# DORMAN TRADING, LLC

## STATEMENT OF FINANCIAL CONDITION
## AND SUPPLEMENTARY SCHEDULES

**PURSUANT TO REGULATION 1.10 UNDER**
**THE COMMODITY EXCHANGE ACT**

**December 31, 2016**

**AVAILABLE FOR PUBLIC INSPECTION**

# CFTC FORM 1-FR-FCM [0005]

OMB NO. 3038-0024

| NAME OF COMPANY | EMPLOYER ID NO: | NFA ID NO: |
|---|---|---|
| **DORMAN TRADING, LLC** | **36-3993338** | **0002569** |
| **ADDRESS OF PRINCIPAL PLACE OF BUSINESS:**<br>**141 W. Jackson Blvd.**<br>**Suite 1900**<br>**Chicago, IL 60604** **[0050]** | **PERSON TO CONTACT CONCERNING THIS REPORT:**<br>**Robert Sheeren** **[0040]**<br>**TELEPHONE NO: (312) 341-7070** **[0060]** | |

1. Report for the period beginning **01/01/16** [0070] and ending **12/31/16** [0080]

2. Type of report [0090] **[X]** Certified [ ] Regular quarterly/semiannual [ ] Monthly 1.12 (b)

   [ ] Special call by: ______________________ [ ] Other - Identify:______

3. Check whether [0095] **[X]** Initial filing [ ] Amended filing

4. Name of FCM's Designated Self-Regulatory Organization: **CME Group Inc.** [0100]

5. Name(s) of consolidated subsidiaries and affiliated companies:

| Name | Percentage Ownership | Line of Business |
|---|---|---|
| [0110] | [0120] | [0130] |
| [0140] | [0150] | [0160] |
| [0170] | [0180] | [0190] |
| [0200] | [0210] | [0220] |
| [0230] | [0240] | [0250] |

The futures commission merchant, or applicant for registration therefore, submitting this Form and its attachments and the person whose signature appears below represent that, to the best of their knowledge, all information contained therein is true, correct and complete. It is understood that all required item, statements and schedules are integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted. It is further understood that any intentional misstatements or omissions of facts constitute Federal Criminal Violations (see 18 U.S.C. 1001).

Signed this **8th** day of February, 2017

Manual signature Robert Sheeren

Type or print name Robert Sheeren

[ ] Chief Executive Officer [ X ] Chief Financial Officer Corporate Title ______________

[ ] General Partner [ ] Sole Proprietor

Authority: Sections 4c, 4d, 4f, 4g, 5a, 8a, and 17 of the Commodity Exchange Act (7 U.S.C. 6c, 6d, 6f, 6g, 7a, 12a, and 21)

RYAN & JURASKA LLP
Certified Public Accountants

141 West Jackson Boulevard
Chicago, Illinois 60604

Tel: 312.922.0062
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Members of
Dorman Trading, LLC

We have audited the accompanying statement of financial condition of Dorman Trading, LLC (the "Company") as of December 31, 2016, that is filed pursuant to Regulation 1.10 under the Commodity Exchange Act, and the related notes to the financial statement and supplemental information. The Company's management is responsible for the financial statement. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and auditing standards generally accepted in the United States of America. 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. The Company is not required to have, nor were we engaged to perform, an audit of its 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Dorman Trading, LLC as of December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

The information contained in Schedules 1 through 8 ("the supplemental information") has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statement. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the statement of financial condition or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Regulation 1.10 of the Commodity Exchange Act. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the statement of financial condition as a whole.

Ryan & Juraska LLP

Chicago, Illinois
February 8, 2017

**DORMAN TRADING, LLC**

**Statement of Financial Condition**

**December 31, 2016**

| | | |
|---|---|---|
| **Assets** | | |
| Cash | $ | 1,342,870 |
| Cash and securities segregated under federal and other regulations | | 108,628,047 |
| Securities owned, at fair value | | 6,063,639 |
| Receivables from: | | |
| Broker-dealers, futures commission merchants, and clearing organization | | 5,977,492 |
| Customers (net of allowance for doubtful accounts of $30,741) | | 96,368 |
| Employees and associated persons | | 33,282 |
| Deposits with clearing organizations | | 79,300,696 |
| Secured demand notes | | 215,000 |
| Exchange memberships and stock, at cost (fair value $1,953,800) | | 1,826,164 |
| Dividends and interest receivable and other assets | | 400,038 |
| Total assets | $ | 203,883,596 |
| **Liabilities and Members' Equity** | | |
| Liabilities: | | |
| Payables to: | | |
| Customers | $ | 183,610,330 |
| Noncustomers | | 31,946 |
| Clearing organization | | 1,373,140 |
| Redemption payable to former member | | 639,546 |
| Deferred rent | | 153,610 |
| Accounts payable and accrued expenses | | 3,175,239 |
| Total liabilities | | 188,983,811 |
| Liabilities subordinated to claims of general creditors | | 257,500 |
| Members' equity | | 14,642,285 |
| Total liabilities and members' equity | $ | 203,883,596 |

See accompanying notes.

## 1. Organization and Business

Dorman Trading, LLC (the "Company") is a limited liability company that was formed January 11, 1995. The Company is registered as a Futures Commission Merchant ("FCM") with the Commodity Futures Trading Commission ("CFTC") and is a member of the National Futures Association. The Company is a clearing member of the Chicago Board of Trade, the Chicago Mercantile Exchange, the New York Mercantile Exchange, the Commodity Exchange, Inc., ICE Clear U.S, and ICE Futures U.S. The Company provides execution and clearing services for professional traders, institutional clients, and individual investors.

Effective June 1, 1995 the company succeeded to substantially all of the assets and liabilities of Dorman Trading Company, which had been a futures commission merchant and a Chicago Board of Trade clearing member since 1980.

## 2. Summary of Significant Accounting Policies

Revenue Recognition
Futures and futures options transactions and the related commission revenue and expenses are recorded on trade date.

Depreciation
Depreciation of furniture and equipment is computed using accelerated methods for financial reporting purposes.

Income Taxes
The Company is a limited liability company, and is taxed under the partnership tax provisions of the Internal Revenue Code. Under those provisions, the Company is not liable for federal income taxes on its taxable income. The members are liable for individual income taxes on their share of the Company's taxable income.

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board Accounting Standards Codification ("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. Management believes the impact of FASB ASC 740 on its financial position and results of operations will have no material impact on its statement of financial condition.

Management has reviewed the Company's tax positions for the open tax years (current and prior three tax years) and concluded no provision for income tax is required in the Company's statement of financial Condition. The listed open tax years remain subject to examination by tax authorities.

Securities and Derivatives Valuation
Securities and Derivatives are recorded at fair value in accordance with FASB ASC 820, *Fair Value Measurements and Disclosure* (see note 11).

## 2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of statement of financial condition in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and the accompanying notes. Management determines that the estimates utilized in preparing its statement of financial condition are reasonable and prudent. Actual results could differ from these estimates.

Exchange Memberships and Trading Rights

The Company's exchange memberships and trading rights, which represent ownership in the exchanges and provide the Company with the right to conduct business on the exchanges, are reflected in the statement of financial condition at cost. Accounting principles generally accepted in the United States require that such memberships be recorded at cost, or, if a permanent impairment in value has occurred, at a value that reflects management's estimate of the fair value. In the opinion of management, no permanent impairment has occurred during the year.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated to U.S. dollars at year-end exchange rates, while revenue and expenses are translated to U.S. dollars at prevailing rates during the year. Net gains or losses resulting from foreign currency translations are included in trading losses in the statement of operations.

## 3. Segregated Assets

At December 31, 2016, assets segregated or held in separate accounts under Federal regulations included in the statement of financial condition are as follows:

| | |
|---|---|
| Segregated for customers trading on U.S. futures exchanges: | |
| Cash and securities | $ 105,233,324 |
| Deposits with clearing organizations | 74,856,158 |
| Payable to clearing organizations, net | (1,306,623) |
| Receivables from broker-dealers and futures commission merchants | 4,754,499 |
| | $ 183,537,358 |

| | |
|---|---|
| Held in separate accounts for foreign futures and foreign options customers: | |
| Cash and cash equivalents | $ 3,394,722 |
| Receivables from broker-dealers and futures commission merchants | 1,109,712 |
| | $ 4,504,434 |

Customers' funds, regulated under the Commodity Exchange Act, as amended (the "CEAct"), are required to be segregated from the funds of the Company and its employees. Customers' segregated funds and equities in customers' regulated trading accounts, as shown in the statement of financial condition, do not reflect the market value of options positions owned by customers and securities owned by customers and held by the Company as collateral or as margin.

## 3. Segregated Assets, Continued

At December 31, 2016, the market value of net customers' options positions totaled approximately $(6.3) million. The market value of securities owned by customers and held by the Company totaled approximately $10.3 million. This amount is in U.S. Treasury securities. Interest on customer owned securities accrues to the benefit of the customers.

## 4. Deposits with Clearing Organizations

At December 31, 2016, deposits with clearing organizations consisted of cash margins totaling $1,248, U.S. Government Securities totaling $77,289,448, and cash guarantee deposits totaling $2,010,000.

There are also U.S. Government Securities held for collateral that are deposited with clearing organizations and utilized as a security deposit of the Company in the amount of $259,579.

## 5. Liabilities Subordinated to Claims of General Creditors

At December 31, 2016, the borrowings under subordination agreements consist of the following:

| | | Amount |
|---|---|---|
| Secured demand notes, non-interest bearing, due October 1, 2018 | $ | 125,000 |
| Secured demand notes, non-interest bearing, due January 1, 2019 | | 90,000 |
| | | 215,000 |
| Subordinated notes, 9 percent, due October 1, 2018 | | 42,500 |
| | $ | 257,500 |

## 5. Liabilities Subordinated to Claims of General Creditors, Continued

Pursuant to the terms of each agreement, each note is renewed for one year upon maturity, unless notified otherwise in advance by the note holder. Notification by the note holder not to renew must be made thirteen months in advance of a maturity date.

All of the borrowings are from the Company's members and are pursuant to subordinated loan agreements and secured demand loans. The $215,000 of secured demand loans are collateralized by U.S. Government Securities valued at $259,579 on December 31, 2016.

The subordinated borrowings are covered by agreements approved by the Chicago Mercantile Exchange and are thus available in computing net capital under the CEAct. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

## 6. Related party transactions

The Company has subordinated loan agreements and secured demand notes due to a member and related persons of the Company. Terms of these agreements are described in Note 6.

Certain exchange memberships owned by members and related persons of the Company, having an aggregate fair market value of approximately $989,800 are registered for the use of the Company.

## 7. Guarantees

FASB ASC 460, *Guarantees*, requires the Company to disclose information about its obligations under certain guarantee arrangements. FASB ASC 460, G*uarantees*, defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in 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. 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.

*Derivative contracts*
Certain derivatives contracts that the Company has entered into meet the accounting definition of a guarantee under ASC 460. Derivatives that meet the ASC 460 definition of guarantees include futures contracts and written options. The maximum potential payout for these derivatives contracts cannot be estimated as increases in interest rates, foreign exchange rates, securities prices, commodities prices and indices in the future could possibly be unlimited.

## 7. Guarantees, Continued

The Company records all derivative contracts at fair value. For this reason, the Company does not monitor its risk exposure to derivatives contracts based on derivative notional amounts; rather the Company manages its risk exposure on a fair value basis. The Company believes that the notional amounts of the derivative contracts generally overstate its exposure. Aggregate market risk limits have been established, and market risk measures are routinely monitored against these limits. The Company believes that market risk is substantially diminished when all financial instruments are aggregated.

*Exchange Member Guarantees*
The Company is a member of various exchanges that trade and clear futures contracts. Associated with its memberships, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligation to the exchange. Although 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.

## 8. Concentrations of Credit Risk

The Company is engaged in futures clearing activities in which counterparties primarily include clearing organizations, broker-dealers, other futures commission merchants and other brokers. 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. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

At December 31, 2016, a significant credit concentration consisted of 22% of the net equity of the Company with one of the Company's futures commission merchants. These amounts are included in receivables from futures commission merchants. Also, at December 31, 2016, a significant credit concentration consisted of cash deposited in three banks. The balances exceeded federally insured limits by approximately $74,550,000. Management believes that the Company is not exposed to any significant credit risk on cash or receivables from futures commission merchants to be significant.

## 9. Commitments

The Company conducts its operations in leased office facilities and annual rentals are charged to current operations. The leases are subject to escalation clauses based on the operating expenses of the lessors. The Company has obligations under non-cancelable leases that expire through January 31, 2020.

## 9. Commitments, Continued

At December 31, 2016, the aggregate minimum annual rental commitment is as follows:

| Year Ending December 31 | | Amount |
|---|---|---|
| 2017 | | 483,000 |
| 2018 | | 483,000 |
| 2019 | | 483,000 |
| January 31, 2020 | | 45,000 |
| | $ | 1,494,000 |

## 10. Minimum Capital Requirements

The Company is a futures commission merchant subject to Commodity Futures Trading Commission minimum capital requirements (Regulation 1.17). In addition, the Company is subject to minimum capital requirements of the CME Group, Inc. The Company is required to maintain "net capital" equivalent to the greater of $1,000,000 or the sum of 8% of the customer risk maintenance margin requirement plus 8% of the non-customer risk maintenance margin requirement, as these terms are defined.

In addition, the Company is subject to minimum capital requirement of the CME Group, Inc. Under the more restrictive of these rules, the Company is required to maintain net capital equivalent to the greater of $5,000,000 or 8% of the customer risk maintenance margin requirement plus 8% of the non-customer risk maintenance margin requirement.

At December 31, 2016, under Regulation 1.17 and under the requirements of the CME Group, Inc., the Company had adjusted net capital and net capital requirements of $10,799,340 and $5,000,000, respectively. The net capital rule may effectively restrict member withdrawals and the repayment of subordinated loans.

## 11. Fair Value Measurements and Disclosure

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a hierarchy of fair value inputs. 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.

## 11. Fair Value Measurements and Disclosure, Continued

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

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Unobservable inputs for the asset or liability

The availability of observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, the type of investment, the liquidity of the markets, and other characteristics particular to the investment. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for investments categorized in level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy wherein the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

At December 31, 2016, the Company's Level 1 investments consisted of U.S. government securities and securities owned with fair values of $112,206,768 and $6,055,875, respectively. The Company held no Level 2 or Level 3 investments at December 31, 2016.

## 12. Financial Instruments

ASC 815, Derivatives and Hedging, requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit risk related contingent features in derivative agreements. The disclosure requirements of ASC 815 distinguish between derivatives, which are accounted for as "hedges" and those that do not qualify for such accounting. Although the Company may sometimes use derivatives, the Company reflects derivatives at fair value and recognizes changes in fair value through the statement of operations, and as such do not qualify for ASC 815 hedge accounting treatment.

The Company executes customer transactions in the purchase and sale of commodity futures contracts (including options on futures contracts), substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur.

## 12. Financial Instruments, Continued

In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell futures contracts at prevailing market prices in order to fulfill the customer's obligations. The Company controls this risk by monitoring margin collateral levels on a daily basis for compliance with regulatory and internal guidelines and requires additional collateral when necessary. The Company requires a customer to deposit additional margin collateral, or reduce positions, if it is determined that the customer's activities may be subject to above normal market risks.

Futures contracts provide for the delayed delivery/receipt of securities or money market instruments with the seller/buyer agreeing to make/take delivery at a specified date, at a specified price. Fair value of futures contracts is included in receivable from broker dealers. The contractual or notional amounts related to these financial instruments reflect the volume and activity and do not reflect the amounts at risk. Futures contracts are executed on an exchange, and cash settlement is made on a daily basis for market movements. Accordingly, futures contracts generally do not have credit risk.

Options contracts grant the purchaser, for the payment of a premium, the right to either purchase from or sell to the writer a specified financial instrument under agreed terms. As a writer of options contracts, the Company receives a premium in exchange for bearing the risk of unfavorable changes in the price of the financial instruments underlying the options.

## 13. Contingencies

The Company has been dismissed from a reparations claim filed with the Commodity Futures Trading Commission (“CFTC”.) The claimant, a former customer of the Company, alleges the Company is responsible for losses suffered in an account managed by a commodity trading advisor. The claimant seeks damages based on a maximum exposure of approximately $3.7 million. The claimant filed an appeal to the ruling. On July 8, 2016, the CFTC issued an Opinion and Order dismissing the claim. On July 25, 2016, the claimant filed a Petition for Review naming the CFTC as respondent. The claimant’s and the CFTC’s responsive briefs are due in March 2017. As the briefs have not all been filed, legal counsel cannot form an opinion on the Petition for Review. However, should the matter be remanded to the CFTC reparations, legal counsel believes the Company has defenses on procedural grounds because this claim was originally filed against the Company in NFA arbitration wherein the Company was dismissed by order dated October 18, 2011. Management also believes the Company has meritorious defenses against all claims. Accordingly, no provision has been made in the statement of financial condition for any loss that may result from the complaint.

A customer of the Company has been named in a statement of claim filed under the laws of Canada related to the customer’s former business. The statement of claim alleges the customer, a commodity trading adviser (“cta”) located in Canada, is responsible for losses suffered by the plaintiffs from an investment in the cta’s former business. The claimant seeks damages based on a maximum exposure of approximately $4.2 million.

## 13. Contingencies, Continued

According to legal counsel, all examinations for discovery and undertakings have been answered. The Company is waiting to receive and offer to be removed from the lawsuit with no cost expected, upon satisfactory review of the answers to the undertaking.

Management and legal counsel believe the Company has meritorious defenses against all claims and intends to defend the case vigorously. Accordingly, no provision has been made in the statement of financial condition for any loss that may result from the complaint.

## 14. Subsequent Events

Management has evaluated events and transactions from January 1, 2017 through February 8, 2017, the date the statement of financial condition were issued, noting no material events requiring disclosure in the Company’s statement of financial condition.

## SUPPLEMENTARY SCHEDULES

**DORMAN TRADING, LLC** **Schedule 1**

**Reconciliation of Statement of Financial Condition to Net Capital Computation**

**December 31, 2016**

| | | | | |
|---|---|---|---|---|
| Total assets per Statement of Financial Condition | | | $ | 203,883,596 |
| Add: | | | | |
| Securities owned by customers | $ | 10,250,000 | | |
| Securities owned by members - collateral for secured demand notes | | 259,579 | | |
| Value of net customer options positions | | (6,269,425) | | 4,240,154 |
| Deduct: Noncurrent assets (as defined) | | | | |
| Receivables from customers, net | $ | 95,180 | | |
| Exchange memberships | | 1,826,164 | | |
| Other | | 25,000 | | |
| Employees and associated persons | | 33,282 | | (1,979,626) |
| Current Assets (as defined) | | | | 206,144,124 |

| | | | | |
|---|---|---|---|---|
| Total liabilities per Statement of Financial Condition | | | $ | 188,983,811 |
| Add: | | | | |
| Securities owned by customers | $ | 10,250,000 | | |
| Securities owned by members - collateral for secured demand notes | | 259,579 | | |
| Value of net customer options positions | | (6,269,425) | | |
| Subordinated borrowings | | 257,500 | | 4,497,654 |
| Adjusted Total Liabilities | | | $ | 193,481,465 |

See accompanying notes.

**DORMAN TRADING, LLC** **Schedule 2**

**Statement of the Computation of Net Capital and Minimum Capital Requirements**

**December 31, 2016**

| | | | | | | |
|---|---|---|---|---|---|---|
| Current assets, as defined (see reconciliation on prior page) | | | | | $ | 206,144,124 |
| Increase (decrease) to U.S. clearing organization stock to reflect margin value | | | | | | — |
| Net current assets | | | | | | 206,144,124 |
| Total liabilities (see reconciliation on prior page) | | | $ | 193,481,465 | | |
| Deductions from total liabilities | | | | | | |
| Liabilities subject to satisfactory subordination agreements | $ | 257,500 | | | | |
| Total deductions | | | $ | (257,500) | | |
| Adjusted liabilities | | | | | | 193,223,965 |
| Net capital | | | | | | 12,920,159 |
| | | | | Charge | | |
| Charges against net capital: | | | | | | |
| Twenty percent of market value of uncovered inventories | | | $ | 832 | | |
| Charges as specified in section 240.15c3-1(c)(2)(vi) and (vii) against securities owned by firm, including securities representing investments of domestic and foreign customers' funds | | | | | | |
| | | Market Value | | | | |
| U.S. and Canadian Government Obligation | $ | 112,206,768 | | 437,200 | | |
| Stocks | | 6,055,875 | | 1,623,854 | | |
| Other securities | | 7,764 | | 155 | | |
| Five percent of all unsecured receivables from foreign brokers | | | | 45,458 | | |
| Uncovered futures contracts in proprietary accounts | | | | 13,320 | | 2,120,819 |
| Adjusted net capital | | | | | | 10,799,340 |
| Net capital required using risk-based requirement: | | | | | | |
| Amount of customer risk maintenance margin | $ | 25,082,279 | | | | |
| 8% of customer risk-based requirement | | | $ | 2,006,582 | | |
| Amount of noncustomer risk maintenance margin | | — | | | | |
| 8% of non-customer risk-based requirement | | | | — | | |
| Total risk based requirement | | | | 2,006,582 | | |
| Minimum dollar amount requirement | | | | 1,000,000 | | |
| Amount required | | | | | | 2,006,582 |
| Excess net capital | | | | | $ | 8,792,758 |

Computation of Early Warning Level

Enter 110% of risk-based amount required $ 2,207,240

Guaranteed Introducing Brokers

List all IBs with which guarantee agreements entered into by the FCM, currently in effect See attached.

There are no material differences between the above computation and the Company's corresponding unaudited Form 1FR-FCM filing as of December 31, 2016.

See accompanying notes.

**DORMAN TRADING, LLC** **Schedule 3**

**Reconciliation of Statement of Financial Condition to Segregation Statement (U.S. Exchanges)**

**December 31, 2016**

| | | |
|---|---|---|
| Customers' Segregated Funds per Statement of Financial Condition (Note 3) | $ | 183,537,358 |
| Add: | | |
| U.S. Treasury securites owned by customers | | 10,250,000 |
| Value of customers' open long futures options contracts | | 21,740,385 |
| Deduct: | | |
| Value of customers' open short futures options contracts | | (28,009,810) |
| Total Amount in Segregation | $ | 187,517,933 |

See accompanying notes.

**DORMAN TRADING, LLC** **Schedule 4**

**Segregation Requirement and Funds in Segregation**

**December 31, 2016**

| | | |
|---|---|---|
| Segregation requirement: | | |
| Net ledger balance: | | |
| Cash | $ | 190,601,921 |
| Securities | | 10,250,000 |
| Net unrealized gain in open futures contracts traded on a contract market | | (10,835,250) |
| Exchange traded options: | | |
| Market value of open options contracts purchased on a contract market | | 21,740,385 |
| Market value of open options contracts sold on a contract market | | (28,009,810) |
| Net equity | | 183,747,246 |
| Accounts liquidating to a deficit and accounts with debit balances - gross amount | | 125,921 |
| Amount required to be segregated | | 183,873,167 |
| Funds on deposit in segregation: | | |
| Deposited in segregated funds bank accounts: | | |
| Cash | | 70,316,004 |
| Securities representing investments of customers’ funds, at market | | 34,917,321 |
| Securities held for particular customers in lieu of cash | | 10,250,000 |
| Margins on deposit with clearing organizations of contract markets: | | |
| Cash | | 1,248 |
| Securities representing investments of customers’ funds, at market | | 74,854,910 |
| Net settlement from clearing organizations of contract markets | | (1,306,623) |
| Exchange traded options: | | |
| Value of open long option contracts | | 21,740,385 |
| Value of open short option contracts | | (28,009,810) |
| Net equities with other futures commission merchants: | | |
| Net liquidating equity | | 4,754,498 |
| Customers’ segregated funds on hand (petty cash) | | — |
| Total amount in segregation | | 187,517,933 |
| Excess funds in segregation | $ | 3,644,766 |
| Management target amount excess funds in segregation | | 2,000,000 |
| Excess funds in segregation over management target | $ | 1,644,766 |

There are no material differences between the above computation and the Company’s corresponding unaudited Form 1FR-FCM filing as of December 31, 2016.

**Segregation Requirement and Funds in Segregation - Customers' Dealer Options**

**December 31, 2016**

The Company does not carry customers' dealer option accounts as defined by Commodity Exchange Act Regulation 32.6. Therefore, the Company is exempt from the provisions of Regulation 32.6.

**DORMAN TRADING, LLC** **Schedule 6**

**Secured Requirement and Funds Held in Separate Accounts**

**December 31, 2016**

| | | | | |
|---|---|---|---|---|
| Amount required to be set aside in separate section 30.7 accounts | | | $ | 3,717,738 |
| Funds on deposit in separate section 30.7 accounts: | | | | |
| Cash in bank | | | | |
| Bank located in the United States | $ | 3,394,722 | | 3,394,722 |
| Equities with registered futures commission merchants | | | | |
| Cash | | 77,728 | | 77,728 |
| Equities with foreign board of trade, as follows: | | | | |
| Cash | | 1,026,093 | | |
| Unrealized gain on open futures contracts | $ | 5,891 | | 1,031,984 |
| Total amount in separate section 30.7 accounts | | | | 4,504,434 |
| Excess funds in separate section 30.7 accounts | | | $ | 786,696 |
| Management target amount excess funds in separate 30.7 accounts | | | | 200,000 |
| Excess funds in separate 30.7 accounts over management target | | | $ | 586,696 |

There are no material differences between the above computation and the Company's corresponding unaudited Form 1FR-FCM filing as of December 31, 2016.

| | | |
|---|---|---|
| Capital to be withdrawn within 6 months | $ | 300,000 |

**DORMAN TRADING, LLC** **Schedule 8**

**Listing of Guaranteed Introducing Brokers**

**December 31, 2016**

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Camp Henry Lee - Palm Beach, FL
Chen Andrew - Hayward, CA
Jeremias Morris - Brooklyn, NY
Marketxtra LLC - Los Angeles, CA
North America Trade Center LLC – Huntington Beach, CA
Patel Futures LLC - Houston, TX
Reiter Dave Richard - Muenster, TX
Ziemba Capital Management LLC - Chicago, IL

See accompanying notes.

R&J

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL**

To the Members of
Dorman Trading, LLC

In planning and performing our audit of the financial statements of Dorman Trading, LLC (the "Company") as of and for the year ended December 31, 2016, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Regulation 1.16 of the Commodity Futures Trading Commission (the "CFTC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding customer and firm assets. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Regulation 1.16 in making the following:

> The periodic computations of minimum financial requirements pursuant to Regulation 1.17
>
> The daily computations of the segregation requirements of section 4d(2) of the Commodity Exchange Act(the "CEAct") and the regulations thereunder, and the segregation of funds based on such computations
>
> The daily computations of the foreign futures and foreign options secured amount requirements pursuant to Regulation 30.7 under the CFTC.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the CFTC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Regulation 1.16(d)(2) lists additional objectives of the practices and procedures listed in the proceeding paragraphs.

Because of inherent limitations in internal control or the practices and procedures referred to previously, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of control deficiencies, in internal control over financial reporting that is less severe than a material weakness; yet important enough to merit attention by those responsible for oversight of the Company's financial reporting.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities and certain regulated commodity customer and firm assets that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the CFTC to be adequate for its purposes in accordance with the CEAct and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2016 to meet the CFTC's objectives.

This report is intended solely for the information and use of management, the CFTC, the National Futures Association, the CME Group Inc., and other regulatory agencies that rely on Regulation 1.16 under the CEAct in their regulation of registered futures commission merchants, and is not intended to be and should not be used for any other purpose.

Ryan & Juraska LLP

Chicago, Illinois
February 8, 2017