Forex Capital Markets Limited

Report and Financial Statements

Year ended 31 December 2014

Registered number: 4072877

CONTENTS

COMPANY INFORMATION

Directors

Brendan Callan
Dror Niv
Brandon Mulvihill
Angela Yeats Currie*
Lorenzo Naldini*
David King*

* Non-executive Director

Company Secretary

Jared Velez

Finance Officer

Maryke Faulkner

Compliance Officer

Michael Grant

Registered Office

Northern and Shell Building
10 Lower Thames Street, 8th Floor
London EC3R 6AD

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

STRATEGIC REPORT

The Directors present their strategic report for Forex Capital Markets Limited (the "Company") for the year ended 31 December 2014.

Principal activities

The two principal activities of the Company in the year under review were those of providing online foreign exchange ("FX") and contracts for difference ("CFDs") trading and related services to retail and institutional clients globally.

Review of business

The Company is a United Kingdom Financial Conduct Authority ("FCA") regulated full scope investment firm. The Company offers online FX currency trading to its retail and institutional clients utilising the online trading platform of an affiliate, Forex Capital Markets LLC ("FXCM US"). The Company offsets all of its FX trades with its affiliate in the United States. In this capacity, the Company is acting as a referring broker to its affiliate, even though it is still principal in the FX trade. The Company generates commission revenue on a net of expenses basis from its affiliate. The profit and loss for the Company is dependent on the trading volume of its clients. The Company also offers CFDs, which are agreements to exchange the differences in value of a particular asset such as a stock index, oil or gold contract, between the time at which a contract is opened and the time at which it is closed. CFD products are offered on a principal basis. The Company streams the best bid and offer from independent pricing sources to customers. The Company uses futures contracts to hedge these positions as considered appropriate, and limits the Company's market exposure to predefined levels as determined by the Company's Risk Committee.

The Directors consider that it is important that administrative expenditure is kept under control at all times and as a result, are continuously monitoring the cost structure of the Company, with particular emphasis in respect of fixed overheads.

The key performance indicators are as follows:

	2014	2013	Change
	$	$	%
Turnover	92,975,577	87,070,181	6.8%
Profit/(loss) on ordinary activities before taxation	1,813,431	(647,063)	380.3%
Profit/(loss) for the year	827,696	(2,099,989)	139.4%
Client cash held	452,654,453	440,058,124	2.9%
Trade volume ($ billions)	2,412	2,365	2.0%
Equity shareholder's funds	107,628,826	82,262,352	30.8%
Profit/(loss) over net assets	0.8%	(2.6%)	130.1%
Capital resources	101,573,981	85,953,291	18.2%
Capital requirement	29,236,722	24,721,740	18.3%

STRATEGIC REPORT (continued)

The Company's aggregate customer account balances continued to grow during 2014. The growth is attributed to a concerted sales effort to increase customer account balances in Europe through our branches in Germany, France, and Italy. Customers continued to look for the safety of segregated customer funds not offered in other countries. Customer account balances increased to $452,654,453 (2013: $440,058,124).

During the year under review, the Company saw turnover increase 6.8% over the prior year mainly due to the large increase in our CFD activities. Net CFD revenue increased to $77,031,434 an increase of 31.7%. The Company expects to continue to grow this part of the business as these products offer an efficient method to participate on the energy, equity and metals markets. During 2014, Forex Trading LLC ("FXT"), the Company's parent, contributed $29,029,119 (2013: $20,952,490) to the Company to strengthen the Company's regulatory capital base.

The Company is optimistic that FX volatility will increase in 2015, and as a result, the Company expects to increase revenues as it gains market share and as the retail foreign exchange markets continue to grow. The Company also expects their CFD revenue to continue growing during 2015. The Company will continue to monitor expenses to ensure that they are maintained at acceptable levels.

The Company is part of a holding company structure and its ultimate parent is FXCM Inc. ("Inc."). Inc.'s management regularly assesses its existing holding company structure to ensure it is operating as efficiently as possible. This assessment considers, but is not limited to, operating costs, tax and capital requirements across all legal entities. Inc. is currently evaluating its subsidiaries in the UK and depending on the outcome of this evaluation, the Company's activities could be transferred, subject to regulatory approval, to an affiliate.

Risk management

Risks faced by the Company can be categorised as follows and are disclosed in Note 17.

- Business Risk
- Governance Risk
- Credit Risk
- Market Risk
- Operational Risk
- Regulatory Risk
- Capital and Liquidity Risk
- Country Risk

For and on behalf of the Board

B. Callan - Director
22 April 2015

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of the Company for the year end 31 December 2014.

Results and dividends

The results for the year are shown in the profit and loss account on page 12. The full profit for the year of $827,696 (2013: loss of $2,099,989) was transferred to retained earnings.

A dividend of $5,020,414 was declared and paid to the principal shareholder during 2014 (2013: $12,101,351).

Future developments

The Company will continue to expand on its global client base and look to strengthen its market share in its core regions. In 2015 the Company will be launching share CFDs to our client base. Share CFDs are the number one request from existing clients and the primary reason we lose business to our direct competitors. The initial release will be limited to US and European shares of large cap companies, but will expand over time.

The Company will also allow the existing index and commodities CFD instruments to be traded on an STP basis. This is a significant distinction to our competitors that act as a principle for these products and trade against their clients. A lot of clients, specifically high frequency traders, look for brokers without trading restrictions. Offering these CFDs on an STP basis will allow us to offer restriction-less trading conditions.

Events after the balance sheet date

On January 15, 2015, customers of the Company and its affiliates suffered significant client losses and generated negative equity balances ("debit balances") of approximately $276 million. This was due to the unprecedented volatility in the EUR/CHF currency pair after the Swiss National Bank ("SNB") discontinued its currency floor of 1.2 CHF per EUR. The Company was exposed to a loss of $228 million in January 2015 of debit balances related to the Company's customers. The Company does not expect to recover a substantial portion of these balances. These debit balances caused the Company's regulatory capital to decline resulting in a deficit of $13,607,204. The Company notified its regulators of the capital shortfall in a timely manner and was required to supplement its net capital on an expedited basis. Concurrent with the arrangement described below, the Company and FXCM US signed an agreement whereby FXCM US released the Company from the full balance owed in respect of hedges undertaken at the close of business 15 January 2015, less a value equal to 75% of the Company's capital surplus as at 14 January 2015 ($12,750,000). In exchange for the release, the Company assigned any and all receivables it may otherwise collect from the counterparty debtors so that if a client or affiliate makes any payment to the Company on behalf of their debit balance, the Company will automatically pass that money to FXCM US. This arrangement put the Company's regulatory capital back into a surplus position.

DIRECTORS' REPORT (continued)

Events after the balance sheet date (continued)

On January 16, 2015, FXCM Holdings, LLC ("Holdings"), a wholly owned subsidiary of Inc. and FXCM Newco, LLC ("Newco"), a newly-formed wholly-owned subsidiary of Holdings, entered into a Credit agreement (the "Credit Agreement") with Leucadia National Corporation ("Leucadia"), and a related financing fee agreement (the "Fee Letter"), pursuant to which Leucadia provided Holdings and Newco a $300 million term loan. The net proceeds of the loan (approximately $279 million) were contributed to the Company's affiliates in order for the Company's affiliates to maintain compliance with regulatory capital requirements and to continue normal operations.

In connection with the Credit Agreement and the Fee Letter, on January 16, 2015, Inc., Holdings, Newco and Leucadia also entered into an agreement (the "Letter Agreement") that, among other things, sets the terms and conditions upon which Inc., Holdings and Newco will pay in cash to Leucadia and its assignees a percentage of the proceeds received in connection with certain transactions. In connection with this transaction, Holdings formed Newco and contributed all of the equity interests owned by Holdings in its subsidiaries to Newco. Further information is provided in Inc.'s 20-F.

The Credit Agreement and Letter Agreement were finalised on January 24, 2015.

On 13 February 2015, the property lease of the registered office was extended for a further 13 months. Further information is contained within Note 12.

Financial instruments

The Company's financial instruments at the balance sheet date comprised cash, liquid resources and derivatives. The Company has various other financial instruments such as client monies and customer liability balances that arise directly from its operations.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit standing and healthy capital ratio in order to support and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholder, return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The Company's Pillar 3 statement and CBCR can be found at http://www.fxcm.com/uk.

DIRECTORS' REPORT (continued)

Going concern

Having given due consideration to the nature of the Company's business, the Directors consider that the Company is a going concern and the financial statements are prepared on that basis. This reflects the reasonable expectation that the Company has adequate resources to ensure that the Company will be able to meet its on-going obligations for at least 12 months from the date of signing the statutory accounts and will have enough capital to meet all of its regulatory requirements.

In determining that the Company is a going concern, the Directors considered the events surrounding the January 15 SNB decision, subsequent client losses which lead to the Company temporarily falling below regulatory capital requirements and the agreement for the release of the Company from the client debit balances by FXCM US. The Directors are comfortable with the mitigating actions that have since taken place, which include but are not limited to; removing less liquid currency pairs, increasing margin requirements, and tighter oversight and controls around clients with large exposures. While the SNB decision is considered a Black Swan event the Directors are satisfied that a similar move would not result in the same outcome, as a result of the actions taken. The Company has also received a letter of support from its parent. The Directors believe that the actions taken to minimise risk of all types will ensure that the Company will be able to manage its risks successfully enabling it to continue to enhance its market position and grow its business.

Directors

The Directors who have held office during the period from 1 January 2014 to the date of this report are as follows:

Dror Niv
Brendan Callan
Jim Gollan* (resigned 19 August 2014)
Brandon Mulvihill
Angela Yeats Currie*
Lorenzo Naldini*
David King* (appointed 1 August 2014)

* Non-executive director

None of the Directors at year end hold, or have ever held, any beneficial interests in the shares of the company.

Secretary

J Velez

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable him or her to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Reappointment of auditor

In accordance with S.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he or she is obliged to take as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

For and on behalf of the Board

B. Callan - Director
22 April 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREX CAPITAL MARKETS LIMITED

We have audited the financial statements of Forex Capital Markets Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report, strategic report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREX CAPITAL MARKETS LIMITED (continued)

Emphasis of matter – impact of the Swiss National Bank discontinuing its currency floor in January 2015

In forming our opinion on the financial statements for the year ended 31 December 2014, which is not modified, we draw your attention to the disclosures made in the Directors' report and note 18 which describes the significant losses suffered by clients of the company in January 2015 as a result of the unprecedented volatility in the EUR/CHF currency pair after the Swiss National Bank discontinued its currency floor, the impact on regulatory capital and the subsequent arrangements entered into with the company's parent and the external financing obtained. Given the size and impact of this matter on the company, we believe that this issue is of such importance that it should be drawn to the attention of the members.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Simon Michaelson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
24 April 2015

Profit and Loss Account

For the year ended 31 December 2014

	Notes	2014 $	2013 $ (Restated)*
Turnover	2	92,975,577	87,070,181
Administrative expenses		(94,556,031)	(90,834,470)
Other operating income		2,455,081	2,086,686
Operating profit/(loss)	4	874,627	(1,677,603)
Interest receivable and similar income		1,019,666	1,063,125
Interest payable and similar charges		(80,862)	(32,585)
Profit/(loss) on ordinary activities before taxation		1,813,431	(647,063)
Tax on profit/(loss) on ordinary activities	6	(985,735)	(1,452,926)
Profit/(loss) for the financial year		827,696	(2,099,989)

The notes on pages 14 to 38 form part of the financial statements.

All of the Company's activities during the current year and the preceding year are classed as continuing. There are no other recognised gains or losses in this year and the preceding year.

* Comparative amounts have been restated as a result of the change in presentational currency and other classification changes as outlined in Note 1.

Balance sheet

As at 31 December 2014

	Notes	2014 $	2013 $ Restated*
FIXED ASSETS			
Tangible assets	7	214,252	102,725
Other investments	8	91,553	1,341,133
		305,805	1,443,858
CURRENT ASSETS			
Debtors	9	4,148,709	4,628,017
Cash at bank	10	582,437,687	560,560,400
		586,586,396	565,188,417
CREDITORS			
Amounts falling due within one year	11	479,263,375	484,369,923
NET CURRENT ASSETS		107,323,021	80,818,494
NET ASSETS		107,628,826	82,262,352
CAPITAL AND RESERVES			
Called up share capital	13	64,891,237	35,862,118
Share based payment reserve	15	13,339,527	12,809,454
Profit and loss account	15	29,398,062	33,590,780
EQUITY SHAREHOLDER'S FUNDS	15	107,628,826	82,262,352

* Comparative amounts have been restated as a result of the change in presentational currency as outlined in Note 1.

The financial statements and associated notes 1 - 20 were approved by the Board on 22 April 2015 and were signed on its behalf by:

B. Callan
Director

Notes to the Financial Statements

As at 31 December 2014

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention which has been modified to include certain financial instruments at fair value in accordance with applicable accounting standards under UK GAAP and on a going concern basis.

The Company has taken advantage of the exemption from preparing consolidated financial statements contained in section 401 of the Companies Act 2006 as the Company and its parent are wholly owned subsidiaries of the ultimate parent for which consolidated financial statements are prepared.

The format of the profit and loss account has been amended in order to better represent the nature of the business and provide greater disclosure. Accordingly, certain prior period amounts have been reclassified in order to align with the current year presentation.

Presentation currency

The Company's functional currency is US Dollars ("USD") and the accounts are presented in USD following a decision to change the presentational currency from GBP during the year ended 31 December 2014. The presentational currency has been changed to USD to eliminate inconsistencies with reporting within the wider FXCM Group.

A change in presentation currency is a change in accounting policy which is accounted for retrospectively. Statutory financial information included in the Company's financial statements for the year ended 31 December 2013 previously reported in sterling has been restated into USD using the procedures outlined below:

- assets and liabilities denominated in non-USD currencies were translated into USD at the closing rates of exchange on the relevant balance sheet date;
- non-USD income and expenditure were translated at the average rates of exchange prevailing for the relevant period;
- share capital, share premium and the other reserves were translated at the historic rates prevailing at the date of each transaction
- all exchange rates were extracted from the Company's underlying financial records.

Revenue recognition

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Company and can be reliably measured.

Notes to the Financial Statements

As at 31 December 2014

1 ACCOUNTING POLICIES (continued)

Turnover

Turnover represents:

i) Commission revenue (net of commission/rebates paid) is generated from an affiliate for acting as a referring broker, although the Company is still a principal on all foreign exchange transactions, and excludes value added tax. Commission revenue is recognised on a trade date basis.

ii) Profit and loss on trading in CFD's (net of commissions/rebates paid) results from the contracts being marked to market and the resulting profit or loss is recognised as incurred. Any profit or loss realised due to hedge transactions is netted against the profit or loss from the original transaction.

Other operating income

Revenue comprises mainly of inactivity fees and management fees received from other group companies. Inactivity fees are recognised based on the trading activity on a client account.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates ruling at the balance sheet date. Income and expense items are translated each month at the average rates of exchange applicable for that month. Non-monetary assets and liabilities denominated in foreign currencies are measured in terms of historical costs using the exchange rate at the date of the initial transaction. All exchange differences are taken to the income statement and are shown in administrative expenses.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and impairment, if any. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 33% on cost
Computer equipment	- 33% on cost

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the Financial Statements

As at 31 December 2014

1 ACCOUNTING POLICIES (continued)

Share-based compensation
The Company recognises compensation expenses for awards of Inc. equity granted by the Company. The Company's stock-based compensation expense is measured at the date of grant, based on the estimated fair value of the award, and recognised over the requisite service period of the award, net of estimated forfeitures. The fair value of Inc.'s non-qualified stock options is estimated using the Black-Scholes option pricing model. The fair value of restricted stock units ("RSUs") is based on the fair market value of Inc.'s Class A common stock on the date of grant, adjusted for the present value of dividends expected to be paid on Inc.'s Class A common stock prior to vesting. See Note 14 for further details.

Cash and cash equivalents
Cash includes cash at banks and cash held by FX and CFD market makers related to hedging activities. Cash equivalents comprise short-term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

The Company holds money on behalf of clients in accordance with the Client Money and Asset Rules of the UK Financial Conduct Authority (FCA) and other regulatory bodies. Such monies and the corresponding liabilities to the clients are included on the balance sheet as disclosed in the notes.

Cash flow statement
As the Company is a subsidiary undertaking where 90% or more of the voting rights are controlled within the group, and the consolidated financial statements in which the Company is included are publicly available, the Directors have taken advantages of the exemption in Financial Reporting Standard No 1 (Revised 1996) (FRS1) and not applied FRS1.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be a suitable taxable profits from which the future reversal of timing differences can be deducted.

Notes to the Financial Statements

As at 31 December 2014

1 ACCOUNTING POLICIES (continued)

Investment

Fixed asset investments are shown at cost. If there is objective evidence of impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar asset.

Debtors

Debtors are stated at their recoverable value, when the time value of money is material, debtors are carried at amortised cost. At each balance sheet date debtors are reviewed to determine whether there is an indication of impairment. If such indication exists, the recoverable amount is estimated. A provision for impairment is recognised when it is evident that full recovery is unlikely. The provision is subject to management review.

Financial instruments disclosures

FRS 29 (Financial Instruments: Disclosures) is applicable during the year. However the Company is claiming exemption under FRS 29 section 2D as the Company is a subsidiary of a group where greater than 90% of the voting rights are controlled within the group, and the ultimate parent company's financial statements are publicly available.

Operating lease commitments

Rent payable under operating leases is charged to the profit and loss account on a straight line basis over the lease term.

Related party transactions

FRS 8 does not require disclosure in the financial statements of subsidiary undertakings, 90 per cent or more of whose voting rights are controlled within the group, of transactions with entities that are part of the group or investees of the group qualifying as related parties, provided that the consolidated financial statements in which that subsidiary is included are publicly available.

2 TURNOVER

The Company's turnover comprises a single segment and is sourced worldwide.

	2014	2013
	$	$
Commission revenue	15,944,143	28,570,312
Profit and losses on trading in contracts for difference	77,031,434	58,499,869
	92,975,577	87,070,181

Notes to the Financial Statements

As at 31 December 2014

3 STAFF COSTS

	2014	2013
	$	$
Wages and salaries	10,751,365	13,407,859
Social Security costs	2,739,434	2,626,046
	13,490,799	16,033,905

The average monthly number of employees during the year was as follows:

	2014	2013
Sales, marketing and support	23	23
IT	8	8
Trading	12	8
Management and administrative	22	20
	65	59

There are no pension costs as the Company makes no pension contributions (2013: $Nil).

4 OPERATING PROFIT/ (LOSS)

The operating profit/ (loss) is stated after charging:

	2014	2013
	$	$
Depreciation – owned assets	64,621	60,877
Services provided by the Company's auditors		
- Fees paid for audit-related assurance services	519,734	46,708
- Fees paid for other assurance services	-	23,661
Foreign exchange differences	769,735	351,296
Lease expense – land and building	1,053,639	1,110,734

Notes to the Financial Statements

As at 31 December 2014

5 DIRECTORS' REMUNERATION

Directors' remuneration	2014 $	2013 $
Aggregate remuneration for qualifying services	789,357	509,939
Aggregate remuneration of highest paid Director	420,278	356,573

One of the Directors who held office during the year was remunerated as an officer of Holdings in respect to their services to Holdings.

	2014	2013
Number of Directors who received shares in respect of qualifying services	1	1

There are no pension costs as the Company makes no pension contributions (2013: $Nil).

6 TAXATION

Analysis of the tax charge

(a) The tax charge on the profit/ (loss) on ordinary activities for the year was as follows:

	2014 $	2013 $
Current tax:		
UK corporation tax	170,159	1,418,166
Foreign tax	353,674	114,567
Total current tax charge	**523,833**	**1,532,733**
Deferred tax:		
Origination and reversal of timing differences	461,902	(79,807)
Total deferred tax (credit)	**461,902**	**(79,807)**
Total tax charge/(credit)	**985,735**	**1,452,926**

(b) Factors affecting the tax charge/ (credit)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for the year ended 31 December 2014 of 21.5% (2013: 23.25%).

Notes to the Financial Statements

As at 31 December 2014

6 TAXATION (continued)

The difference is explained below:	2014	2013
	$	$
Profit/(Loss) on ordinary activities before tax	1,813,431	(647,063)
Tax effect of profit/(loss)	389,888	(150,442)
Origination/reversal of timing differences	(428,816)	-
Expenses not deductible for tax purposes	103,940	72,528
Non-deductible FCA penalty	-	1,510,623
Capital allowances in excess of depreciation	-	12,094
Non-deductible impairment	278,478	-
Tax from other jurisdictions	159,858	114,567
Utilisation of brought forward losses	(40,050)	(1,387,984)
Other	-	(26,637)
Prior period adjustment	60,535	1,387,984
Current tax charge	523,833	1,532,733

(c) Deferred taxation

Movement on deferred tax is made up of:	2014	2013
	$	$
At 1 January	532,283	452,476
Profit and loss account	(505,436)	(1,246,565)
Adjustment due to change in corporation tax rate	5,689	(61,612)
Adjustments in respect of prior periods	37,845	1,387,984
At 31 December	70,381	532,283
Provision for deferred tax:		
Accelerated capital allowances	(6,847)	2,192
Deferred compensation	77,228	530,091
Total provision for deferred tax	70,381	532,283

A reduction in the UK corporation tax rate from 23% to 21% was substantively enacted in July 2013 to be effective from 1 April 2014. Additionally, a reduction from 21% to 20% was effective 1 April 2015. Accordingly, the 20% rate has been applied to the Company's deferred tax assets in the measurement of the Company's deferred assets/liabilities at 31 December 2014 as this being the expected deferred tax reversal rate. The deferred tax asset is recognised on the basis that the Directors believe that the Company will have future profits against which the deferred tax can be recovered.

A deferred tax asset of $70,381 (at 20%) is in other debtors of $1,377,394, see Note 9.

Notes to the Financial Statements

As at 31 December 2014

6 TAXATION (continued)

Country By Country Reporting

Location	Entity	Description of activities	No. of employees on a FTE basis	Turnover $000's	Profit/ (Loss) before tax $000's	Tax on Profit or Loss $000's
England, London	FXCM Ltd.	CFD trading and Foreign Exchange	65	92,975	1,813	(633)
France, Paris	Registered in France as a branch of FXCM Ltd.	Operates as a sales office, solicits local clients and provides customer service	11	2,512	194	(87)
Germany, Berlin	Registered in Germany as a branch of FXCM Ltd.	Operates as a sales office, solicits local clients and provides customer service	10	1,625	637	(224)
Italy, Milan	Salex Holdings SRL is 33% owned by FXCM Ltd. It is incorporated under the laws of Italy and for regulatory purposes, is considered a Branch of FXCM Ltd.	Operates as a sales office, solicits local clients and provides customer service	9	342	94	(42)
Greece, Athens	Registered in Greece as a branch of FXCM Ltd. It is operated through a tied agent relationship with a company titled Stentor Group SA.	Operates as a sales office, solicits local clients and provides customer service	0	551	0	0
Hungary, Budapest	Registered with the Hungarian Financial Supervisory Authority ("HFSA") as a branch of FXCM Ltd. It is operated through a tied agent relationship with a company titled CEMP Trade KFT.	Operates as a sales office, solicits local clients and provides customer service	0	99	0	0

No public subsidies were received at any location.

Notes to the Financial Statements

As at 31 December 2014

7 TANGIBLE ASSETS

	Fixtures and fittings	Communication and computer equipment	Totals
	$	$	$
COST			
At 1 January 2014 (translated)	43,468	391,231	434,699
Additions	-	216,295	216,295
Disposals	-	(62,142)	(62,142)
At 31 December 2014	43,468	545,384	588,852
DEPRECIATION			
At 1 January 2014 (translated)	33,396	298,578	331,974
Charge for the year	10,072	54,549	64,621
Disposals	-	(21,995)	(21,995)
At 31 December 2014	43,468	331,132	374,600
NET BOOK VALUE			
At 31 December 2014	-	214,252	214,252
At 31 December 2013	10,072	92,653	102,725

8 OTHER INVESTMENTS

	Fixed Asset Investment
	$
Cost or valuation	
At 1 January 2014	1,341,133
Impairment	(1,249,580)
Net book value	91,553
At 31 December 2014	91,553
At 31 December 2013	1,341,133

The following were fixed asset investments of the Company:

Name	Class of shares	Holding
Salex Holding SRL	Ordinary shares	33%

Notes to the Financial Statements

As at 31 December 2014

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	$	$
Amounts owed by group undertakings	812,060	306,395
Tax receivable	1,959,255	2,301,315
Others debtors	1,377,394	2,020,307
	4,148,709	4,628,017

Amounts owed by group undertakings results for various inter group recharges, profit sharing etc., have no fixed date of repayment and are repayable on demand.

10 CASH AND CASH EQUIVALENTS

	2014	2013
	$	$
Own funds	129,783,234	120,502,276
Client funds	452,654,453	440,058,124
	582,437,687	560,560,400

Both own funds and client funds are short-term cash deposits with an original maturity of less than three months. At times, these balance held in U.S. bank accounts may exceed federally insured limits. This potentially subjects the Company to concentration of risk. The Company has not experienced losses in such accounts.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	$	$
Amounts due to group undertakings	10,955,559	12,809,772
Tax payable	217,100	49,281
Other taxation and social security	317,421	423,160
Other creditors	9,823,273	7,397,880
Trade creditors - Segregated customer liabilities	414,488,846	431,927,875
Trade creditors - Non-segregated customer liabilities	38,165,607	8,130,249
Accruals and deferred income	5,295,569	23,631,706
	479,263,375	484,369,923

Amounts due to group undertakings results for various inter group recharges, profit sharing etc., have no fixed date of repayment and are repayable on demand.

Client balances included in trade creditors above are repayable on demand, other trade creditors have an original maturity of less than three months.

Notes to the Financial Statements

As at 31 December 2014

12 OPERATING LEASE COMMITMENTS

	2014	2013
	$	$
Amounts expiring within one year	853,199	40,822
Amounts expiring within two to five years	132,254	1,122,844
Amounts expiring after five years	114,033	196,239

On 4 January, 2013, the property lease of the registered office was assigned to the Company from an affiliate. The aggregate rental expense for operating leases for the year ended 31 December 2014 was $1,053,639 (2013: $1,110,734). On 13 February 2015, the property lease of the registered office was extended for a further 13 months until 31 December 2016.

13 CALLED UP SHARE CAPITAL

Allotted and fully paid:

Ordinary shares of £1 each	2014	2013
	$	$
At 1 January	35,862,118	14,909,628
Issued during the year	29,029,119	20,952,490
At 31 December	64,891,237	35,862,118

65% of the total amount of shares issued were pledged under the Credit Agreement (see Note 16).

On 31 January 2014 11,000,000 ordinary £1 shares were allotted to FXT at par value and settled in cash. On 9 April 2014 a further 6,636,100 ordinary £1 shares were allotted to FXT at par value and settled in cash.

Notes to the Financial Statements

As at 31 December 2014

14 SHARE- BASED COMPENSATION

Inc.'s Amended and Restated 2010 Long-Term Incentive Plan (the "LTIP") permits the grant of various equity-based awards to employees, directors or other service providers of the Company. Under the LTIP, the Company has granted non-qualified stock options and other equity awards, including shares of Inc.'s Class A common stock ("Shares") and, beginning in the fourth quarter of 2014, RSUs. The total number of Shares which may be issued under the LTIP is 15.3 million. The Shares issued may consist, in whole or in part, of unissued Shares or treasury Shares. The issuance of Shares shall reduce the total number of Shares available under the LTIP. As of December 31, 2014, 4.4 million shares remained available for future issuance.

In arriving at stock-based compensation expense, the Company estimates the number of equity-based awards that will forfeit due to employee turnover. The Company's forfeiture assumption is based primarily on its turn-over historical experience. If the actual forfeiture rate is higher than the estimated forfeiture rate, then an adjustment will be made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognised in the Company's financial statements. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment will be made to lower the estimated forfeiture rate, which will result in an increase to expense recognised in the Company's financial statements. The expense the Company recognises in future periods will be affected by changes in the estimated forfeiture rate and may differ significantly from amounts recognised in the current period.

Stock Options

Stock options to purchase Shares are granted to employees ("Employee Stock Options"). The Employee Stock Options have a four-year graded vesting schedule and a contractual term of seven years from the date of grant. Under the terms of the LTIP, Inc. may issue new Shares or treasury Shares upon share option exercise.

During the year ended December 31, 2014, the Company granted 45,000 Employee Stock Options. Stock options are granted to employees with exercise prices at least equal to the fair market value of a Share on the date the option is granted.

Notes to the Financial Statements

As at 31 December 2014

14 SHARE- BASED COMPENSATION (continued)

The following table summarises the Company's stock option activity as of December 31, 2014 and changes for the year then ended:

	Shares	Weighted-Average Exercise Price $	Weighted-Average Remaining Contractual Term
Outstanding at January 1, 2014	525,250	13.69	4.5
Granted	45,000	16.21	
Transfers-in	14,000		
Exercised	37,000	12.88	
Forfeited	5,000	14.00	
Outstanding at December 31, 2014	542,250	13.96	3.61
Vested or expected to vest at December 31, 2014	535,000	13.96	3.61
Exercisable at December 31, 2014	413,250	13.80	3.01

The weighted-average fair value per option granted in the year ended December 31, 2014 was $5.70. The total intrinsic value of the options exercised in the year ended December 31, 2014 was $0.1 million. The total grant-date fair value of options vested in the year ended December 31, 2014 was $0.7 million.

Valuation Assumptions

The fair value of each option awarded to employees is estimated on the date of grant using the Black-Scholes option pricing model.
The following assumptions were used in the Black Scholes valuation model:

Expected term in years	4.75
Risk-free interest rate	1.58%
Expected volatility	45.00%
Dividend yield	1.48%
Estimated fair value at grant date	$5.70

Expected term of 4.75 years is based on the assumption that the options will be exercised halfway between the average vesting date and the contractual term of each option grant since Inc. does not have sufficient historical data upon which to estimate an expected term. Given that Inc.'s stock has been publically traded for less than five years Inc. believes that the simplified method is an applicable methodology to estimate the expected term of the options as of the grant date. The risk free interest rate for the Employee Stock Options is based on U.S. treasury instruments whose terms are consistent with the expected lives of the Stock Options.

Notes to the Financial Statements

As at 31 December 2014

14 SHARE- BASED COMPENSATION (continued)

Expected volatility is based on a weighing of the historical and implied volatilities of Inc. and for a set of public guideline companies deemed comparable to it. The guideline companies selected operate in a similar industry, pursue similar market opportunities, and are subject to similar risks of Inc. Changes in the subjective assumptions required in the valuation models may significantly affect the estimated value of the Company's Employee Stock Options, the related stock-based compensation expense and, consequently, its results of operations and comprehensive income. The dividend yield is determined based on Inc.'s expected dividend pay-outs.

Stock-based compensation expense before income taxes included in administrative expense in the profit and loss account was $0.5 million for the year ended December 31, 2014.
As of December 31, 2014, there was $0.3 million of total unrecognised compensation cost related to non-vested Employee Stock Options that is expected to be recognised over a weighted average period of 2.7 years.

Other Equity Awards

The LTIP provides for the grant of other stock-based awards ("Other Equity Awards") which may include Shares and other awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, Shares.

RSUs

During December 2014, the Company granted service-based RSUs to employees. The RSUs vest in equal annual instalments over a four-year period following the date of grant, subject to the employees' continuing employment. RSUs that vest are settled by issuance of one Share for each RSU. If the employee terminates for any reason, any RSUs which have not vested as of the date of termination are forfeited and returned to the Company.
Holders of RSUs do not have dividend, voting or any other rights of a shareholder with respect to the Shares underlying the RSUs unless and until the RSUs vest and are settled by the issuance of such Shares. The fair value of RSUs is based on the fair market value of Shares on the date of grant, adjusted for the present value of dividends expected to be paid on Shares prior to vesting. Such value is recognised as an expense over the requisite service period, net of estimated forfeitures.

Notes to the Financial Statements

As at 31 December 2014

14 SHARE- BASED COMPENSATION (continued)

The following table summarises the Company's non-vested RSU activity as of December 31, 2014 and changes for the year then ended:

	Units	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Non-vested at January 1, 2014	—	—		
Granted	24,400	$ 16.25		
Vested	—	—		
Forfeited	—	—		
Non-vested at December 31, 2014	24,400	$ 16.25	3.96	$ 404
RSUs expected to vest at December 31, 2014	21,395		3.96	$ 355

Stock-based compensation expense before income taxes for RSUs, which is included in administrative expense in the profit and loss account was not material for the year ended December 31, 2014.

As of December 31, 2014, there was $0.4 million of total unrecognised compensation cost related to non-vested RSUs that is expected to be recognised over a weighted-average period of 3.96 years.

15 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Share capital	Share-based payment reserve	Profit and loss account	Total
	$	$	$	$
At 1 January 2013	14,909,628	12,255,801	47,792,120	74,957,549
Dividend paid	-	-	(12,101,351)	(12,101,351)
Movement in the year	20,952,490	553,653	(2,099,989)	19,406,154
At 1 January 2014	35,862,118	12,809,454	33,590,780	82,262,352
Dividend paid	-	-	(5,020,414)	(5,020,414)
Movement in the year	29,029,119	530,073	827,696	30,386,888
At 31 December 2014	64,891,237	13,339,527	29,398,062	107,628,826

See the share-based compensation note 14 in relation to the share-based payment reserve.

Notes to the Financial Statements

As at 31 December 2014

16 CONTINGENT LIABILITIES

Credit Agreement

On December 19, 2011, Holdings entered into a credit facility agreement (the "Credit Facility Agreement") with a syndicate of financial institutions. The Credit Facility Agreement was guaranteed by certain subsidiaries of Holdings and was secured by a pledge of all of the equity interests in certain of Holdings' domestic subsidiaries, including the Company, and 65% of the voting equity interests in certain of its foreign subsidiaries. As of December 31, 2014, Holdings' outstanding balance under the Credit Facility Agreement was $25.0 million. In connection with the events described under "Events after the balance sheet date " in the Directors' report, Holdings' outstanding borrowings under the Credit Facility Agreement of $25.0 million, including accrued interest and fees of $0.1 million, were repaid in full and the Credit Facility Agreement was terminated effective January 20, 2015.

17 RISK MANAGEMENT

The Company's Risk Management Committee provides an on-going assessment of the risks which the Company believe have the potential to have a significant detrimental impact on its financial performance and future prospects and describes how the Company mitigate these risks subject to the Company's risk appetite.

Risk appetite is established by the Board of the Company which delegates the management and monitoring of these risks to the Risk Management, Executive, CASS, Remuneration and Audit Committees.

Risk appetite is defined as a Company's willingness to accept risks in pursuit of its objectives. Risk appetite is assessed against the businesses' key drivers of success, which form the basis for the risk appetite. The establishment of the Overarching Risk Policy is intended to guide employees in their actions and ability to accept and manage risks. Through the risk management framework and its Overarching Risk Policy, the Company has established and communicated their risk appetite.

The following section sets out these risks, the controls around them and the risk appetite set by the Board for each risk.

Notes to the Financial Statements

As at 31 December 2014

17 RISK MANAGEMENT (continued)

Risks faced by the Company can be categorised as follow:

- Business Risk
- Governance Risk
- Credit Risk
- Market Risk
- Operational Risk
- Regulatory Risk
- Capital & Liquidity Risk
- Country Risk

Each of these risks is described below:

Business risk

This is defined by Performance Risk and Reputational Risk:

- Due to strategy, revenue or decline in client numbers, investor confidence is undermined by a decline in the Group's share price caused by external factors.
- Decrease in the number of new and active institutional and retail customers
- The Company suffers a substantial loss of reputation leading to a desertion of clients and monies. This includes the potential effects of any reputational damage suffered by any other FXCM Group entities.

The Company places the highest importance on risk management at all levels throughout the organisation. The Company seeks to operate at the highest level of integrity and ethical standards in all their activities to mitigate this risk.

Governance risk

The Company is committed to having corporate governance, risk management and a control framework appropriate to the size of the business and level of risk within the business. The governance structure is designed to oversee all the Company's operations. The execution of these promotes overall effective corporate governance.

Notes to the Financial Statements

As at 31 December 2014

17 RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that a borrower or counterparty will fail to meet their financial obligations.

The Company has credit risk arising from deposits held at third parties, from credit extended to a limited number of clients that meet specified credit criteria and from defaulted client losses. There are strict controls around these risks. The Company also considers the impact of credit risk arising from client balances going into a negative position.

Balances held with third parties

The Company aims to deposit 75% of all funds with third parties with credit ratings equivalent to the FCA's credit quality step 3 and above.

Diversification is a critical part of risk mitigation; therefore to protect client money and comply with regulatory rules, the Company manages the risk of default or failure of a third party by aiming to keep no more than 40% of cash at a single third party.

The Company's deposits of cash at any single third party that does not have credit ratings equivalent to the FCA's credit quality step 3 and above shall be no greater than 10% of all cash.

All customer funds nominated for segregation are held in segregated accounts.

A credit review process is carried out for all new third party relationships and a credit review of all existing third parties is carried out annually.

Credit extended to clients

The Company extends credit to a limited number of clients that meet specified credit criteria. In relation to extension of credit to clients, the Company's policy is not to extend more than US$5million to any single client and the total exposure to all clients (collectively) to which credit is extended should not exceed US$15million, unless an increase is approved by the Credit Committee.

A credit review process is carried out for all new credit lines extended and approved by the Credit Committee and a credit review of all existing credit lines is carried out annually.

Specific margining rules and credit limits are set and regularly reviewed by the Credit Committee and reported to the Board.

Notes to the Financial Statements

As at 31 December 2014

17 RISK MANAGEMENT (continued)

Defaulted client losses

The Company also considers the possibility of risks that could arise if clients do not meet their margin requirement or in some cases going into deficit which would potentially expose the Company to credit risk in respect of the margin call and or deficit. The Company has a strict policy on this and clients' useable margins are not allowed to fall below zero. If they breach their margin requirements, positions are automatically closed out with the exception of:

- Significant price gapping usually as the result of news during or out of market hours. Since the event of 15 January we have restricted our no debit balance policy to smaller retail clients only. This will reduce the downside potential of future single client large debit balances, and
- A limited number of non-auto liquidated accounts where margin calls and liquidation of positions are performed manually.

Market risk

Market risk is defined as the risk that exposures to market price fluctuations inherent in the positions held by the Company are excessive in comparison with the capital held within the business such that an adverse move in the pricing of those positions could cause a material loss to arise.

FX and CFD's

The Company adopts the straight through processing ("STP") model with its client FX trades. The STP model sends the trades directly to the counterparty banks via FXCM US. The Company has signed a Service Provider Agreements ("SPA") with FXCM US under which client transactions in FX are automatically hedged with FXCM US, to manage market risk. For a period of time during the year ended 31 December 2014 the Company had an SPA in place with FXCM Securities Limited ("FXCMS") under which FXCMS hedged FX and certain spread bet trades on behalf of the Company. FXCM US has an active risk management framework which continuously reviews its exposure to market risks and hedges where necessary. This mitigates the impact from a group risk perspective.

The CFD desk is a desk that offers CFD products and metals contracts to clients. Exposures are monitored and controlled and the hedging policy is based on a hierarchy of exposures and margin limits. The market risk is monitored on a real time basis which allows the desk to identify open market risk positions in real time for hedging the CFDs. The hedging activity is overseen by the Head of the CFD desk and the FXCM Group's Head of Global Dealing. The Company runs limited exposure positions so that portfolio hedges can be effective, rather than hedging its entire exposure on a trade-by-trade basis. Limits are therefore set for individual products and market sectors.

Notes to the Financial Statements

As at 31 December 2014

17 RISK MANAGEMENT (continued)

Currency mismatch risk

The Company has exposures to currency mismatch risk through their normal course of business. This risk arises if obligations (i.e. money obligations) owed to clients in one currency are secured by deposits in a different currency and the exchange rate between these two currencies changes.

Currency imbalances are managed on a global basis for FXCM Group entities through FXCM US to reduce transaction costs.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems. The Company seeks to mitigate operational risk to acceptable residual levels.

The operational risks that have been identified as material through the risk assessment process are:

- System failures;
- Fraud (both internal and external).

System failures

This includes losses arising from disruption of business or system failures.

The Company's operations are exposed to technology risk relating to their trading platforms and internal systems. This includes:

- Application errors;
- Data processing errors;
- System outages; and
- Breaches in system security.

Notes to the Financial Statements

As at 31 December 2014

17 RISK MANAGEMENT (continued)

The main controls that the Company has in place around system failures are:

- The Company undertakes system monitoring to ensure maximum system uptime as well as robust planned maintenance processes. As part of continuous system management, the Company is able to make use of wider and more extensive FXCM Group IT resources to assist with any necessary incident management. IT management also work under the framework of FXCM Group's internal best practice policies and control procedures to manage the Company's technology risks.
- Mission critical software is deployed in more than one location which minimises the extent of platform outage should a single server fail. Secondly, technology with inherent redundancy is used in mission critical systems (for example, multiple hard drives, duplex network connectivity and power supply systems) to avoid failure of the system itself. Additionally, redundant infrastructure is deployed at the most critical technology layers (for example, storage, databases and networking).
- To minimise data loss due to loss of the primary data centre, mission critical data is protected in enterprise standard databases for all trading accounts, traded positions and trading history and is replicated in near real time between two data centres. The Company's system backups are also replicated to a secondary data centre at the time of backup.
- A contingency plan for the interruption of the dealing operation is covered in the Company's Business Continuity/Disaster Recovery ("BCDR") plan for the Company. Furthermore, the plan can be implemented at different phases depending upon the level of disruption.
- Dealer terminals connect to core systems from the trading room via secure networking and access to critical applications is monitored and reviewed.

Internal and external fraud

The Company is exposed to the risk of both internal and external fraud. Internal fraud is described as any act of deception by management and staff undertaken for unauthorised personal gain. External fraud can be described as losses due to acts of a type intended to defraud, misappropriate property, or circumvent the law by a third party.

Regulated firms like the Company are subject to numerous requirements relating to the detection of both internal and external fraud. For example the Company is subject to The Money Laundering Regulations 2007, has to comply with the Proceeds of Crime Act 2002 and the UK sanctions regime coupled with the provisions of the Bribery Act 2010.

In addition the FCA Principles require the Company to conduct its business with integrity and with due care skill and diligence, and to take reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems. Rules in the FCA's Senior Management Arrangements Systems and Controls (SYSC) source book also require the Company to establish, implement and maintain adequate policies and procedures to counter the risk that it might be used to further financial crime.

Notes to the Financial Statements

As at 31 December 2014

17 RISK MANAGEMENT (continued)

The Company applies proportionate systems and controls to manage the risk of fraud which include, but are not limited to the following:

- Continuous risk assessment based on the best available information from internal and external sources;
- Clear documentation of the Company's approach to complying with its legal and regulatory requirements in relation to fraud;
- Regular review and updating of policies;
- The monitoring of the effectiveness of policies procedures and controls by Internal Audit;
- Thorough vetting of staff in high risk roles;
- Tailored training to ensure staff knowledge is adequate and up to date; and
- New staff in customer facing positions receive financial crime training tailored to their role before being able to interact with customers.

Regulatory risk

Regulatory risk is the risk that changes in regulation will materially affect the business of the Company or the markets in which it operates. The Company's business is subject to many regulations in different jurisdictions and currently the pace of change is significant and may affect the business of the Company either directly or indirectly, among others, by reducing customer appetite for products or increasing capital requirements.

Regulatory developments are continuously monitored and where there is a likely impact, internal groups are formed to assess, formulate and implement any required changes. The Compliance team in particular monitor on-going regulatory obligations, provides internal training and provides advice to the business. Externally, the Compliance team engages in dialogue with the Company's main regulator and with industry bodies in order to inform the judgments and decisions that are made to ensure continued compliance with global regulations.

Notes to the Financial Statements

As at 31 December 2014

17 RISK MANAGEMENT (continued)

Capital and Liquidity risk

Liquidity risk is the risk that a firm with positive net assets does not have sufficient financial resources at any one point to meet its obligations as they fall due, or can secure such resources only at excessive cost.

Typically, liquidity risks can arise from:

- A mismatch between asset and liability flows;
- An inability to sell assets quickly;
- The extent to which assets have been pledged;
- The possible need to reduce large asset positions at different levels of market liquidity and the related potential costs and timing constraints; and
- The availability of and costs of emergency funding.

In FX markets, liquidity management is a critical function. The company's most significant liquidity risk can arise from a mismatch between asset and liability flows. Specifically, the Company may be exposed to risk in the event that the Company would have to meet its obligations to counterparties before it had received settlement from its clients.

Liquidity risk in the Company is controlled through the Service Provider Agreement ("SPA") with FXCM US under which client transactions in FX are automatically hedged with FXCM US. Although the Company retains its obligations to clients and for clients' money, FXCM US is the Company's single hedging and settlement counterparty for these trades. Under the SPA, the Company has the right to draw on the resulting intercompany balance at any point in time. In the event of this being insufficient, the Company may be dependent on FXCM US's liquidity sufficiency. The Company's liquidity risk in other business lines is minimal.

Country risk

Country risk is defined as the risk of investing or operating in a country, dependent on changes in the business environment that may adversely affect operating profits or the value of assets in a specific country.

Country risk also relates to the risk of concentration of exposure arising from geographical distribution of revenues, product type, counterparty or event.

The Company's clients are both individuals and institutions from over 180 countries.

The FXCM Group has set out and risk rated which types of countries pose the greatest risk to the Group.

Notes to the Financial Statements

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18 SUBSEQUENT EVENTS

On January 15, 2015, customers of the Company and its affiliates suffered significant losses and generated negative equity balances ("debit balances") of approximately $276 million. This was due to the unprecedented volatility in the EUR/CHF currency pair after the SNB discontinued its currency floor of 1.2 CHF per EUR. The Company recorded a loss of $228 million in January 2015 related to these balances. This loss represents both debit balances related to the Company's customers as well as uncollectible amounts from affiliates related to their customers. The Company does not expect to recover a substantial portion of these balances. These debit balances, including amounts owed by affiliates, caused the Company's regulatory capital to decline to ($13,607,204). The Company notified its regulators of the capital shortfall in a timely manner and was required to supplement its net capital on an expedited basis. Concurrent with the arrangement described below, the Company and FXCM US signed an agreement whereby FXCM US released the Company from the full balance of all client debit balances held by the Company at the close of business 15 January 2015, less a value equal to 75% of the Company's capital surplus as at 14 January 2015 ($12,750,000). In exchange for the release, the Company assigned any and all receivables it may otherwise collect from the counterparty debtors so that if a client or affiliate makes any payment to the Company on behalf of their debit balance, the Company will automatically pass that money to FXCM US. This arrangement put the Company's regulatory capital back into a surplus position.

On January 16, 2015, Holdings, a wholly owned subsidiary of Inc. and Newco, a newly-formed wholly-owned subsidiary of Holdings, entered into a Credit Agreement with Leucadia, and a related Fee Letter, pursuant to which Leucadia provided Holdings and Newco a $300 million term loan. The net proceeds of the loan (approximately $279 million) were contributed to the Company's affiliates in order for the Company's affiliates to maintain compliance with regulatory capital requirements and to continue normal operations.

In connection with the Credit Agreement and the Fee Letter, on January 16, 2015, Inc., Holdings, Newco and Leucadia also entered into a Letter Agreement that, among other things, sets the terms and conditions upon which Inc., Holdings and Newco will pay in cash to Leucadia and its assignees a percentage of the proceeds received in connection with certain transactions. In connection with this transaction, Holdings formed Newco and contributed all of the equity interests owned by Holdings in its subsidiaries to Newco.

The Credit Agreement and Letter Agreement were finalised on January 24, 2015.

On 13 February 2015, the property lease of the registered office was extended for a further 13 months. Further information is contained within Note 12.

Notes to the Financial Statements

As at 31 December 2014

19 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption contained within FRS 8, and has not disclosed transactions with group companies. The Company has advances to two of its Directors in the amount of $81,889 at 31 December 2014 (2013: $216,995).

20 ULTIMATE CONTROLLING PARTY AND PARENT UNDERTAKING

The immediate parent undertaking of the Company is FXT, a limited liability corporation incorporated in Delaware, in the United States of America. FXT is 100% owned by Holdings, a limited liability corporation incorporated in Delaware, in the United States of America.

Inc. is the ultimate undertaking and operates and controls all of the businesses and affairs of Holdings and its subsidiaries. The Company's financial statements have been included in the group financial statements of the ultimate parent Inc. The group financial statements of Inc. may be obtained from the website www.fxcm.com.