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

**SEC FILE NUMBER**

8-52261

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

SEC  
Mail Processing  
Section

REPORT FOR THE PERIOD BEGINNING 1/1/14 AND ENDING 12/31/14  
MM/DD/YY MM/DD/YY

MAR 02 2015

**A. REGISTRANT IDENTIFICATION**

Washington DC

NAME OF BROKER-DEALER: Automated Trading Desk Financial Services, LLC (Filed as Public Information)

OFFICIAL USE  
ONLY

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

11 eWall Street

(No. and Street)

Mount Pleasant

S.C.

29464

(City)

(State)

(Zip Code)

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

Ramsey Saliba

212-816-1117

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

KPMG LLP

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

90 South Seventh 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.

**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)

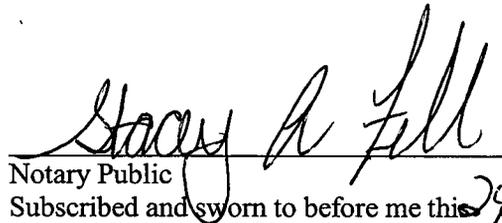
Potential persons who are to respond to the collection of  
Information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

I do hereby affirm that to the best of my knowledge and belief, the attached statement of financial condition as of December 31, 2014 is true and correct, and that neither Automated Trading Desk Financial Services, LLC (the Company) nor any principal officer or director has any proprietary interest in any account classified solely as that of a customer. I do hereby certify that the attached statement of financial condition as of December 31, 2014 will promptly be made available to the Company members and allied members whose signatures do not appear below.



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Thomas Fasano  
President



Notary Public  
Subscribed and sworn to before me this 24 day of February 2015

# AUTOMATED TRADING DESK FINANCIAL SERVICES, LLC

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

- Report of Independent Registered Public Accounting Firm
- (a) Facing Page:
- (b) Statement of Financial Condition
- (c) Statement of Operations
- (d) Statement of Changes in Member's Equity
- (e) Statement of Cash Flows
- (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors
- (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934
- (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934
- (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934
- (j) A Reconciliation, Including Appropriate Explanations, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements under Rule 15c3-3
- (k) A Reconciliation between the Audited and Unaudited Statements of Financial Condition with Respect to Methods of Consolidation
- (l) An Affirmation
- (m) 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

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



KPMG LLP  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

## Report of Independent Registered Public Accounting Firm

The Member  
Automated Trading Desk Financial Services, LLC:

We have audited the accompanying statement of financial condition of Automated Trading Desk Financial Services, LLC (the Company) as of December 31, 2014 (the financial statement). The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Automated Trading Desk Financial Services, LLC as of December 31, 2014, in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

Minneapolis, Minnesota  
February 26, 2015

**AUTOMATED TRADING DESK FINANCIAL SERVICES, LLC**

Statement of Financial Condition

December 31, 2014

**Assets**

Cash and cash equivalents	\$ 10,039,209
Due from affiliated clearing broker	42,320,151
Due from broker	32,056,214
Financial instruments owned, held at clearing broker – at fair value	78,037,149
Due from affiliates	511,051
Accounts receivable	561,970
Deferred tax asset	1,258,240
Other assets	<u>9,387,447</u>
Total assets	<u>\$ 174,171,431</u>

**Liabilities and Member's Equity**

Liabilities:

Financial instruments sold, not yet purchased – at fair value	\$ 73,237,456
Due to Parent and affiliates	5,372,106
Due to broker	72,515
Accounts payable and accrued expenses	<u>716,423</u>
Total liabilities	79,398,500

Commitments and contingencies (note 7)

Member's equity	<u>94,772,931</u>
Total liabilities and member's equity	<u>\$ 174,171,431</u>

See accompanying notes to statement of financial condition

# AUTOMATED TRADING DESK FINANCIAL SERVICES, LLC

## Notes to Statement of Financial Condition

December 31, 2014

### (1) Organization, Nature of Operations, and Significant Accounting Policies

Automated Trading Desk Financial Services, LLC (the Company) is a registered broker-dealer with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority, Inc. (FINRA), the NASDAQ Exchange (NASDAQ), NYSE/Arca (NYSE), the NYSE AMEX Options Exchange (AMEX), the CBOE Exchange (CBOE), the Nasdaq BX Exchange (BX), the BATS Exchange (BATS), the NASDAQ Options Market (NOM), Direct Edge Exchanges (EDGA and EDGX), International Securities Exchanges (ISE and Gemini), Miami International Option Exchange (MIAX) and the Philadelphia Stock Exchange (PHLX).

The Company was organized on September 1, 1999, and is a wholly owned subsidiary of Automated Trading Desk, LLC (the Parent, or the Member) which is an indirect wholly owned subsidiary of Citigroup Global Markets Holding Inc. (CGMHI) which is a wholly owned subsidiary of Citigroup Inc. (Citigroup).

#### (a) Nature of Operations

The Company's primary business is executing retail order flow for broker-dealer clients on a principal or riskless principal basis and providing equity execution services for institutional clients. The Company is a market maker in both over-the-counter and listed equities, and attempts to provide price improvement on internalized orders.

#### (b) Use of Estimates

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, including those regarding the allowance for doubtful accounts and the potential outcome of litigation and regulatory reviews, which affect the statement of financial condition and related disclosures. Estimates, by their nature, are based on judgment and available information. Management believes that the estimates utilized in the preparation of the statement of financial condition are prudent and reasonable. Actual results could differ materially from those estimates.

#### (c) Financial Instruments

Financial instruments owned and financial instruments sold, not yet purchased, are recorded on a trade date basis at fair value. The Company uses quoted market prices to determine the fair value of trading positions. The trading positions are held by the clearing broker and may be used by the clearing broker in the conduct of its business. Such financial instruments consist primarily of equity securities.

#### (d) Cash and Cash Equivalents

The Company considers all highly liquid temporary cash investments purchased with a maturity of three months or less to be cash equivalents.

# AUTOMATED TRADING DESK FINANCIAL SERVICES, LLC

## Notes to Statement of Financial Condition

December 31, 2014

(e) **Trading Rebates and Access Fees**

The Company earns trading rebates or incurs access fees on certain transactions that provide liquidity to or remove liquidity from electronic communication networks (ECN), NASDAQ, and other broker-dealers. In the statement of financial condition, trading rebates are netted against the access fees by counterparty and are included in accounts receivable or accounts payable and accrued expenses, as appropriate.

(f) **Regulatory Transaction Fees**

The Company pays regulatory transaction fees for executing certain riskless principal securities transactions on behalf of its clients. The Company passes through these fees to its clients for reimbursement. The Company writes off any receivables aged over 120 days as uncollectible.

(2) **Fair Value of Financial Instruments**

ASC 820, *Fair Value Measurement* defines fair value, establishes a consistent framework for measuring fair value, requires disclosures about fair value measurements, and specifies a hierarchy of inputs based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions.

These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for *identical* instruments in active markets.
- Level 2 – Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following is a summary of the inputs used as of December 31, 2014 in valuing the Company's investments at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial instruments owned, held at clearing broker	\$ 78,037,149	—	—
Financial instruments sold, not yet purchased	73,237,456	—	—

Substantially all of the Company's remaining financial assets and liabilities are carried at fair value or contracted amounts which approximate fair value due to their short-term nature. There were no transfers between Level 1, Level 2 and Level 3 investments during the year.

# AUTOMATED TRADING DESK FINANCIAL SERVICES, LLC

## Notes to Statement of Financial Condition

December 31, 2014

### (3) Income Taxes

The Company is treated as a disregarded entity for federal income tax purposes and the results of its operations are included in the Citigroup consolidated federal tax return. Under income tax allocation agreements with Citigroup Inc., the Company's U.S. federal, state, and local income taxes are provided on a separate return basis and are subject to the utilization of tax attributes in Citigroup's consolidated income tax return. Under a tax sharing agreement with Citigroup, the Company settles its current tax liability with Citigroup throughout the year except for any tax liabilities expected to be payable as a separate taxpayer. The Company is included in the consolidated U.S. Federal income tax return of Citigroup and the combined New York State and City Article 9A return of Citigroup Global Markets Holdings Inc. and combined subs and Citigroup Inc.

The components of the net deferred tax asset at December 31, 2014 are as follows:

Deferred Tax Assets:	
Internally developed software	\$ 35,648
Tax carry forwards	1,858,732
Total deferred tax assets:	<u>1,894,380</u>
Deferred Tax Liabilities:	
State tax deductions	(636,140)
Total deferred tax liabilities:	<u>(636,140)</u>
Net deferred tax asset	\$ <u>1,258,240</u>

The Company has no valuation allowance on deferred tax assets at December 31, 2014. Although realization is not assumed, the Company believes that the realization of the recognized deferred tax asset is more likely than not based on expectations as to future taxable income in the jurisdictions in which it operates and available tax planning strategies, as defined in ASC 740, that could be implemented if necessary to prevent a carry forward from expiring.

The Company maintains no tax reserves for uncertain tax provisions.

The following are the major tax jurisdictions in which the Company and its affiliates operate and the earliest tax year subject to examination:

<u>Jurisdiction</u>	<u>Tax year</u>
United States	2012
New York	2006

## AUTOMATED TRADING DESK FINANCIAL SERVICES, LLC

### Notes to Statement of Financial Condition

December 31, 2014

#### (4) Related Party Transactions

##### (a) *Affiliated Clearing Broker*

The Company clears all principal and broker-dealer client transactions through Citigroup Global Markets, Inc. on a fully disclosed basis. The amount due from clearing broker relates primarily to the market making activities of the Company.

##### (b) *Cash*

Cash at December 31, 2014 included \$1,367,130 held at Citibank, N.A., an affiliated company.

##### (c) *Management Fees*

The Parent and CGMHI provide the Company with administrative, technology and support staff and fund other overhead, occupancy and operating costs, which include compensation of substantially all personnel. Pursuant to agreements with the Parent, the Company pays monthly management fees to the Parent. The fees resulting from the agreements are evaluated periodically throughout the year. As of December 31, 2014, \$2,279,546 of these fees are included in Due to Parent and affiliates and Due from affiliates was \$0.

##### (d) *Execution Costs*

The Company receives trading rebates from and pays access fees to affiliates in the normal course of routing order flow. As of December 31, 2014, \$511,051 of these rebates are included in Due from affiliates and \$12,781 are included in Due to Parent and affiliates.

##### (e) *Intercompany Note*

In 2008, the Company entered into a promissory note agreement to borrow up to a maximum of \$500,000,000 from Citigroup Financial Products, Inc. (CFPI), an affiliate. There was no borrowing against this loan in 2014.

##### (f) *Shared Services*

In the course of operations, certain expenses of the Company are paid for and reimbursed to affiliates. As of December 31, 2014, the amount related to these shared service expenses included in Due to Parent and affiliates in the statement of financial condition is \$2,614,636 and Due from affiliates was \$0.

#### (5) Regulatory Requirements

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital. At December 31, 2014, the Company had net capital of \$61,377,446, which was \$60,377,446 in excess of its required net capital of \$1,000,000.

The Company has signed a proprietary accounts of introducing brokers (PAIB) agreement with its clearing broker, so as to enable it to include certain assets as allowable assets in its net capital computation.

# AUTOMATED TRADING DESK FINANCIAL SERVICES, LLC

## Notes to Statement of Financial Condition

December 31, 2014

### (6) Financial Instruments with Off-Balance-Sheet Risk

In connection with its trading activities, the Company enters into transactions in a variety of securities. These financial instruments may have market risk and/or credit risk in excess of the amounts recorded in the statement of financial condition.

The Company has sold securities it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the statement of financial condition, at fair values of the related securities as of December 31, 2014 and will incur a loss if the fair value of the securities increases subsequent to December 31, 2014.

In addition, exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to mitigate market risk associated with other transactions and, accordingly, serves to decrease the Company's overall exposure to market risk. The Company attempts to manage its exposure to market risk arising from the use of these financial instruments through various analytical and systematic monitoring techniques.

Credit risk arises from the potential inability of counterparties to perform in accordance with the terms of the contract. The Company's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Company has a gain. The Company manages this risk by maintaining appropriate credit limits with its clients, running a well hedged portfolio trading strategy, and also through the use of short term market making trading strategies.

### (7) Commitments and Contingencies

#### (a) Contingencies

In the normal course of its business, the Company is subject to inquiries and audits by various regulatory authorities. As a regulated entity, the Company may be subject to disciplinary actions as a result of current or future examinations which could have a material adverse effect on the Company's financial position, results of operations or liquidity over and above any previously accrued amounts.

#### (b) Risks and Uncertainties

The Company generates a majority of its revenues by providing order execution for its broker-dealer clients. ~~Revenues for these services are transaction based. As a result, the~~ Company's revenues could fluctuate significantly based on a variety of factors including, but not limited to, the volume of the Company's market making activities, volatility in the securities markets, technological changes and events and clearing costs.

#### (c) Concentrations

The Company considers significant clients to be clients who account for 10% or more of principal transactions revenue. There were three clients that individually accounted for 34%, 16% and 13% respectively, of the Company's principal transactions revenue.

**AUTOMATED TRADING DESK FINANCIAL SERVICES, LLC**

Notes to Statement of Financial Condition

December 31, 2014

**(8) Subsequent Events**

The Company has evaluated whether events or transactions have occurred after December 31, 2014 that would require recognition or disclosure in the statement of financial condition through February 26, 2015, which is the date the statement of financial condition, was issued. No such transactions required recognition in the statement of financial condition as of December 31, 2014.