

SEC



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

SEC FILE NUMBER
<b>8-69476</b>

**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 1/1/2019 AND ENDING 12/31/2019  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Luminex Trading & Analytics LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

157 SEAPORT BOULEVARD, SUITE P3 - FIRST FLOOR

(No. and Street)

BOSTON

MA

02210

(City)

(State)

(Zip Code)

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

Irene Bilodeau

617-297-9165

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Edelstein & Company LLP

Babine, Robert

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

SEC  
Mail Processing  
Section  
FEB 20 2020  
Washington DC  
415

160 Federal Street, 9th Floor

Boston

02110

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

<b>FOR OFFICIAL USE ONLY</b>

\* 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 240.17a-5(e)(2).

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.

OATH OR AFFIRMATION

I, Irene Bilodeau, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statements and supporting schedules pertaining to the firm of Luminex Trading & Analytics LLC, as of 2/25 /20, 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:

[Handwritten Signature]
Signature

Corporate Controller

JAMES C. DOLAN
Notary Public
Commonwealth of Massachusetts
My Commission Expires
November 11, 2022

[Handwritten Signature]
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 Cash Flows
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
(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.
(h) Computation for determination of reserve requirements pursuant to Rule 15c3-3.
(i) Information relating to the possession or control requirements for brokers and dealers 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 Securities Investor Protection Corporation (SIPC) supplemental report.
(n) Exemption Report

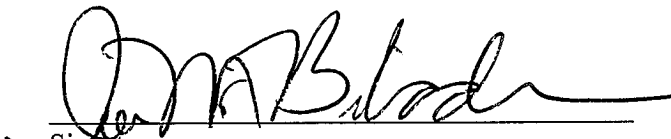
\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

AFFIRMATION

We, Jonathan Clark and Irene M. Bilodeau, affirm that, to the best of our knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Luminex Trading & Analytics LLC, as of December 31, 2019, are true and correct. We further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

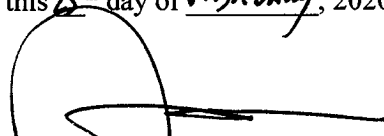
  
\_\_\_\_\_  
Signature  
Jonathan Clark

Chief Executive Officer  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Signature  
Irene M. Bilodeau

Corporate Controller & Financial Officer  
\_\_\_\_\_  
Title

Subscribed and Sworn to before me  
on this 25<sup>th</sup> day of February, 2020

  
\_\_\_\_\_  
Notary Public



**JAMES C. DOLAN**  
Notary Public  
Commonwealth of Massachusetts  
My Commission Expires  
November 11, 2022



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members  
of Luminex Trading & Analytics LLC

### Opinion on the Financial Statement

We have audited the accompanying statement of financial position of Luminex Trading & Analytics LLC as of December 31, 2019, and the related notes (collectively referred to as the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of Luminex Trading & Analytics LLC as of December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

This financial statement is the responsibility of Luminex Trading & Analytics LLC’s management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to Luminex Trading & Analytics LLC in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

*Edelstein & Company LLP*

We have served as Luminex Trading & Analytics LLC’s auditor since 2018.  
Boston, Massachusetts  
February 25, 2020

LUMINEX TRADING & ANALYTICS LLC  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2019  
(Dollars in thousands)

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**ASSETS**

Cash and cash equivalents	\$ 9,411
Interest receivable	16
Receivable from clearing broker	799
Furniture and office equipment, net of accumulated depreciation of \$682	463
Software, net of accumulated amortization of \$3,894	2,572
Right of use asset	82
Other assets	347
Prepaid expenses	962
Total assets	<u>\$ 14,652</u>

**LIABILITIES**

Accrued expenses and other liabilities	\$ 2,563
Lease liability payable	82
Total liabilities	<u>2,645</u>

**COMMITMENTS AND CONTINGENCIES**

**MEMBERS' EQUITY**

Members' equity	12,007
Total liabilities and members' equity	<u>\$ 14,652</u>

The accompanying notes are an integral part of the financial statement.

LUMINEX TRADING & ANALYTICS LLC  
NOTES TO FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Dollars in thousands)

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**1. Organization:**

Luminex Trading & Analytics LLC (the “Company”), is majority owned by FMR Sakura Holdings, Inc. (“FMR Sakura”). The Company is a registered broker-dealer with the Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority (“FINRA”). The principal business of the Company is to provide an alternative equity trading system to its customers. The Company clears all customer transactions through National Financial Services LLC (“NFS”), an affiliated registered broker-dealer, on a fully disclosed basis. As an introducing broker, the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, and therefore claims an exemption from the provisions of Rule 15c3-3 pursuant to section (k)(2)(ii) under the Securities Exchange Act of 1934.

FMR Sakura has a 60.8% ownership stake in the Company; Fidelity Management & Research Co. (“FMR Co.”), an affiliate of FMR Sakura, is also a customer of the Company. The remaining equity of 39.2% is owned by eight buy side asset management companies, who are also customers of the Company. The Company has only one class of ownership.

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

Basis of Presentation and Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including fair value measurements, and the disclosure of contingent assets and liabilities, as well as the reported amounts of revenues and expenses. Actual results could differ from the estimates included in the financial statements.

Cash and Cash Equivalents

For the purposes of reporting cash flows and amounts in the statement of financial condition, the Company defines cash and cash equivalents as cash on hand, money market funds, demand deposits, and time deposits with original maturities of less than 60 days. The Company’s policy is to invest excess cash into money market funds. The money market fund is a highly liquid open-end mutual fund that invests in short-term investment grade securities. Cash amounts held at bank may at times exceed federally insured limits. Money market funds are reported at net asset value (“NAV”) and are considered a Level 1 investment in the Fair Value Hierarchy.

Furniture and Office Equipment

Furniture and office equipment is stated at cost less accumulated depreciation at December 31, 2019. Depreciation is computed using the straight-line method based on estimated useful lives of three to five years. Maintenance and repairs are charged to expense when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized.

LUMINEX TRADING & ANALYTICS LLC  
NOTES TO FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Dollars in thousands)

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**2. Summary of Significant Accounting Policies (Continued):**

Furniture and Office Equipment (Continued)

The long-lived assets in the statement of financial condition are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When the long-lived asset is not expected to provide any service potential, the asset is reduced to its net realizable value and a charge against income is recorded. The Company did not record an impairment in 2019.

Capitalized Internal-Use Software Costs

The Company capitalizes certain costs related to the development of its trading platform and software used in operations. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditure will result in additional functionality. Amortization is computed using the straight-line method based on estimated useful lives of three years. The Company reviews the amounts capitalized for impairment whenever any events or changes and circumstances indicate that the carrying amounts of assets may not be recoverable.

Income Taxes

The Company is subject to flow-through treatment for federal income tax purposes, which generally allows taxable income, deductions and credits to flow directly to the Company's ownership consortium members. All members are individually responsible for reporting their share of the Company's income or loss.

The Company has reviewed the tax positions for all open tax years, based on the statutes of limitations for tax assessments which vary by jurisdiction (if applicable) and has concluded that no provision for income taxes is required. In the normal course of business, the Company is subject to examination by applicable tax jurisdictions. As of December 31, 2019, the tax years that remain subject to examination by applicable tax jurisdictions under the statute of limitations are from the year 2016 forward (with limited exceptions). The potential tax liability is also subject to ongoing interpretation of laws and taxing authorities.

Recently Adopted Accounting Pronouncements

*Leases*

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases, Topic 842*. This guidance requires that lessees in a leasing arrangement recognize a right-of-use ("ROU") asset and a lease liability for all leases with a lease term greater than one year. The Company adopted this standard as of January 1, 2019 and elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward its historical lease classification and not reassess whether any expired or existing contract is a lease or contains a lease. Adoption of this standard did not have a material impact to the Company's statements of operations, or statement of cash flows. Adoption of this standard had no impact to the Company's compliance with net capital and aggregate indebtedness.

LUMINEX TRADING & ANALYTICS LLC  
NOTES TO FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Dollars in thousands)

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**2. Summary of Significant Accounting Policies (Continued):**

Recently Adopted Accounting Pronouncements (Continued)

*Leases (Continued)*

Lease right-of-use assets (“ROU”) and liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating lease ROU assets are calculated as the present value of the lease payments plus initial direct costs, plus prepayments less any lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term. The Company has elected not to recognize a ROU asset and obligation for leases with an initial term of twelve months or less. For the year ended December 31, 2019, the Company had one operating lease for which a ROU asset and liability was recorded using a discount rate of 3%.

*Accounting for Cloud Computing Costs*

The Company early adopted ASU 2018-15, *Intangibles-Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 also requires amortization expense to be recognized in the same line item as the related fees associated with the arrangement and related capitalized implementation costs be presented in the same line as the prepayment for the hosting fee. The new guidance was applied prospectively to eligible costs as of January 1, 2019. As of December 31, 2019, \$750 of costs were capitalized under such arrangements and included in prepaid expenses in the statement of financial position (Note 3).

**3. Commitments and Contingencies:**

Leases

The Company leases its offices space in Boston, Massachusetts under a long-term, non-cancelable operating lease agreement which had no initial direct costs. The lease agreement expires on December 31, 2020.

Future minimum lease liability maturities at December 31, 2019, were as follows: \$82 for 2020.

Development and maintenance agreement

At December 31, 2019, the Company had commitments under a development, maintenance, and support agreement for a new trading platform. Payments for development which approximate \$900 are payable upon achievement of certain milestones, as defined, and capitalized in accordance with ASU 2018-15

LUMINEX TRADING & ANALYTICS LLC  
NOTES TO FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Dollars in thousands)

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**3. Commitments and Contingencies (Continued):**

Development and maintenance agreement (continued)

Under the agreement the Company is required to make annual payments of \$500 for maintenance and support starting on the launch date, as defined, for three years, with a three-year renewal option. As of December 31, 2019, the Company incurred capitalizable costs of \$750 in relation to this agreement (Note 2).

Litigation

In the normal course of business, the Company may be named as a defendant in legal actions and is subject to regulatory inquiries. The Company reviews such matters on a case by case basis and records reserves if a loss is probable and the amount of the loss can be reasonably estimated. There were no outstanding legal matters as of December 31, 2019.

Credit risk

The Company has exposure to credit risk, through indemnification provisions in the clearing agreement, associated with nonperformance of customers in fulfilling their contractual obligations pursuant to securities transactions that can be directly impacted by volatile trading markets, which may impair the customer's ability to satisfy their obligations to the Company. The Company does not anticipate nonperformance by clients in these situations. The Company, through its clearing broker, seeks to control the aforementioned risk by requiring clients to maintain margin collateral with NFS in compliance with various regulatory and internal guidelines, if applicable. NFS monitors required margin levels daily and, pursuant to such guidelines, requires the client to deposit additional collateral, or reduce positions, when necessary. In addition, the Company has a policy of reviewing the credit standing of each client with which it conducts business.

Guarantees

A guarantee is a contract that contingently requires the Company to pay a third party based on changes in an underlying asset, liability or capital security of the guaranteed party. In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties, and which provide general indemnifications. The Company's maximum exposure in connection with these contracts is unknown, as this would involve future claims that may be made against the Company that have not occurred. However, based on its experience, the Company expects the risk of loss to be remote.

**4. Regulatory Requirements:**

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934 (the "Rule") in addition to the rules of FINRA and other principal exchanges on which it is licensed to transact business. The Company is following the basic method which requires the maintenance of minimum net capital at an amount equal to the greater of \$100 or 6 2/3% of aggregate indebtedness and requires that the ratio of aggregate indebtedness to net capital, both as defined, not to exceed 15 to 1. At December 31, 2019, the Company had net capital of \$7,647 which exceeded its minimum requirement by \$7,477.

LUMINEX TRADING & ANALYTICS LLC  
NOTES TO FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Dollars in thousands)

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**5. Transactions with Related Parties:**

Prior to 2019, the Company entered in an agreement with NFS for clearing services on trading transactions, which expired on January 14, 2020, and was charged according to contractual terms for equity clearance execution charge per allocation and correspondent charges for mailing, verifications, insurance and other as agreed upon in the contract.

The Company continues to operate under the same terms on an at-will basis until termination upon written notice to NFS. The Company has a separate perpetual software license agreement with NFS for software usage which the Company can terminate upon written notice to NFS. The Company has entered into an occupancy lease with an affiliate of FMR Sakura, which expires December 31, 2020 (Note 3). The Company has entered into a master service agreement with NFS to receive technology and maintenance support of hardware and software.

The Company incurred \$1,442 for software development. The Company maintains a demand deposit account and a money market fund with one of its ownership members. The balance was \$9,411 as of December 31, 2019. Interest receivable amounted to \$16 as of December 31, 2019. The Company holds a \$799 receivable from NFS.

Accrued expenses include amounts due to affiliates of \$244.

**6. Employee Benefit Plans:**

The Company sponsors a 401(k) plan (the “Plan”) which covers all eligible employees. The Plan is qualified plan that may provide for a discretionary contribution or a matching contribution each year.

In 2017, the Company established a non-qualified deferred compensation incentive plan (the “2017 Incentive Plan”) for certain key employees. As of December 31, 2019, there was \$600 of vested and unpaid compensation accrued for under the 2017 Incentive Plan which is included in accrued expenses and other liabilities on the statement of financial condition. On January 24, 2020, the Company paid the \$600 accrued expense and the 2017 Plan expired.

In 2018, the Company established a new non-qualified deferred compensation incentive plan (the “2018 Plan”) for certain key employees. Total compensation under the plan is limited to \$725 and vests over a three-year period. Payment of vested amounts is subject to the employee still being employed with the Company at the time payment occurs.

As of December 31, 2019, there was \$242 of vested and unpaid compensation accrued and included in accrued expenses and other liabilities balance on the statement of financial position. The Company will make the following payments in accordance with the vesting schedule:

2020	\$242
2021	\$242
2022	\$241

LUMINEX TRADING & ANALYTICS LLC  
NOTES TO FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Dollars in thousands)

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**7. Subsequent Events:**

The Company has performed an evaluation of events that have occurred subsequent to December 31, 2019 and through February 25, 2020, the date the financial statements were issued. There have been no material subsequent events that occurred during such period that would require disclosure in this report or would be required to be recognized in the financial statements as of December 31, 2019.

Luminex Trading & Analytics LLC  
(SEC I.D. No.8-69476)

STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2019  
AND  
REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM

\* \* \* \* \*

File pursuant to Rule 17a-5(e)(3)  
under the Securities Exchange Act of 1934  
as a Public Document.

# LUMINEX TRADING & ANALYTICS LLC

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