

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

public



21002969

OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2023
Estimated average burden
Hours per response . . . 12.00

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

SEC FILE NUMBER
8 - 67932

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 01/01/20 AND ENDING 12/31/20
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

Mail Processing

NAME OF BROKER DEALER:

AVATAR SECURITIES, LLC

MAR 01 2021

Washington, DC

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

148 MADISON AVENUE, 5th FLOOR

(No. And Street)

NEW YORK
(City)

NY
(State)

10016
(Zip Code)

OFFICIAL USE ONLY
FIRM ID. NO.

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

OMAR KATHWARI

(917) 774-3696

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report *

ALPERIN, NEBBIA & ASSOCIATES, CPA, PA ATTN: ROGER HITCHUK, CPA

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

375 PASSAIC AVENUE, SUITE 200
(Address)

FAIRFIELD
(City)

NJ
(State)

07004
(Zip Code)

CHECK ONE:

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

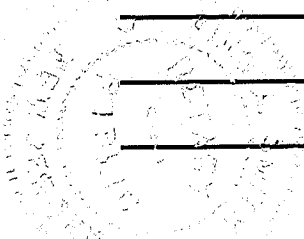
FOR OFFICIAL USE ONLY

*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 basis for the exemption. See section 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, OMAR KATHWARI, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AVATAR SECURITIES, LLC, as of DECEMBER 31, 2020, 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:


GINO A. SMITH
Notary Public

GINO A. SMITH
Commission # 50032333
Notary Public, State of New Jersey
My Commission Expires
February 12, 2021

Omar Kathwari
Signature
MANAGING MEMBER
Title

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 or 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 previous audit.
- (o) Supplemental independent Auditors Report on Internal Accounting Control.

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

375 Passaic Avenue
Suite 200
Fairfield, NJ 07004
973-808-8801
Fax 973-808-8804



Steven J. Alperin, CPA
Vincent Nebbia, CPA
Jeffrey M. Sellgmuller, CPA
Roger J. Hltchuk, CPA

Report of Independent Registered Public Accounting Firm

To the Members of Avatar Securities, LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Avatar Securities, LLC (the "Company") as of December 31, 2020, and the related notes and schedules (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 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 the Company 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 also included assessing 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 of the financial statement provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2016.

Alperin, Nebbia & Associates, CPA, PA

Alperin, Nebbia & Associates, CPA, PA

Fairfield, New Jersey
February 24, 2021

C

AVATAR SECURITIES, LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2020

ASSETS

Cash and cash equivalents	\$ 4,398,663
Investments in securities, at fair value	88,322,869
Due from clearing broker	176,426,223
Security deposits	174,949
Leasehold improvements (Net of accumulated amortization of \$39,912)	-
Operating lease asset	1,993,503
Prepaid expenses and other assets	<u>111,643</u>
TOTAL ASSETS	<u>\$ 271,427,850</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:

Securities sold short, at fair value	\$ 152,551,014
Operating lease liability	2,309,249
Accounts payable and accrued expenses	<u>4,791,768</u>

TOTAL LIABILITIES 159,652,031

Members' equity 111,775,819

TOTAL LIABILITIES AND MEMBERS' EQUITY \$ 271,427,850

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

AVATAR SECURITIES, LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020

NOTE 1- ORGANIZATION AND NATURE OF BUSINESS

Organization

Avatar Securities, LLC (the "Company") was organized as a limited liability company in the State of Delaware in May 2008. The Company is registered as a securities broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Nasdaq OMX PHLX.

The Company currently has three classes of membership interests: Class A, Class B and Class C. Each class is assigned certain rights and obligations pursuant to an operating agreement. The Class A membership interests are reserved for those members that actively manage the Company and share in the overall profits and losses. The Class B membership interests are reserved for those members that wish to become proprietary traders for the Company and share in the profits and losses of the trading accounts within the Company. The Class C membership interests are reserved for those members that participate financially in one or more of the trading strategies of the Company.

Nature of Business

The Company's business is that of an off floor proprietary securities trader. It began its trading operations in January 2009, and uses one clearing broker for execution and settlement of securities transactions.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The books and records of the Company are kept on the accrual basis and follow trade-date accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Securities Owned

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis.

AVATAR SECURITIES, LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020
(continued)

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Securities Owned (continued)

Securities are recorded at fair value in accordance with FASB ASC 820, Fair Value Measurement. See Note 3 for further discussion.

Revenue Recognition

Securities transactions and the related trading gains or losses are recorded on the trade date basis.

Trading Transaction Fees

Trading transaction fees and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

Concentration of Credit Risk

The Company is engaged in various trading activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty. Additionally, cash balances are held principally at one financial institution. At December 31, 2020, the Company had a cash balance that exceeded the \$250,000 FDIC insurable limit. The Company believes it mitigates its risk by investing in or through major financial institutions.

Depreciation and Amortization

Leasehold improvements are being amortized on a straight-line basis over the term of the associated lease.

Accounting for Leases

In February 2016, the FASB amended the guidance on accounting for leases. The new guidance required lessees to recognize right-of-use (ROU) assets and lease liabilities on the balance sheet for the rights and obligations created by all qualifying leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee remains substantially unchanged and depends on classification as a finance or operating lease. The Company adopted the new guidance beginning in December 2020. Adoption of the standard did not have a material impact on the Company's operations or cash flows.

AVATAR SECURITIES, LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020
(continued)

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3- FAIR VALUE MEASUREMENT

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.

AVATAR SECURITIES, LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020
(continued)

NOTE 3- FAIR VALUE MEASUREMENT (continued)

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, 2020:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments in securities, at fair value	<u>\$ 87,557,113</u>	<u>\$ 765,756</u>	<u>\$ -</u>	<u>\$ 88,322,869</u>
Total	<u>\$ 87,557,113</u>	<u>\$ 765,756</u>	<u>\$ -</u>	<u>\$ 88,322,869</u>
% of Total	<u>99%</u>	<u>1%</u>	<u></u>	<u>100%</u>
 <u>Liabilities</u>				
Securities sold short, at fair value	<u>\$ 152,551,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,551,014</u>
Total	<u>\$ 152,551,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,551,014</u>
% of Total	<u>100%</u>	<u></u>	<u></u>	<u>100%</u>

NOTE 4- DUE FROM CLEARING BROKER

The amount due from clearing broker at December 31, 2020 was \$176,426,223.

The Company clears certain of its proprietary transactions through a broker-dealer on a fully disclosed basis. The amount due from the clearing broker relates to the aforementioned transactions and is collateralized by securities held for the Company by the clearing broker.

AVATAR SECURITIES, LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020
(continued)

NOTE 5- NET CAPITAL

The Company is subject to the SEC 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, 2020, the Company had net capital of \$65,271,095, which exceeded their minimum net capital requirement of \$319,451 by \$64,951,644. The Company's net capital ratio was 0.07 to 1.

NOTE 6- INCOME TAXES

The Company is not subject to income taxes. The members report their distributive share of realized income or loss on their own tax returns. However, the Company does file tax returns in which it recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. The Company is no longer subject to federal, state, or local tax examinations by authorities for years before 2017.

NOTE 7- RELATED PARTY TRANSACTIONS

The Company has an Expense Sharing Agreement ("ESA") with Avatar Trading Group LLC, a class A member. The agreement contains provisions for services provided to the Company for office services, general and administrative support and trading software and hardware maintenance. Compensation for the services covered under the agreement is \$400,000 per month and can be reset or re-evaluated on a quarterly basis. This amount is included in administrative support expenses, technology services expenses and office expenses on the Statement of Operations. There were no amounts due to Avatar Trading Group LLC at December 31, 2020.

AVATAR SECURITIES, LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020
(continued)

NOTE 8- COMMITMENTS AND CONTINGENCIES

The Company has operating leases for office space in New York, NY with a term from February 1, 2020 through March 15, 2028 and Chicago, IL with a term from December 1, 2017 through June 30, 2026. In accordance with ASC 842, the Company has recorded a right-of-use asset and a lease liability based on the present value of the future payments calculated with a 7.5% discount rate. Annual rentals are charged to current operations.

The Company's future annual rental commitments for its operating leases together with their present value as of December 31, 2020 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2021	\$ 335,522
2022	411,632
2023	423,151
2024	435,000
Thereafter	<u>1,370,237</u>
Total	<u>\$ 2,975,542</u>
Less: Discount to Present Value	<u>(666,293)</u>
Present Value of Lease Liability	<u>\$ 2,309,249</u>

The Company had no equipment rental commitments, no underwriting commitments, no contingent liabilities, and had not been named as defendant in any lawsuit at December 31, 2020 or during the year then ended.

NOTE 9- SIGNIFICANT GROUP CONCENTRATION OF RISK

In the normal course of its business, the Company enters into financial transactions where the risk of potential loss due to changes in the market (market risk) or failure of the other party to the transaction to perform (counterparty risk) exceeds the amounts recorded for the transaction.

The Company's policy is to continuously monitor its exposure to market and counterparty risk through the use of a variety of financial, position and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing the credit standing of each broker-dealer, clearing organization, customer and/or other counterparty with which it conducts business.

The clearing and depository operations for the Company's proprietary transactions are performed by its clearing broker pursuant to the clearance agreement. At December 31, 2020, due from clearing broker, as reflected on the statement of financial condition, consisted substantially of cash due from this clearing broker.

AVATAR SECURITIES, LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020
(continued)

NOTE 10- GUARANTEES

FASB ASC 460, *Guarantees*, requires the Company to disclose information about its obligations under certain guarantee arrangements. FASB ASC 460 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying factor (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. This guidance also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

The Company has issued no guarantees at December 31, 2020 or during the year then ended.

NOTE 11- SUBSEQUENT EVENTS

The Company's management has evaluated events and transactions through February 24, 2021, the date the financial statement was issued, and no material events have been identified which require disclosure.