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

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

## OMB APPROVAL

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8-43978

## 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 January 01, 2008 AND ENDING December 31, 2008  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: ING FINANCIAL MARKETS LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

## OFFICIAL USE ONLY

FIRM I.D. NO.

1325 Avenue of the Americas

(No. and Street)

New York

New York

10019

(City)

(State)

(Zip Code)

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

John Egan

(646) 424-8133

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

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

Ernst &amp; Young LLP

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

5 Times Square

New York

New York

10036

(Address)

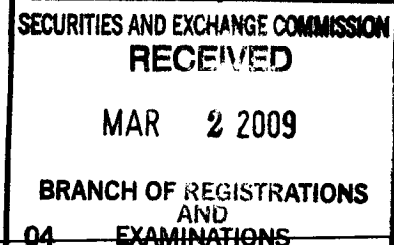
(City)

(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)

## OATH OR AFFIRMATION

I, John Egan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ING Financial Markets LLC, as of December 31, 2008, 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:

THEHERSA BALZANO  
Notary Public, State of New York  
No. 01BA4215105  
Qualified in Suffolk and New York Counties  
Commission Expires Dec. 22, 20 10

  
Signature

Chief Financial Officer

Title

  
Notary Public

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

- |                                     |     |                                                                                                                                                                                                           |
|-------------------------------------|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> | (a) | Facing Page.                                                                                                                                                                                              |
| <input checked="" type="checkbox"/> | (b) | Statement of Financial Condition.                                                                                                                                                                         |
| <input type="checkbox"/>            | (c) | Statement of Income (Loss).                                                                                                                                                                               |
| <input type="checkbox"/>            | (d) | Statement of Changes in Financial Condition.                                                                                                                                                              |
| <input type="checkbox"/>            | (e) | Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.                                                                                                                   |
| <input type="checkbox"/>            | (f) | Statement of Changes in Liabilities Subordinated to Claims of Creditors.                                                                                                                                  |
| <input type="checkbox"/>            | (g) | Computation of Net Capital.                                                                                                                                                                               |
| <input type="checkbox"/>            | (h) | Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.                                                                                                                            |
| <input type="checkbox"/>            | (i) | Information Relating to the Possession or Control Requirements Under Rule 15c3-3.                                                                                                                         |
| <input type="checkbox"/>            | (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. |
| <input type="checkbox"/>            | (k) | A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.                                                                            |
| <input checked="" type="checkbox"/> | (l) | An Oath or Affirmation.                                                                                                                                                                                   |
| <input type="checkbox"/>            | (m) | A copy of the SIPC Supplemental Report.                                                                                                                                                                   |
| <input type="checkbox"/>            | (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).

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Statement of Financial Condition

December 31, 2008

Contents

Facing Page & Oath or Affirmation

Report of Independent Registered Public Accounting Firm.....	1
Statement of Financial Condition .....	2
Notes to the Statement of Financial Condition.....	3

## Report of Independent Registered Public Accounting Firm

Board of Directors of  
ING Financial Markets, LLC

We have audited the accompanying statement of financial condition of ING Financial Markets, LLC (the "Company") as of December 31, 2008. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition 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 ING Financial Markets, LLC at December 31, 2008, in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

February 26, 2009

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Statement of Financial Condition

December 31, 2008  
(In Thousands)

**Assets**

Cash	\$ 4,376
Cash segregated under Federal and other regulations	140,000
Receivable from affiliate	3,781
Receivable from customers	135,075
Receivable from brokers, dealers and clearing organizations	51,400
Securities received as collateral	123,448
Collateralized financing agreements:	
Securities borrowed	24,991,853
Securities purchased under agreements to resell	17,817,347
Financial instruments owned, at fair value	317,157
Financial instruments owned, not readily marketable, at fair value	170
Exchange memberships, at cost (fair value \$1,750)	163
Other assets	89
Total assets	<u>\$ 43,584,859</u>

**Liabilities and member's equity**

Liabilities:

Short-term loan from affiliate	\$ 605,000
Payable to customers	92,468
Payable to brokers, dealers and clearing organizations	421,002
Obligation to return securities received as collateral	123,448
Collateralized financing agreements:	
Securities loaned	5,348,828
Securities sold under agreements to repurchase	36,103,976
Financial instruments sold, not yet purchased, at fair value	156,827
Accounts payable, accrued expenses and other liabilities	6,156
Total liabilities	<u>42,857,705</u>
Subordinated borrowing	83,000
Member's equity	644,154
Total liabilities and member's equity	<u>\$ 43,584,859</u>

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

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to the Statement of Financial Condition

December 31, 2008  
(In Thousands)

**1. Organization**

ING Financial Markets, LLC is a wholly owned subsidiary of ING Financial Holdings Corporation (the “Parent”). The Parent is an indirect wholly owned subsidiary of ING Groep N.V. ING Financial Markets, LLC (the “Company”) was incorporated in Delaware on March 28, 2002. The Company, a broker dealer in securities registered with the Securities and Exchange Commission (“SEC”) and the Financial Industry Regulatory Authority (“FINRA”), is a member of various exchanges. The Company primarily provides agency brokerage, execution services for equities sales and trading, fixed income sales and trading, securities lending activities, options and futures derivatives activities, repurchase and resale agreements, and limited underwriting services.

The Company clears and settles all equity products through an unaffiliated securities clearing firm on a fully disclosed basis. The Company self-clears other products, including fixed income securities, securities borrowed and loaned, and securities purchased under agreements to resell and securities sold under agreements to repurchase.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The Company prepares its Statement of Financial Condition in accordance with U.S. generally accepted accounting principles. All material intracompany balances are eliminated.

**Use of Estimates**

In preparing the Statement of Financial Condition, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Financial Condition. Actual results could differ from those estimates.

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to the Statement of Financial Condition (continued)

*(In Thousands)*

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

**Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase**

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralized financing transactions and are carried at amounts at which the securities will be subsequently resold or repurchased. Accrued interest receivable and payable for these agreements are reported within receivable from and payable to brokers, dealers and clearing organizations in the Statement of Financial Condition. Such transactions are collateralized by U.S. Treasuries, mortgage-backed securities and corporate bonds. The Company's exposure to credit risks associated with the nonperformance of counterparties in fulfilling these contractual obligations can be directly impacted by market fluctuations, which may impair the counterparties' ability to satisfy their obligations. It is the Company's policy to obtain possession of securities purchased under agreements to resell with a market value equal to or in excess of the principal amount loaned under resale agreements. The market value of securities to be repurchased or resold is valued daily and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

**Securities Borrowed and Securities Loaned**

Securities borrowed and securities loaned are collateralized financing arrangements that are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash with the lender of the securities. With respect to securities loaned, the Company receives collateral in the form of cash and securities in an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis with additional collateral obtained or refunded as necessary. Accrued rebates are reported within receivable from and payable to brokers, dealers and clearing organizations in the Statement of Financial Condition.

**Financial Instruments Owned and Financial Instruments Sold, Not Yet Purchased, at Fair Value**

Financial instruments are primarily used in proprietary trading activities. These financial instruments are principally U.S. exchange traded equities and options and are recorded at fair value based upon quoted market prices. These financial instruments are recorded on a trade date basis.

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to the Statement of Financial Condition (continued)

*(In Thousands)*

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

**Exchange Membership**

The Company's exchange memberships, which represent ownership interest in the exchanges and provide the Company with the right to conduct business on the exchange, are recorded at cost or, if an other-than-temporary impairment in value has occurred, at the value that reflects management's estimate of the impairment. At December 31, 2008, the fair value of the exchange memberships was \$1,750.

**Securities Transactions**

The Company records principal securities transactions on a trade date basis. Agency securities transactions are recorded on a settlement date basis. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net in the Statement of Financial Condition.

**Translation of Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the close of business at the Statement of Financial Condition date.

**Recent Issued Accounting Standards**

In February 2008, the Financial Accounting Standards Board (FASB) issued FSP No. 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions*. FSP No. 140-3 requires an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously or in contemplation of the initial transfer to be evaluated as a linked transaction under SFAS No. 140 unless certain criteria are met. FSP No. 140-3 is effective for fiscal years beginning after November 15, 2008, and is applicable to new transactions entered into after the date of adoption. Earlier application is not permitted. The Company is currently assessing the impact of this pronouncement but does not believe it will have a material impact on its financial position.



ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to the Statement of Financial Condition (continued)

(In Thousands)

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

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133*. SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities, and is effective for financial statements issued for reporting periods beginning after November 15, 2008. Earlier application is permitted. The Company has assessed the impact of SFAS No. 161 and does not believe it will have a material impact on its financial position.

In October 2008, the FASB issued FSP No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. FSP No. 157-3 clarifies the application of SFAS No. 157 in an inactive market and was effective immediately upon issuance. The adoption of FSP No. 157-3 did not have a material impact on its financial position.

**3. Cash Segregated under Federal and Other Regulations**

At December 31, 2008, the Company had cash in the amount of \$140,000 segregated in a special reserve bank account for the exclusive benefit of customers pursuant to Rule 15c3-3 of the Securities and Exchange Commission.

**4. Securities Received and Pledged as Collateral**

The Company enters into secured borrowing and lending transactions as a part of its normal course of business. The Company receives collateral in connection with resale agreements, securities borrowed transactions, and borrow/pledge transactions. The Company generally is permitted to sell or repledge these securities held as collateral and use them to secure repurchase agreements, enter into securities lending transactions or deliver to counterparties to cover short positions.

At December 31, 2008, the fair value of securities received as collateral that the Company was permitted to sell or repledge was \$43,106,525. The fair value of securities received as collateral that the Company sold or repledged was \$41,984,787 at December 31, 2008.

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to the Statement of Financial Condition (continued)

*(In Thousands)*

**4. Securities Received and Pledged as Collateral (continued)**

In addition, the Company receives securities as collateral in connection with certain securities for securities transactions in which the Company is the lender. In instances where the Company is permitted to sell or repledge these securities, the Company reports the fair value of the collateral received and the related obligation to return the collateral in the Statement of Financial Condition. At December 31, 2008, \$123,448 was reported as Securities received as collateral and an Obligation to return securities received as collateral in the Statement of Financial Condition.

**5. Receivable from and Payable to Customers**

Receivable from and Payable to customers include amounts due to/from customers on cash transactions. For receivables, securities owned by customers are held as collateral. Such collateral is not reflected in the Statement of Financial Condition. Amounts receivable from and payable to customers at December 31, 2008 were \$135,075 and \$92,468, respectively.

**6. Receivable from and Payable to Brokers, Dealers and Clearing Organizations**

Amounts receivable from and payable to brokers, dealers and clearing organizations at December 31, 2008 consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Securities failed to deliver/receive	\$ 120	\$ 280,614
Deposits with clearing organizations	19,065	—
Due to/from clearing organizations	1,349	105,060
Net unsettled trades	342	—
Fees, rebates and other receivable/payable	30,524	35,328
Total	<u>\$ 51,400</u>	<u>\$ 421,002</u>

Securities failed to deliver and receive represent the contract value of securities which have not been delivered or received by the Company on settlement date. As these amounts are short term in nature, their carrying amounts are a reasonable estimate of fair value.

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to the Statement of Financial Condition (continued)

*(In Thousands)*

**6. Receivable from and Payable to Brokers, Dealers and Clearing Organizations  
(continued)**

The Company clears and settles all equity products through an unaffiliated broker dealer on a fully disclosed basis. The amounts due to/from clearing organizations relate to the aforementioned transactions and are collateralized by the related equity and options securities.

**7. Financial Instruments Owned and Financial Instruments Sold, Not Yet Purchased, at Fair Value**

Financial instruments owned and financial instruments sold, not yet purchased, as of December 31, 2008 consist of proprietary exchange traded equity and options securities valued at quoted market prices. At December 31, 2008, these amounts were as follows:

	<b>Financial Instruments Owned</b>	<b>Financial Instruments Sold, Not Yet Purchased</b>
Equities	\$ 128,804	\$ 35,965
Options	188,353	120,862
Total	<u>\$ 317,157</u>	<u>\$ 156,827</u>

Financial instruments sold, not yet purchased, involve an obligation to purchase securities at a future date. Such securities have market risk to the extent subsequent market fluctuations may require the Company to repurchase the securities at prices in excess of the market value reflected on the Statement of Financial Condition.

**8. Related Party Transactions**

At December 31, 2008, the Company holds \$397 of cash with affiliated entities.

At December 31, 2008, the Company had a receivable of \$3,781 classified as Receivable from affiliate in the Statement of Financial Condition and \$5,852 payable to affiliates included in Accounts payable, accrued expenses and other liabilities in the Statement of Financial Condition.

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation).

Notes to the Statement of Financial Condition (continued)

*(In Thousands)*

**8. Related Party Transactions (continued)**

At December 31, 2008, the Company has recorded \$2,704 and \$91,791 within Receivable from and Payable to customers related to amounts due to and from affiliated entities, respectively. This balance reflects agency transactions performed for related parties.

At December 31, 2008, the Company has \$455,365 of securities borrowed and \$3,287,390 of securities loaned with affiliates. Further, the Company recorded \$121,797 of Securities received as collateral and Obligation to return securities received as collateral related to an affiliate at December 31, 2008.

At December 31, 2008, the Company has \$1,515,912 of Securities purchased under agreement to resell and \$482,989 of Securities sold under agreement to purchase with affiliates. Further, in relation to these transactions, the Company had \$427 of accrued interest receivable and \$88 of accrued interest payable reported in Receivable from and Payable to brokers, dealers and clearing organizations at December 31, 2008.

The Company maintains a revolving loan agreement with an affiliate in the amount of \$7.5 billion (dollars as stated). The revolving loan agreement is an overnight facility and bears a market rate of interest of three month LIBOR. The Company had an outstanding balance of \$605,000 at December 31, 2008, which is included in Short-term loan from affiliate in the Statement of Financial Condition.

At December 31, 2008, the Company had an \$83,000 subordinated promissory note with the Parent. See Note 11 for further information.

**9. Financial Instruments with Off-Balance Sheet Risk**

The Company enters into options and futures contracts with off-balance sheet risk for trading purposes. These contracts are carried at fair value.

Options are contracts that provide the holder with the right, but not the obligation, to purchase or sell a specified number of units of financial instruments at a predetermined price within a specified period of time. The option purchaser pays a premium to the option seller (writer) for the right to exercise the option. The option seller is obligated to buy (call) or sell (put) the item underlying the contract at a set price, if the option purchaser chooses to exercise. As a purchaser

ING Financial Markets, LLC  
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Notes to the Statement of Financial Condition (continued)

*(In Thousands)*

**9. Financial Instruments with Off-Balance Sheet Risk (continued)**

of an option contract, the Company is subject to credit risk, since the counterparty is obligated to make payments under the terms of the option contract, if the Company exercises the option. As the writer of an option contract, the Company is not subject to credit risk but is subject to market risk, since the Company is obligated to make payments under the terms of the option contract, if exercised.

Futures contracts are for delayed delivery of a financial instrument in which the seller agrees to make delivery at a specified future date at a specified price or yield. Futures contracts are exchange traded contractual commitments to either receive (purchase) or deliver (sell) a standard amount or value of a financial instrument or commodity. Maintaining a futures contract requires the Company to deposit with the exchange an amount of cash or other specified asset as security for its obligation. Futures contracts may be settled by physical delivery of the underlying asset or cash settlement on the settlement date or by entering into an offsetting futures contract with the futures exchange prior to the settlement date. The notional amounts of futures reflect the contractual basis upon which daily mark to market calculations are computed and do not reflect the amount at risk. Market risk is substantially dependent upon the value of the underlying financial instruments and is affected by market volatility.

As of December 31, 2008, the gross notional amounts of derivative financial instruments used for trading purposes are as follows:

	<b>Assets (Shares)</b>	<b>Liabilities (Shares)</b>
Options	31,867	28,260

For the year ended December 31, 2008, the average fair value of derivative financial instruments used for trading purposes are as follows:

	<b>Assets</b>	<b>Liabilities</b>
Options	\$ 119,222	\$ 110,303

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to the Statement of Financial Condition (continued)

*(In Thousands)*

**9. Financial Instruments with Off-Balance Sheet Risk (continued)**

The average fair value amounts have been calculated based on the month-end fair values. The Company believes this method fairly reflects the nature and volume of the business in all aspects material to the Statement of Financial Condition.

These options have maturities between one month and two years. The Company also has margin requirements related to these options with an unaffiliated clearing firm of \$54,768 at December 31, 2008 which are satisfied by a pledge of cash. There were no open futures contracts at of December 31, 2008.

The amounts exchanged are based on the contract amounts and other terms of the derivative financial instruments.

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable. The instruments are recognized at market value. Exposure to market risk is managed in accordance with risk limits set by senior management, by buying or selling instruments or entering into offsetting positions.

**10. Fair Value of Financial Instruments**

FASB Statement No. 157, *Fair Value Measurements* ("SFAS No. 157"), 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 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 Statement No. 157, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure 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.

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to the Statement of Financial Condition (continued)

(In Thousands)

**10. Fair Value of Financial Instruments (continued)**

- 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 inputs 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.)

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2008:

**Assets and Liabilities Measured at Fair Value on a Recurring Basis  
December 31, 2008**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Securities received as collateral	\$ 123,448	\$ —	\$ —	\$ 123,448
Financial instruments owned:				
Equities	128,804	—	—	128,804
Options	188,353	—	—	188,353
<b>Total</b>	<b>\$ 440,605</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 440,605</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Liabilities</b>				
Obligation to return securities received as collateral	\$ 123,448	\$ —	\$ —	\$ 123,448
Financial instruments, sold not yet purchased, at fair value:				
Equities	35,965	—	—	35,965
Options	120,862	—	—	120,862
<b>Total</b>	<b>\$ 280,275</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 280,275</b>

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation) .

Notes to the Statement of Financial Condition (continued)

*(In Thousands)*

**10. Fair Value of Financial Instruments (continued)**

There were no Level 2 and Level 3 financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2008. Securities received as collateral and the Obligation to return securities received as collateral primarily consist of U.S. and Canadian Government securities.

**Financial Instruments Not Measured at Fair Value on a Recurring Basis**

Some of the Company's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: Cash, Securities borrowed, Securities purchased under agreements to resell, Securities loaned, Securities sold under agreements to repurchase, Receivable from customers, Receivable from brokers, dealers and clearing organizations, Payable to customers, Payable to brokers, dealers and clearing organizations, and certain short-term borrowings. Financial instruments owned, not readily marketable are level 3 financial assets.

**11. Subordinated Borrowing**

At December 31, 2008, the Company had an \$83,000 subordinated promissory note with the Parent that bears interest at a rate of three month LIBOR plus 1/16%. Interest payments are made on a monthly basis and the subordinated promissory note is due to mature on October 4, 2010.

The subordinated borrowing is subordinated to all other creditors of the Company, covered by agreements approved by the Company's designated regulatory organizations, and thus available in computing net capital under the Securities and Exchange Commission regulations.

**12. Concentrations of Credit Risk**

As a securities broker dealer, the Company is engaged in various securities trading and brokerage activities servicing a diverse group of domestic and foreign entities. The Company's transactions are collateralized and are executed with and on behalf of institutional investors, including other broker dealers, commercial banks, insurance companies, pension plans, mutual funds, and other financial institutions. The Company's exposure to credit risk associated with the



ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to the Statement of Financial Condition (continued)

(In Thousands)

**12. Concentrations of Credit Risk (continued)**

nonperformance of these customers in fulfilling their contractual obligations can be directly impacted by volatile trading markets, which may impair the customers' ability to satisfy their obligations to the Company. The Company's principal activities are also subject to the risk of counterparty nonperformance.

The Company attempts to minimize credit risk associated with its securities borrowed, securities loaned, securities purchased under agreements to resell and securities sold under agreements to repurchase business by monitoring customer credit exposure and creditworthiness and by limiting transactions with specific counterparties. The Company reviews collateral values daily and requires additional collateral to be deposited with or returned to the Company when it is deemed necessary.

**13. Guarantees**

FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45") requires the Company to disclose information about obligations under certain guarantee arrangements. FIN 45 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 (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.

**Indemnifications/Other Guarantees**

In the normal course of business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of the Company or its affiliates. The Company also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including sub-custodians and third-party brokers, improperly execute transactions. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the Statement of Financial Condition for these indemnifications.

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation).

Notes to the Statement of Financial Condition (continued)

*(In Thousands)*

**13. Guarantees (continued)**

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of these representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the Statement of Financial Condition for these indemnifications.

**Exchange Membership Guarantees**

The Company is a member of various exchanges that trade and clear securities and/or futures contracts. Associated with its membership, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange. While the rules governing different exchange memberships vary, in general the Company's guarantee obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the Statement of Financial Condition for these agreements and believes that any potential requirement to make payments under these agreements is remote.

**14. Commitments and Contingencies**

The Company, together with various other broker-dealers, corporations, and individuals, have been named as defendants in several class action lawsuits that allege violations of Federal and state securities laws and claim substantial damages. Management of the Company believes, after consultation with outside counsel, that the resolution of these various lawsuits will not result in any material adverse effect on the Company's financial position.

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial Holdings Corporation)

Notes to the Statement of Financial Condition (continued)

*(In Thousands)*

**14. Commitments and Contingencies (continued)**

In the normal course of business, the Company enters into underwriting commitments. There were no transactions related to such underwriting commitments that were open at December 31, 2008.

**15. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the Rule's alternative method, which requires maintaining net capital, as defined, equal to the greater of \$250 or 2% of aggregate debit items arising from customer transactions, as defined.

Rule 15c3-1 and the rules of the New York Stock Exchange also provide that equity capital may not be withdrawn or cash dividends paid if resulting net capital is less than the greater of 5% of aggregate debit items or \$250. At December 31, 2008, the Company had net capital of \$663,547 of which \$657,470 was in excess of the required net capital of \$6,077.

The Company has entered into a written agreement with its unaffiliated clearing firm which requires the clearing firm to perform a "PAIB reserve computation" with regard to all the assets of the Company held by the respective clearing firm. Consequently, the assets of the Company held at the clearing firm are treated as allowable assets for purposes of the Company's net capital computation.

## STATEMENT OF FINANCIAL CONDITION

ING Financial Markets, LLC  
(A Wholly Owned Subsidiary of ING Financial  
Holdings Corporation)  
December 31, 2008  
With Report of Independent Registered  
Public Accounting Firm

*(A copy of the report of independent registered public accounting firm on internal control is currently available for inspection at the principal office of the Securities and Exchange Commission in Washington, D.C. and the New York regional office of the Securities and Exchange Commission, the region in which ING Financial Markets, LLC has its principal place of business.)*