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MAR 01 2010

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

Washington, DC  
110

SEC FILE NUMBER
8-53000

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 01/01/09 AND ENDING 12/31/09  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: IDB CAPITAL CORP.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

511 Fifth Avenue

(No. and Street)

New York

(City)

New York

(State)

10017

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Thomas P. Kehrer 212-551-8684  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

KPMG LLP

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

345 Park Avenue

(Address)

New York

(City)

New York

(State)

10154

(Zip Code)

**CHECK ONE:**

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

<b>FOR OFFICIAL USE ONLY</b>

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Patrick Marron, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of IDB Capital Corp., as of December 31, 2009, 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:

LESLIE K. CASE
Notary Public, State of New York
No. 02C1878845
Qualified in New York County
Commission Expires 12/31/2010

[Handwritten Signature]
Signature
FINOP
Title

[Handwritten Signature: Leslie K. Case]
Notary Public

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

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

**IDB CAPITAL CORP.**  
(A Wholly Owned Subsidiary of  
Israel discount Bank of New York)

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**KPMG LLP**  
345 Park Avenue  
New York, NY 10154-0102

## **Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholder  
IDB Capital Corp.:

We have audited the accompanying statement of financial condition of IDB Capital Corp. (the Company) a wholly owned subsidiary of Israel Discount Bank of New York as of December 31, 2009. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes 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, as well as 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 IDB Capital Corp. as of December 31, 2009, in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

February 25, 2010

**IDB CAPITAL CORP.**  
(A Wholly Owned Subsidiary of  
Israel Discount Bank of New York)

Statement of Financial Condition

December 31, 2009

(Dollars in thousands, except par value)

**Assets**

Cash and cash equivalents	\$ 7,529
Receivable from clearing broker	4,028
Securities owned, at market	1,450
Premises and equipment (net of accumulated depreciation of \$19)	88
Other assets	<u>166</u>
Total assets	<u><u>\$ 13,261</u></u>

**Liabilities and Stockholder's equity**

Accounts payable and accrued expenses	\$ <u>1,610</u>
Total liabilities	<u>1,610</u>
Contingency (note 7)	
Stockholder's equity:	
Common stock, par value \$25 (authorized 20,000 shares; issued and outstanding 10,000 shares)	250
Retained earnings	<u>11,401</u>
Total stockholder's equity	<u>11,651</u>
Total liabilities and stockholder's equity	<u><u>\$ 13,261</u></u>

See accompanying notes to statement of financial condition.

**IDB CAPITAL CORP.**

(A Wholly Owned Subsidiary of  
Israel Discount Bank of New York)

Notes to Statement of Financial Condition

December 31, 2009

**(1) Organization**

IDB Capital Corp. (the Company) is a wholly owned subsidiary of Israel Discount Bank of New York (the Parent), a New York State chartered banking corporation. The Company is registered as a broker-dealer under Section 15(b) of the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA). The Company trades on an agency and riskless principal basis for customers of its Parent whom it either introduces to another broker-dealer (the Clearing Broker) on a fully disclosed basis or clears the customers' trades by means of omnibus accounts maintained at the Clearing Broker. The Company only carries those customer accounts that are cleared on an omnibus basis and its custodial functions related to customer securities are limited to effecting delivery and receipt between the omnibus accounts and customers' accounts established at the Parent.

On February 29, 2008, Alexandra & James, LLC executed a Term Loan Note (the Note) in favor of the Company in the principal amount of \$3 million, which resulted from the sale of certain assets by the Company to Alexandra & James, LLC, and Alexandra Lebenthal who personally guaranteed the Note. Effective December 31, 2008, the Company sold the Term Loan Note in the amount of \$3 million to its Parent for operational convenience. This transaction was settled on January 30, 2009.

**(2) Significant Accounting Policies**

In June 2009, the Financial Accounting Standards Board ("FASB") established the FASB Accounting Standards Codification (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). The Codification is not intended to change GAAP but rather to make it easier to review and research GAAP applicable to a particular transaction or specific accounting issue. As a result, these Notes to the Statement of Financial Condition no longer include specific references to GAAP pronouncements, but rather a detailed description of the applicable accounting principles.

**(a) Use of Estimates**

The preparation of financial statements 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 accompanying notes. Management believes that the estimates utilized in preparing its statement of financial condition are reasonable and prudent. Actual results could differ from those estimates.

**(b) Cash and cash equivalents**

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents include cash, investments in money market funds, and deposits with banks. At December 31, 2009, the Company had an investment in a stable value municipal money market fund of \$7,350,178.

**IDB CAPITAL CORP.**

(A Wholly Owned Subsidiary of  
Israel Discount Bank of New York)

Notes to Statement of Financial Condition

December 31, 2009

**(c) *Securities Transactions***

Securities transactions are recorded on a trade-date basis. Amounts receivable and payable for securities that have not reached their contractual settlement date are recorded net in the Statement of Financial Condition. Securities owned are valued at market, with the resulting unrealized gains or losses included in income.

Brokerage revenues, derived from securities transactions for clients, consist of commissions earned on transactions conducted on an agency basis and trading revenue earned from transactions conducted on a riskless principal basis. Such brokerage revenues and related clearing expenses are recorded on a trade-date basis, as securities transactions occur.

**(d) *Premises and Equipment, Net***

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed by the straight-line and accelerated methods based upon useful lives from 3 to 10 years. Amortization of leasehold improvements is computed by the straight-line method over the shorter time period of either the useful life of the improvement or the remaining life of the lease.

**(e) *Income Taxes***

The Company is included in the consolidated Federal, New York State and New York City tax returns filed by the Parent. Under a tax-sharing agreement with its Parent, the Company determines its federal, state, and local income tax on a separate company basis using the same computational method as the consolidated group.

**(f) *Fair Value of Financial Instruments***

Financial instruments, which consist of cash, cash and securities on deposit with clearing organization, securities owned, and accounts receivable, are reported at their carrying amounts, which approximate fair value given the short-term nature of these items.

**(3) *Receivable from Clearing Broker***

The Company is required to maintain deposits with its clearing broker in order to conduct its business. At December 31, 2009, deposits with its clearing broker consisted of cash in the amount of \$4,028,066.

The Company has agreed to indemnify the Clearing Broker for losses that it may sustain from the customer accounts introduced by the Company. Pursuant to the Clearing Agreement, the Company is required to reimburse the Clearing Broker without limitation for any losses incurred due to any customer's failure to satisfy its contractual obligations. However, the transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the market value of the security through settlement date. As a result of these transactions, there were no amounts to be indemnified to the Clearing Broker for the customer accounts at December 31, 2009.

**IDB CAPITAL CORP.**

(A Wholly Owned Subsidiary of  
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Notes to Statement of Financial Condition

December 31, 2009

**(4) Securities Owned, at Market**

At December 31, 2009, securities owned, at market, comprise the following securities (in thousands):

FHLMC mortgage-backed securities	\$	1,438
GNMA mortgage-backed securities		<u>12</u>
Total	\$	<u><u>1,450</u></u>

Securities owned may be pledged to the Clearing Broker on terms that permit the Clearing Broker to sell or repledge the securities to others subject to certain limitations. At December 31, 2009, \$162,159 in cash (included in receivable from clearing broker on the Statement of Financial Condition) was pledged as collateral. In addition at December 31, 2009, mortgage-backed securities were pledged as collateral with a total market value of \$3,195 to the Clearing Broker.

**(5) Liabilities Subordinated to Claims of General Creditors**

Effective as of July 24, 2008, the Company entered into a Subordinated Loan Agreement (the Agreement) with its Parent, whereby the Company received a principal loan amount of \$10,000,000, with maturity date as of July 31, 2012, and bearing interest at a rate per annum equal to LIBOR plus a margin of 200 basis points. This subordinated liability is available in computing net capital under the Uniform Net Capital requirements of the Securities and Exchange Commission under Rule 15c3-1. On December 1, 2009, the Company obtained regulatory approval to prepay the loan and on December 17, 2009, the loan was repaid in full.

**(6) Income Tax**

Pursuant to the tax-sharing agreement with its Parent, the Company determines its federal, state, and local income tax on a separate-company basis using the same computational method as the consolidated group. In 2009, the state and local income tax liability of its Parent was determined based on its consolidated taxable income.

Deferred tax assets at December 31, 2009 are included in other assets in the Statement of Financial Condition, and consist of the following temporary differences (dollars in thousands):

Assets:		
Deferred compensation	\$	68
Other		<u>14</u>
Total deferred tax assets, before valuation allowance		82
Valuation allowance		<u>—</u>
Deferred tax assets, net	\$	<u><u>82</u></u>



**IDB CAPITAL CORP.**

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Notes to Statement of Financial Condition

December 31, 2009

A valuation allowance for deferred tax assets was not considered necessary at December 31, 2009. The Company believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits as a component of income tax expenses. In addition, the balance of unrecognized tax benefits as of December 31, 2009 was not material.

The Company files state income tax returns in Connecticut, Florida, New Jersey and Pennsylvania. In addition, for Federal, New York State, and New York City tax purposes, the Company is part of the Parent's consolidated income tax returns. The Company and its Parent are no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2004. The New York State Department of Taxation and Finance is currently auditing the consolidated income tax returns of the Parent for the years ended December 31, 2004 to 2006. It is anticipated that this examination will be completed within the next twelve months. Management believes that the outcome of any unresolved issues or claims will not result in a material change to the Company's financial condition.

**(7) Contingency**

On November 13, 2009, an arbitration claim was filed against the Company and others alleging, among other things, violations of securities laws and breach of fiduciary duty, which according to the claimants led them to invest in those securities and incur losses. Claimants seek rescission, compensatory, punitive and exemplary damages. The Company will vigorously defend against the allegations. While the outcome cannot be predicted at this time, the Company believes it has meritorious defenses to the allegations.

**(8) Related Party Transactions**

Included in cash on the Statement of Financial Condition is a deposit with the Parent of \$156,728, as of December 31, 2009. In addition, as of the same date, a balance of \$637,094 in management fees due to the Parent and operating expenses paid by the Parent on behalf of the Company, is included in accounts payable and accrued expenses.

During 2008, the Company established an asset management division, which formed Global Ascent Fund (the Fund), an off-shore fund vehicle for non-U.S.-based investors. The Company provided the initial seed funding for the Fund by making a \$10,000,000 investment at inception. Global Ascent Fund formed three separate mutual funds, and sold shares in the funds to additional investors, all of whom were clients of the Parent. In October 2009, the Company decided to redeem its seed capital. As a result of this decision, the Board of the Fund decided to unilaterally liquidate the Fund pursuant to a voluntary liquidation, and the Company agreed to reimburse investors in the Fund for realized losses incurred as a result of this process. The Fund was liquidated in November 2009 and all shares were redeemed at the closing share value.

The majority of transactions executed by the Company are for customers introduced by the Parent.

**IDB CAPITAL CORP.**

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Notes to Statement of Financial Condition

December 31, 2009

**(9) Employee Benefit and Deferred Compensation**

The Company participates in the Parent's contributory Savings and Investment Plan (401(k)) (the Plan). Contributions are made by employees on a discretionary basis, subject to the applicable limitations of U.S. tax laws.

The Company also participates in the Parent's deferred compensation plan. Participation is open to First Vice Presidents and above and permits the participants to defer up to 10% of their base annual salary. The deferred compensation plan document describes methods by which participants can receive a Company match amount as well as a return on their investment.

**(10) Fair-Value Measurement**

On January 1, 2008, the Company adopted the amendment to the accounting and reporting standards regarding the fair value of assets and liabilities issued by the FASB, which among other things, defines fair value; establishes a consistent framework for measuring fair value; and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. The Company's adoption of this guidance did not have a material impact on its financial condition. This guidance clarifies that fair value is an "exit" price, representing; the amount that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is thus a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a fair value hierarchy was established, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices in markets that are not considered to be active or significant inputs to the methodology that are observable, either directly or indirectly.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within this valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**IDB CAPITAL CORP.**

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Notes to Statement of Financial Condition

December 31, 2009

The following table presents, by valuation hierarchy, assets and liabilities that are measured at fair value on a recurring basis and that are included in the Company's Statement of Financial Condition as of December 31, 2009:

<b>Fair value measurements at December 31, 2009 using</b>				
<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total fair value</b>	
<b>(Dollars in thousands)</b>				
Investments in money market fund	\$ 7,350	-	-	7,350
Securities owned, at market	-	1,450	-	1,450

Fair values of financial instruments are generally determined by the quoted prices on trading exchanges. However, fair values are not readily available for financial instruments such as, certain investment securities, loans, and deposits, since there are no trading markets for these instruments. Furthermore, there is no prescribed procedure for valuing these instruments. Such a valuation is, therefore, subjective and may not be a true measure of the real worth of these instruments.

The following methods and assumptions were used by the Company in determining the fair value of financial instruments:

*Cash* – The carrying amount reported in the Statement of Financial Condition for cash is comprised of cash, investments in money market funds, and demand deposits with banks, all of which approximate fair value.

*Receivable from clearing broker* – The carrying amount of these receivables is a reasonable estimate of fair value.

*Securities owned, at market* – The fair values of investment securities are based on quoted market prices when available, or on independent pricing services.

**(11) Net Capital Requirements**

The Company is subject to the Uniform Net Capital requirements of the Securities and Exchange Commission under Rule 15c3-1 (the Rule). The ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1 for the first year of operations and 15 to 1 thereafter. The Rule also provides that equity capital may not be withdrawn or cash dividends paid if certain minimum net capital requirements are not met. At December 31, 2009, the Company had net capital of \$10,511,800, which was \$10,261,800 in excess of its required net capital of \$250,000.

**IDB CAPITAL CORP.**

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Israel Discount Bank of New York)

Notes to Statement of Financial Condition

December 31, 2009

**(12) Subsequent Events**

In June 2009, the FASB issued a standard related to subsequent events, which is intended to establish general standards of accounting for and disclosing of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It also requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date-that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the financial statements being presented. The Company has evaluated subsequent events through February 25, 2010.



**KPMG LLP**  
345 Park Avenue  
New York, NY 10154-0102

## **Report of Independent Registered Public Accounting Firm on Internal Control**

Board of Directors and Stockholder  
IDB Capital Corp.:

In planning and performing our audit of the statement of financial condition of IDB Capital Corp. (the Company), as of December 31, 2009, in accordance with U.S. generally accepted auditing standards, 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 statement of financial condition, 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 Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1 Making quarterly securities examinations, counts, verifications, and comparisons, and recordation of differences required by Rule 17a-13.
- 2 Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control 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 SEC's above-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 the statement of financial condition in conformity with U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, 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 deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's statement of financial condition will not be prevented, 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 that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 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, as described in the second paragraph of this report, were adequate at December 31, 2009, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, FINRA and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 25, 2010



**IDB CAPITAL CORP.**  
(A Wholly Owned subsidiary of  
Israel Discount Bank of New York)

Statement of Financial Condition

December 31, 2009

(With Report of Independent Registered Public Accounting Firm Thereon)