctuations in the value of the contract. Futures contracts may reduce the Company's exposure to counterparty risk since futures contracts are exchange-traded; the exchange's clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default. However, since the Company's futures positions are carried by an FCM, the Company is exposed to counterparty risk related to the viability of the FCM.

Derivative financial instruments are carried at fair value. Fair value for exchange traded derivatives is based on quoted market prices. Unrealized gains and losses for long and short level 1 futures of \$8,015,470 and \$(1,151,482) respectively, are included in the receivable from clearing brokers balance on the Statement of Financial Condition. Open equity in the amount of \$6,863,988 in futures transactions and cash in the amount of \$13,674,256 due from clearing broker, resulting in total equity balance of \$20,538,244, is included in the receivable from clearing brokers at December 31, 2012. The notional value of these futures transactions is \$522,084,315 and \$533,910,197 for the long and short positions, respectively, at December 31, 2012. The Company's derivatives trading activities expose it to certain risks, such as price fluctuations, volatility risk, credit risk, and changes in the liquidity of markets. On the other hand, these activities are often hedges against risks in other financial instruments in which the Company has positions.

The Company's gains related to derivatives trading activities for the year ended December 31, 2012, in accordance with accounting standards related to derivative instruments and hedging activities are \$1,144,085,050. These gains are not representative of the Company's individual business unit results because many of the Company's trading strategies utilize financial instruments across various product types. Accordingly, gains or losses in one product type frequently offset gains or losses in other product types. These gains are included in principal transactions in the Statement of Operations.

# LATOUR TRADING LLC

## NOTES TO FINANCIAL STATEMENT

---

### 4. Net capital requirement

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1 under the alternative standard. Since the company is a market maker, based on the number of markets it makes, it is subject to having minimum net capital of \$1,000,000. At December 31, 2012, the Company's net capital was approximately \$28,786,000, which was approximately \$27,786,000 in excess of its minimum requirement of \$1,000,000.

### 5. Off-balance sheet risk

The Company maintains short positions in securities and futures contracts that may increase in value beyond the amounts reflected in the Statement of Financial Condition. Those increases may be mitigated somewhat by offsetting changes in the values of hedged or hedging positions in other financial instruments.

### 6. Receivable from clearing brokers

The amounts receivable from brokers arise in the ordinary course of business and are pursuant to clearing agreements with the clearing firms.

The Company carries its receivables from clearing brokers account at a value that includes an aggregate of net cash balances and the equity or deficit in open futures transactions, less an allowance for doubtful accounts. On a periodic basis, as applicable, the Company evaluates these accounts and establishes an allowance for doubtful accounts, if needed, based on a history of past write-offs and collections and current credit conditions.

At December 31, 2011, the Company had a cash receivable of approximately \$4,500,000 due from MF Global Inc. The Company recognized a bad debt expense in its Statement of Operations of approximately \$3,600,000 relating to that receivable, due to the uncertainty surrounding the remaining assets at MF Global Inc. During 2012, the Company sold the balance of the receivable and recognized a gain of approximately \$2,900,000 which is included in recovered bad debt on the Statement of Operations.

### 7. Concentrations of credit risk

The Company maintains its cash balances in various financial institutions. The Company does not consider itself to be at risk with respect to its cash balances.

A significant portion of the Company's equity is manifested in securities and futures positions and cash balances carried by the Company's clearing brokers. The Company monitors the financial standing of these clearing brokers and is confident that it does not have significant risk in regard to its relationships.

### 8. Contingencies

The SEC's New York Regional Office staff conducted an examination of the Company that began on November 23, 2011. The SEC is conducting a follow-up investigation based on the results of that examination, which were reflected in a letter from the staff issued on September 28, 2012, to which the Company responded on November 19, 2012. As of the date hereof, the investigation is ongoing. The primary issue in the examination and follow-up investigation relates to methodologies underlying the Company's net capital calculation that were discontinued during 2012 and were no longer in use as of December 31, 2012.

# LATOUR TRADING LLC

## NOTES TO FINANCIAL STATEMENT

---

### 9. Exemption from Rule 15c3-3

The Company transacts business only for its own account and not for the account of any customers. The Securities and Exchange Commission Rule 15c3-3 does not apply to the Company.

### 10. Related party transactions

The Company has an expense sharing agreement with the Managing Member. Pursuant to this expense sharing agreement, the Company pays rent for office space and equipment, office and administrative support services, travel expenses, and other employee related expenses. In addition, the Company pays a system maintenance fee and a fixed dedicated line fee to the Managing Member, which is calculated monthly. For the year ended December 31, 2012, the total fees charged by the Managing Member were \$2,343,132, which is reflected as consulting expense on the Statement of Operations. As of December 31, 2012, \$259,480 is due to the Managing Member related to these expenses, as stated on the Statement of Financial Condition.

The Company has entered into a contract which provides for a portion of the Company's profits to be paid as a consulting incentive. During the year ended December 31, 2012, the Company incurred \$41,325,218 of this expense, which is reflected in the Statement of Operations as consulting incentive. At December 31, 2012, a related payable of \$9,009,049 was included in accounts payable and accrued expenses on the Statement of Financial Condition.

The Managing Member shares a stipend with the Company and certain other affiliates on a pro rata basis based on monthly trading volume. Total income for the year ended December 31, 2012 was \$414,330 and is included in principal transactions on the Statement of Operations. A related receivable of \$70,000 is included in other assets on the Statement of Financial Condition.

### 11. Employee benefit plan

The Company co-sponsors a retirement plan (the "Plan"), pursuant to Section 401(k) of the Internal Revenue Code, for eligible participants to make voluntary contributions of a portion of their annual compensation, on a deferred basis, subject to limitations provided by the Internal Revenue Code. The Company makes a matching contribution to the Plan at the discretion of the Managing Member. During the year ended December 31, 2012, there was a \$33,528 contribution to the Plan.

### 12. Subsequent events

In January 2013, the Company moved most of its securities trading activities to the same broker that also carries its futures positions. In addition, the Company made a \$65 million distribution to its Parent.