



FX Global Markets (FXGM) Limited

**DISCLOSURES IN ACCORDANCE WITH THE DIRECTIVE
FOR THE CAPITAL REQUIREMENTS OF INVESTMENT
FIRMS FOR THE YEAR ENDED 31 DECEMBER 2009**

APRIL 2010

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1. GENERAL INFORMATION AND SCOPE OF APPLICATION

Requirements of the Directive

The information below is disclosed in accordance with Directive DI144-2007-05 of the Cyprus Securities and Exchange Commission (“CySEC”) for the Capital Requirements of Investment Firms.

The information that FX Global Markets (FXGM) Limited (“the Company”) discloses herein relates to the year ended 31st December 2009.

Company Incorporation & Principal Activities

FX Global Markets (FXGM) Limited was incorporated in Cyprus on 30th October 2006 as a limited liability company under the Companies Law, Cap. 113. It is a Cypriot Investment Firm (CIF) regulated and licensed by CySEC under license number 074/06.

Its principal activity is the provision of foreign exchange services. In particular, the Company is authorized to provide the following investment and ancillary services, in the financial instruments specified below:

Core Services	Ancillary Services	Financial Instruments
Reception and transmission of orders on behalf of third parties	Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services, such as cash/collateral management	(1) Units in Collective Investment Undertakings (CIUs)
Execution of orders on behalf of third parties	Foreign exchange services where these are connected to the provision of the above investment services	(2) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash
	Investment services and activities, as well as ancillary services, where these are connected to the provision of investment or ancillary services	(3) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event)

Disclosure Policy

The Company discloses information in relation to its risk management structure and minimum capital requirements on an annual basis.

The current Disclosures are based on the position of the Company as at 31st December 2009 and are prepared under Directive 144-2007-05 & 05(A).

Scope of Disclosures

Since the Company does not have any subsidiaries or parent companies, the present Disclosures relate solely to information regarding FXGM.

Throughout the year, the Company managed to continuously maintain an adequate level of capital, achieving its compliance with the Directive's minimum capital requirements.

2. RISK MANAGEMENT FRAMEWORK AND STRUCTURE

For FXGM, the purpose of managing risk is the prompt identification of potential problems that may occur, so that risk-handling activities can be planned and invoked to mitigate adverse effects and allow the Company to achieve its goals and objectives.

The Framework is set to establish, implement and maintain policies and procedures designed to manage any type of risk faced by the Company. In this way, it provides the means for FXGM to identify, assess and report potential events that may affect its business and operations in general.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's Risk Management Framework.

The Risk Management policies are established to identify and analyze the risks faced by FXGM, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, as well as the Company's activities.

The Company's Risk Management mechanism is overseen by the following bodies, departments and persons:

- Board of Directors
- Chief Executive Officer (CEO)
- Chief Operations Officer (COO)
- Compliance Officer
- Internal Audit
- Chief Dealer
- Back Office Manager
- Technology Department

Board of Directors

The Board of Directors is responsible for overlooking the operations of the Company.

The Board of Directors constitutes the ultimate administrative part of FXGM. More concretely, it approves:

1. The objectives of the Company
2. The general policy of the Company
3. The strategic direction of the Company
4. The annual budget
5. The financial statements
5. The operations manual and other procedures to be followed in the course of the Company's business.

The Board is responsible for establishing and amending the internal control procedures, where necessary. It also ensures that the Company has sufficient human and technical resources required for the performance of its duties.

The Board of Directors consists of 5 members.

In addition to the Board, the CEO and COO of FXGM play an active role in monitoring the Company's overall compliance with Capital Adequacy regulations and approving the Pillar 1 calculations and Pillar 2 and Pillar 3 disclosures.

Compliance Officer

The Company intends to uphold the strictest rules in order to ensure high ethical and professional standards, both in terms of managers and staff. To this effect, the Company has decided to outsource the internal audit procedure but at the same time to maintain an internal compliance officer, who carries the responsibility for monitoring the day-to-day operations of the Company and the actions of staff, making sure that they conform with the internal control procedures and the laws governing the financial services industry, as well as any other applicable laws and regulations.

The Duties of the Compliance Officer include the following:

- Setting and maintaining standards for all documentation
- Reviewing practices and procedures to ensure compatibility with local business and regulatory environments
- Monitoring procedures for the prevention and detection of activities and practices that aim to the legitimization of income from criminal activities (defined as “money laundering proceeds”)
- Ensuring that there is strict adherence to the procedures for the prevention of any activities aimed at manipulating market prices
- Supervision of staff and activities with the aim of monitoring the adherence to the legislative framework governing the Company, the identification of possible divergence from the applicable rules and procedures and the undertaking of proper measures for the prevention of errors
- Continuous supervision and evaluation of the compliance mechanism and presentation of suggestions for the improvement of its effectiveness to the Board of Directors
- Checking the degree of conformity of the Company with the indications of every nature of control (internal auditors, external auditors-independent, certified)

Internal Audit

The internal audit function is outsourced to an external audit firm. The internal auditors are independent and report directly to the Board of Directors.

The duties of internal audit include:

- Supervision of the Company's staff and activities, in order to:
 - Ensure compliance with the constitutional framework governing the operations of the Company under the Financial Services Law No. 148 (I) of 2002, as amended
 - Identify potential deviations from the Company's standard and operational procedures
 - Take appropriate measures to prevent errors, omissions and abuses
- Scrutiny of the exercise and proper application of adequate procedures for the location and prevention of practices consisting in:
 - Legalization of the proceeds obtained from criminal activities (money laundering)
 - Insider trading
- Scrutiny of the existence and due application of rules guaranteeing proper operation of the Company, particularly with respect to the following issues:
 - Safe and practicable segregation of each client's assets from those of the Company and from those of other clients
 - Completeness, accuracy and validity of data and information, whether of an accounting or of a financial nature

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Capital Requirements Disclosures as at 31 December 2009

- Protection of confidentiality
- Proper keeping of books, records and the Special Book of Complaints
- Existence of rules pertaining to the conclusion of contracts with clients and their proper performance by the Company's staff
- Systematic follow up and management of the risks assumed by the Company
- Continuous and due briefing of the Company's staff with respect to issues relating to the discharge of their duties in accordance with the law and the supervisory authorities' decisions
- Constant review and assessment of the Company's internal audit mechanisms and submission of suggestions to the Board for the improvement of its productivity
- Identification of potential deviations from the Company's internal procedures

Chief Dealer

The Company's Chief Dealer is responsible for overseeing the risks that may arise during the reception, transmission and execution of client orders by the Company's dealers. In case of human errors committed by dealers or clients in the process of trading or trades that may put the Company at stake, the Chief Dealer reports them immediately to the CEO and COO, proposing corrective or preventive measures in order to eliminate or reduce the Company's risk.

Moreover, the Chief Dealer keeps the CEO, COO and the Board informed of individual or portfolio credit risks, with the aid of all information sources available to him. He also evaluates and approves clients based on predefined approval levels, cooperates with the Internal Auditor and maintains measurement systems for credit and market risk.

Back Office Manager

The Back Office Manager is responsible for preparing the Company's accounts and ensuring that all client deposits and withdrawals are allocated correctly. The Back Office Manager also carries the responsibility for performing identity checks on clients who deposit money in their trading accounts, by filling out standardized forms and collecting identity documentation from the clients in question. In case of suspicious movements of amounts, dissatisfactory identity checks or problematic reconciliations, the Back Office Manager reports to the CEO and COO, who in turn determine the measures to be taken in order to deal with the problems that arise and eliminate the sources of risk.

Technology Department

The Technology Department ensures that the systems and software supporting the Company's operations are continuously monitored and tested to guarantee their reliability and minimize the possibility for system breakdown, which could potentially lead to significant losses for the Company and for its clients.

3. OWN FUNDS

The primary objective of the Company's capital supervision is to ensure its compliance with the capital requirements imposed by CySEC and to maintain a healthy capital ratio in view of supporting its business and maximizing shareholders' value. FXGM manages its capital structure and makes the necessary adjustments in light of changes in economic conditions and in the risk characteristics of its activities. The monitoring of capital is performed on an ongoing basis.

The Own Funds of the Company as at 31st December 2009 consisted solely of Tier 1 Capital and amounted to USD290.534.

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Capital Requirements Disclosures as at 31 December 2009

The composition of the Company's capital base (own funds) is presented in Table 1 below:

Table 1: Composition of the capital base of FXGM

CAPITAL FOR REGULATORY PURPOSES		As at 31 st Dec 2009
COREP ref.	Description	Amount in USD
1.1	Eligible Tier 1 Capital before solvency filters (Original Own Funds)	
	Tier 1 positive items:	
1.1.1.1	- Share capital	281.863
1.1.2.1	- Reserves	82.622
1.1.2.4b.01	- Income (negative) from current year	(73.951)
	Capital for regulatory purposes	290.534

Share Capital

As from 1 January 2008, Euro ("€") is the official currency of the Republic of Cyprus. During 2008, the share capital of the Company was converted from Cyprus Pounds to Euro according to the requirements of the Adoption of Euro Law (Law 33(I)/2007). During the conversion, any roundings were performed in accordance with the aforementioned Law. For the conversion of the share capital of the Company from Cyprus Pounds to Euro we have used the irrevocable conversion rate €1=£0,585274 and followed the provisions in the legislation for any roundings.

As a result of the above, the authorised and issued share capital of the Company from £125.000 divided to 125.000 ordinary shares of £1 each, was converted to €213.750 divided to 125.000 ordinary shares of €1,71 each. Due to the conversion and rounding of the nominal value of each share (from €1,708601 to €1,71) the share capital of the Company has increased by €245 which was capitalized through retained earnings.

4. CAPITAL REQUIREMENTS

Minimum regulatory capital requirements

The capital requirements of the Company as at 31st December 2009 were USD163.719 and are analyzed in Table 2:

Table 2: Minimum Capital Requirements

Type of Risk	As at 31 st December 2009	
	RWA (USD)	Minimum Capital Requirements (USD)
Credit Risk	455.420	36.434
Foreign Exchange Risk	412.171	32.974
Operational Risk	1.178.890	94.311
Total	2.046.481	163.719

The Capital Adequacy ratio of the Company as at 31st December 2009 was 14,2 %.

4.1. Credit Risk

General

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. FXGM has no significant concentration on credit risk. The Company has policies in place to ensure that sales of products and services are made to clients with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to individual financial institutions.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each client. FXGM establishes an allowance for impairment that represents its estimate of incurred losses with respect to trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The carrying amounts of financial assets at the balance sheet date represent the maximum credit exposure of the Company. The maximum exposure to credit risk as at 31st December 2009 was as follows:

Table 3: Credit Risk Exposures of FXGM

Balance Sheet Category	As at 31st December 2009
	Exposure (USD)
Property, plant and equipment	101.313
Trade and other receivables	1.517.735
Cash at bank and in hand	989.346
Total	2.608.394

Capital Requirements

The Company follows the Standardised Approach for the calculation of its minimum capital requirements for credit risk. It makes use of the Simple Method for Credit Risk Mitigation (CRM). The main type of collateral accepted by the firm is cash collaterals. Only the corporate exposure asset class is subject to CRM.

The firm utilizes the Standard & Poor's ratings. The ratings of institutions included in the relevant exposure class fall within the first credit quality step.

Table 4 below presents the allocation of credit risk according to the exposure class of the Company's counterparties:

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Table 4: Risk Weighted Assets (RWA) and Minimum Capital Requirement per Exposure Class

Exposure Class	As at 31 st December 2009			
	Exposure value pre CRM (USD)	Exposure value post CRM (USD)	RWA (USD)	Minimum Capital Requirements (USD)
Institutions	1.032.257	1.032.257	206.451	16.516
Corporates	1.468.898	147.656	147.656	11.813
Other Items	107.239	1.428.481	101.313	8.105
Total	2.608.394	2.608.394	455.420	36.434

The following table presents the exposures of the Company per risk weight:

Table 5: Exposure classes and minimum capital requirements

Exposure Class	Risk Weight	As at 31 st December 2009	
		Exposure Amount Pre CRM (USD)	Exposure Amount Post CRM (USD)
Institutions	20%	1.032.257	1.032.257
Corporates	100%	1.468.898	147.656
Other Items	0%	5.926	1.327.168
	100%	101.313	101.313
Total		2.608.394	2.608.394

Risk Weighted Assets and Credit Quality Steps

Institutions

For the credit ratings of Institutions, the Company uses the sovereign ratings of Standard & Poor's to rate its exposures, matching the external rating of the government of the country where each institution is incorporated with the corresponding Credit Quality Step, according to the provisions of the Central Government Risk Weight based method of the Capital Requirements Directive. The Company's main exposures are located in banks in Cyprus and Switzerland.

Corporates

Exposures to Corporates were unrated. As a result, a 100% risk weight was used.

Other Items

The Other Items category includes plant, property and equipment, commissions and service fees receivable and petty cash. A risk weight of 100% was applied to Other Items, with the exception of petty cash, which were assigned a 0% risk weight.

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Residual Maturity of exposures

Table 6 below displays the residual maturity of the Company's exposures, broken down by exposure classes, as at 31st December 2009:

Table 6: Residual Maturity per Exposure Class

Exposure Class	As at 31 st December 2009		
	Residual Maturity <1 year (USD)	Residual Maturity > 1 year (USD)	Total (USD)
Institutions	1,032,257	---	1,032,257
Corporates	1,468,898	---	1,468,898
Other Items	5,926	101,313	107,239
Total (USD)	2,507,081	101,313	2,608,394

The following table presents the countries to which each exposure class is concentrated:

Table 7: Geographic distribution of exposures

Exposure Class	As at 31 st December 2009					Total (USD)
	EU Countries (USD)		Non EU Countries (USD)			
	Cyprus	UK	British Virgin Islands	Israel	Other	
Institutions	866,525	50,237	---	---	115,495	1,032,257
Corporates	103,900	---	1,001,845	359,667	3,486	1,468,898
Other Items	107,239	---	---	---	---	107,239
Total	1,077,664	50,237	1,001,845	359,667	118,981	2,608,394

Table 8 below analyses the distribution of the Company's counterparties by industry:

Table 8: Distribution of exposures by industry type

Exposure Class	As at 31 st December 2009		
	Financial / Banking Services (USD)	Other	Total (USD)
Institutions	1,032,257	---	1,032,257
Corporates	1,434,254	34,644	1,468,898
Other Items	---	107,239	107,239
Total	2,466,511	141,883	2,608,394

Table 9 shows average exposure per asset class during 2009.

Table 9: Average Exposure per Asset Class

Exposure Class	Average exposure (USD)
Institutions	867.463
Corporates	1.244.492
Other Items	79.835
Total	2.191.790

4.2. Operational Risk

General

Operational risk is the risk of loss arising from inadequate or failed internal procedures, human behavior and systems or from external events. Operational risk includes legal risk but excludes strategic and reputation risk.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continued operational risk monitoring.

Capital Requirements

The Company applies the Basic Indicator Approach for calculating the amount of capital required under the minimum regulatory capital requirements for operational risk. The minimum capital requirement under this approach, based on the gross-income average of the last three years, amounts to USD 94.311 (see Table 10 below for further details).

Table 10: Capital Requirement for Operational Risk under BIA

Operational Risk (Basic Indicator Approach)	Gross Income (USD)			Capital Requirement (USD)
	2007	2008	2009	
Total activities subject to Basic Indicator Approach (BIA)	292.792	368.256	1.225.176	94.311

4.3. Market and Liquidity Risk

4.3.1. Market Risk

General

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Capital Requirements

Currency risk

Currency risk results from adverse movements in the rate of exchange on transactions in foreign currencies. The Company is exposed to currency risk on transactions that are denominated in a currency other than the reporting currency of the Company. FXGM’s foreign exchange risk arises from its exposures to the Euro, which is the only currency to which it is exposed apart from its reporting currency (US Dollar). The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. Table 11 below provides further details on the Company’s foreign exchange risk exposure:

Table 11: RWA and Capital Requirement for Foreign Exchange Risk

Market FX risk	As at 31 st December 2009	
	RWA (USD)	Capital Requirement (USD)
All assets & liabilities	412.171	32.974

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. It arises as a result of timing differences on the reprising of assets and liabilities. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

As at 31st December 2009, the Company had no exposure to adverse movements in interest rates as its bank deposits consisted solely of current accounts set at fixed interest rates. In addition, the Company does not have a Trading Book.

4.3.2. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when these fall due, under both normal and stressed conditions, without incurring

unacceptable losses or risking damaging its reputation. Furthermore, the Company has procedures for minimizing such losses, which include maintaining sufficient cash and other highly liquid current assets and making available an adequate amount of committed credit facilities.

4.4. Strategic Risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes. This risk is a function of the compatibility of the Company's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals and the quality of implementation. The resources needed to carry out business strategies are both tangible and intangible. They include communication channels, operating systems, delivery networks and managerial capacities and capabilities. The Company's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory and other environmental changes.

The Company's Board reviews strategies and performance in key functional areas on a periodic basis and reports financial outcomes together with the Company's position against high-level key performance measures. Independent auditing and reporting to Management and to the Board helps to achieve the strategic goals. Audited financial reports are prepared annually and used as a benchmark for the performance of the Company.