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**Securities and Exchange**

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

|                 |
|-----------------|
| SEC FILE NUMBER |
| 8-68021         |

MAR 01 2017

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**RECEIVED** 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 01/01/2016 AND ENDING 12/31/2016  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: *EXECUTION ACCESS, LLC.*

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO.     |

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

165 Broadway, 51 Floor

(No. and Street)

New York

NY

10006

(City)

(State)

(Zip Code)

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

CHRISTOPHER SETARO

212-381-6440

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

ERNST & YOUNG

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

5 Times Square

New York

NY

10036

(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.

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Execution Access, LLC  
Statement of Financial Condition

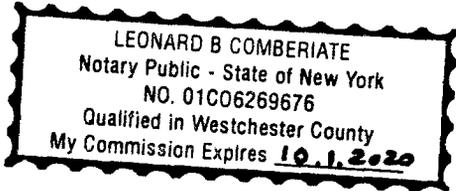
December 31, 2016

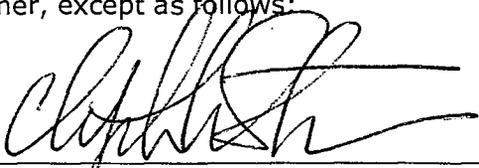
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**AFFIRMATION**

I, Christopher Setaro, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Execution Access, LLC**, as of December 31, 2016, are true and correct. I further swear (or affirm) that neither the company or 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 Compliance Officer  
Title

  
\_\_\_\_\_  
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 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).



Building a better  
working world

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New York, NY 10036-6530

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ey.com

## Report of Independent Registered Public Accounting Firm

The Member of Execution Access, LLC

We have audited the accompanying statement of financial condition of Execution Access, LLC (the Company) as of December 31, 2016. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this 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 statement of financial condition is 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 statement of financial condition referred to above presents fairly, in all material respects, the financial position of Execution Access, LLC at December 31, 2016, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

February 28, 2017

Execution Access, LLC

Statement of Financial Condition

December 31, 2016

**Assets**

|                               |                      |
|-------------------------------|----------------------|
| Cash                          | \$ 46,447,724        |
| Accounts receivable, net      | 1,394,009            |
| Deposits with clearing broker | 20,342,057           |
| Deferred tax assets           | 6,911                |
| Total assets                  | <u>\$ 68,190,701</u> |

**Liabilities and member's equity**

Liabilities:

|  |                      |
|--|----------------------|
| Accounts payable and accrued expenses  | \$ 588,984           |
| Accrued compensation and benefit costs | 297,487              |
| Deferred revenues                      | 491,667              |
| Payable to Nasdaq, Inc.                | 5,118,611            |
| Total liabilities                      | <u>6,496,749</u>     |
| Member's equity                        | <u>61,693,952</u>    |
| Total liabilities and member's equity  | <u>\$ 68,190,701</u> |

*See accompanying notes to the Statement of Financial Condition.*

# Execution Access, LLC

## Notes to Statement of Financial Condition

December 31, 2016

### **1. Organization and Description of the Business**

Execution Access, LLC (the “Company”) is a wholly owned subsidiary of FTEN, Inc. (“FTEN”), a wholly owned subsidiary of Nasdaq, Inc. (“NASDAQ”). Prior to June 28, 2013, the Company was a limited purpose non-trading broker dealer. On June 27, 2013, the Company received approval from the Financial Industry Regulatory Authority (“FINRA”) to become a U.S. Government Securities Broker and to offer or engage in electronic trading in U.S. Treasury Securities for its clients.

The Company’s primary business is providing electronic agency brokerage for benchmark U.S. Treasuries. The Company clears and settles all transactions that occur on the Company’s U.S. Fixed Income platform through a fully disclosed clearing arrangement with Cantor Fitzgerald & Co. (“CF&Co”).

The Company is registered with the Securities and Exchange Commission (“SEC”) and is a member of FINRA. The Company is also registered as a broker-dealer in 23 jurisdictions, which includes the state of New York, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Massachusetts, Michigan, Minnesota, Missouri, North Carolina, New Jersey, Nevada, Ohio, Pennsylvania, South Carolina, Texas, Washington and Wisconsin and the Virgin Islands territory. The Company is subject to regulation by the SEC, FINRA, and the state securities regulators in the aforementioned states. The Company is also a member of the Securities Investor Protection Corporation (“SIPC”).

### **2. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

The Statement of Financial Condition is prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”), as codified in the Accounting Standards Codification (“ASC”) and set forth by the Financial Accounting Standards Board (“FASB”).

#### **Use of Estimates**

The preparation of the Company’s Statement of Financial Condition, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the Statement of Financial Condition and accompanying notes. Actual results could differ from those estimates and assumptions.

## Execution Access, LLC

### Notes to Statement of Financial Condition (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Cash**

The Company's cash is held by one financial institution in a non-interest-bearing account which, at times, may exceed federally insured limits.

##### **Deposits with Clearing Organizations**

The Company maintains two clearing deposits with CF&Co, including a \$4 million clearing deposit and a \$15 million clearing deposit for CF&Co to satisfy margin requirements through the Fixed Income Clearing Corporation ("FICC") attributable to activity on its U.S. Fixed Income platform. If the FICC margin requirement exceeds \$15 million, the Company has an obligation to transmit additional amounts to satisfy the margin requirement to CF&Co. At December 31, 2016, the Company had a total of \$16,342,057 on deposit to satisfy margin requirements.

##### **Accounts Receivable, net**

Receivables represent commissions earned from executed transactions with the Company's customers. Receivables are shown net of a reserve for uncollectible accounts. The reserve for bad debts is maintained at a level that management believes to be sufficient to absorb estimated losses in the accounts receivable portfolio. The reserve is increased by the provision for bad debts, which is charged against operating results and decreased by the amount of charge-offs, net of recoveries. The amount charged against operating results is based on several factors, including, but not limited to, a continuous assessment of the collectability of each account, the length of time a receivable is past due and our historical experience with the particular customer. In circumstances where a specific customer's inability to meet its financial obligations is known (i.e., bankruptcy filings), we record a specific provision for bad debts against amounts due to reduce the receivable to the amount we reasonably believe will be collected. Due to changing economic, business and market conditions, we review the reserve for bad debts monthly and make changes to the reserve through the provision for bad debts as appropriate. If circumstances change (i.e., higher than expected defaults or an unexpected material adverse change in a major customer's ability to pay), our estimates of recoverability could be reduced by a material amount. The Company's reserve balance was immaterial as of December 31, 2016.

## Execution Access, LLC

### Notes to Statement of Financial Condition (continued)

#### 2. Summary of Significant Accounting Policies (continued)

##### Revenues

###### *Transaction Fees*

The Company generates revenue through its agency execution of benchmark U.S. Treasury securities through its U.S. Fixed Income platform. There are three rate structures by which the Company earns revenue: a monthly or quarterly fee for unlimited trading, a tiered structure based on monthly trading volumes or a flat fee per transaction. Revenues from the monthly or quarterly fee for unlimited trading are recognized in the month billed or amortized over the quarter, respectively. Revenues from tiered and flat fees are recognized on a trade date basis. Commissions are collected either on the settlement of the transaction or through direct billing of the customers by the Company. Transactional and volume-based tiered commission fees are collected by CF&Co and remitted to the Company monthly.

The Company provides rebates to customers based on volume and performance thresholds and records these credits as transaction rebates. These rebates are paid on a monthly basis and the amounts due from transaction rebates are included in accounts payable and accrued expenses on the Statement of Financial Condition.

Deferred revenue represents amounts that have been billed but have yet to be recognized as revenue. Some of the Company's customers pay a fixed monthly or quarterly amount for unlimited transactions. These revenues are deferred and recognized over the service period. All deferred revenues are current and will be recognized within the following three months.

##### Expenses

###### *Clearing Fees*

Clearing fees are comprised of clearing charges from CF&Co for its services based on the clearing arrangement. Clearing charges are recorded on a trade date basis.

## Execution Access, LLC

### Notes to Statement of Financial Condition (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Income Taxes**

The Company's operating results are included in the federal, state and local income tax returns filed by NASDAQ. The Company uses the asset and liability method to provide income taxes on all transactions recorded in the consolidated NASDAQ financial statements. Deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities (i.e., temporary differences) and are measured at the enacted rates that are expected to be in effect when these differences are realized. If necessary, a valuation allowance is established to reduce deferred tax assets to the amount that is more likely than not to be realized.

In order to recognize and measure our unrecognized tax benefits, management determines whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the recognition thresholds, the position is measured to determine the amount of benefit to be recognized in the Statement of Financial Condition. Interest and penalties related to income tax matters are recognized in earnings.

##### **Recently Issued Accounting Pronouncements**

For the year ended December 31, 2016, the Company has not adopted any new accounting pronouncements that had a material impact on its Statement of Financial Condition.

In May 2014, FASB released Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" which supersedes the revenue recognition guidance in ASC "Revenue Recognition." The new revenue recognition standard sets forth a five-step revenue recognition model to determine when and how revenue is recognized. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration it expects to receive in exchange for those goods or services. The standard also requires more detailed disclosures. The standard provides alternative methods of initial adoption. On July 9, 2015, the FASB approved the deferral of the effective date of the new revenue recognition standard by one year. The effective date is January 1, 2018, with early adoption permitted. The Company does not expect the adoption of this standard to have a material effect on the Statement of Financial Condition.

##### **3. Related-Party Transactions**

The Company and NASDAQ entered into an agreement on July 1, 2013 whereby NASDAQ agreed to provide the Company with business management support and financial support

## Execution Access, LLC

### Notes to Statement of Financial Condition (continued)

services, including, but not limited to, finance administration, human resources, and technology support. The monthly charge is reassessed by management no less than annually.

For the year ended December 31, 2016, the Company was also charged approximately by NASDAQ for additional support services under the intra-group services agreement. This agreement covers additional costs for personnel support.

Substantially all expenses of the Company are settled on the Company's behalf by NASDAQ and are charged to the Company, at cost, through intercompany charges.

At December 31, 2016, \$5,118,611 was recorded in payables to Nasdaq, Inc. on the Statement of Financial Condition. All affiliates are ultimately wholly-owned by NASDAQ. It is the intent and ability of management to settle all intercompany balances between NASDAQ, its wholly-owned subsidiaries, such as the Company, on a net basis, as NASDAQ serves as the master financing entity for all wholly-owned subsidiaries. In addition, all intercompany transactions are guaranteed by NASDAQ and are settled on a periodic basis. The Company records all transactions to and from affiliates, including tax, subject to an executed netting arrangement into a single account. Although there may be many individual accounts to preserve transaction detail, the reporting will reflect a single receivable or payable to NASDAQ.

In 2016, dividends were paid quarterly to FTEN. The dividend amount is dependent on the quarterly income statement and totaled \$15,600,000 for the year ended December 31, 2016 and was approved by FINRA.

#### **4. Income Taxes**

The Company's operating results are included in the federal, state and local income tax returns filed by NASDAQ. For income tax purposes, the Company is disregarded as an entity separate from its owner, FTEN, pursuant to U.S. Income Tax Regulations Sec. 301.7701-3(b)(1)(ii). As a single-member LLC, the Company records taxes on a separate company basis as if it were a separate tax payer. With respect to each taxable period for which a consolidated or unitary return is filed by NASDAQ, which includes the Company, NASDAQ shall pay to and has the right to receive from the Company an amount based on the Company's stand-alone operating results using the tax rate applicable to NASDAQ.

As of December 31, 2016, the net deferred tax asset balance is \$6,911. This amount primarily relates to incentive compensation. As it is more likely than not that the deferred tax asset will be utilized in later years, no valuation allowance is required.

## Execution Access, LLC

### Notes to Statement of Financial Condition (continued)

#### **4. Income Taxes (continued)**

For periods after December 23, 2010, the Company's operating results are included in the federal and state income tax returns filed by NASDAQ. NASDAQ and its eligible subsidiaries file a consolidated U.S. federal income tax return and applicable state and local income tax returns. Federal income tax returns for the years 2011 through 2015 are subject to examination by the Internal Revenue Service. Several state tax returns are currently under examination by the respective tax authorities for the years 2005 through 2014 and we are subject to examination for the year 2015. For the periods prior to December 23, 2010, the Company's operating results were included in the federal and state income tax returns filed by FTEN. FTEN's state and local returns are subject to audits by the respective state tax authorities for years 2008 through 2015.

#### **5. Regulatory Requirements**

The Company is subject to the SEC's Uniform Net Capital Rule ("SEC Rule 15c3-1"), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2016, the Company had net capital of \$44,247,139, which was \$43,814,022 in excess of its required net capital, as of December 31, 2016, of \$433,117.

Advances to affiliates, dividend payments and other equity withdrawals are subject to certain notification and other requirements of SEC Rule 15c3-1 and other regulatory bodies. The Company is exempt from SEC Rule 15c3-3 under the Securities Exchange Act of 1934 pursuant to paragraph (k)(2)(ii) because the Company introduces all customer transactions on a fully disclosed basis with a clearing broker dealer and promptly transmits all customer funds and delivers all securities to the clearing broker.

#### **6. Commitments and Contingent Liabilities**

##### **Brokerage Activities**

Some of the trading activity in the Company is cleared by CF&Co through the FICC. The Company assumes the counterparty risk of clients that do not clear through the FICC. Counterparty risk of clients exists for the Company between the trade date and the settlement date of the individual transactions, which is typically one business day. All of the Company's obligations under the clearing arrangement with CF&Co are guaranteed by NASDAQ. Counterparties that do not clear through the FICC are subject to a credit due diligence process and may be required to post collateral, provide principal letters, or provide other forms of credit enhancement to the Company for the purpose of mitigating counterparty risk.

## Execution Access, LLC

### Notes to Statement of Financial Condition (continued)

#### **6. Commitments and Contingent Liabilities (continued)**

Management has performed an analysis to evaluate the need to record a liability for this performance guarantee. Based on this analysis, the estimated liability was nominal and no liability was recorded as of December 31, 2016.

#### **General Litigation and Regulatory Matters**

The Company may be subject to claims as well as reviews by self-regulatory agencies arising out of the conduct of its business.

Management is not aware of any unasserted claims or assessments that would have a material adverse effect on the financial position and the results of operations of the Company.

#### **7. Risks and Uncertainties**

Cash is held by one financial institution. In the event that the financial institution is unable to fulfill its obligations, the Company would be subject to credit risk. Bankruptcy or insolvency may cause the Company's rights with respect to the cash held by the financial institution to be delayed or limited.

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of deposits with CF&Co. The deposits with CF&Co. are not held in accounts insured by the FDIC or any other bank regulator.

#### **8. Fair Value of Financial Instruments**

The Company's financial assets and financial liabilities are recorded at fair value or at amounts that approximate fair value. The carrying amounts reported on the statement of financial condition for cash, accounts receivables, net, deposits with clearing broker, and deferred tax assets approximate fair value due to the short-term nature of these assets. The Company's liabilities, which include accrued compensation and benefit costs, deferred revenues, accounts payable and accrued expenses, and payables to Nasdaq, Inc. are reported at their contractual amounts, which approximate fair value.

#### **9. Subsequent Events**

The Company has evaluated all subsequent events through the date of issuance of the Statement of Financial Condition and has determined that no subsequent events have occurred that would require disclosure in the Statement of Financial Condition or accompanying notes.