Forex Capital Markets Limited

Annual Report and Financial Statements

For the year ended 31 December 2017

Registered number: 04072877

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COMPANY INFORMATION

Directors
Brendan Callan
Juan Cafe
David King*
Lorenzo Naldini*
Edwin Philip Manning*

* Non-executive director

Company Secretary
Idowu Akanbi

Finance Officer
Maryke Faulkner

Compliance Officer
Michael Grant

Registered Office
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Auditors
Deloitte LLP
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STRATEGIC REPORT

The directors present their strategic report and annual financial statements of Forex Capital Markets Limited ("the Company") for the year ended 31 December 2017.

Principal activities

The Company is a wholly owned subsidiary of Forex Trading, LLC ("FXT"), its immediate parent undertaking. FXT is wholly owned by FXCM Group, LLC, a limited liability corporation incorporated in Delaware, in the United States of America. The Company is a member of the FXCM Group of Companies, being FXCM Group, LLC and its subsidiaries ("FXCM Group"). FXCM Group is owned by Global Brokerage Holdings, LLC ("Holdings") and Leucadia National Corporation ("Leucadia") (50.1% and 49.9%, respectively). The ultimate parent is Global Brokerage, Inc. ("Inc."), formerly known as FXCM Inc.

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

The profit or loss for the Company is dependent on the trading volume of its clients.

Business review

The Company is a United Kingdom ("UK") Financial Conduct Authority ("FCA") regulated full-scope investment firm. The Company offers online FX and CFD trading to its retail and institutional clients utilising the online trading platform of affiliated companies. The Company offsets all of its FX and the majority of its CFD trades with liquidity providers and affiliate entities. In this capacity, the Company is acting as a referring broker to these entities and is the principal counterparty to the client transaction.

The key performance indicators are as follows:

	2017	2016	Change
	$	$	%
Turnover	77,998,469	87,319,937	(10.7)
Profit on ordinary activities before taxation	1,825,324	2,328,520	(21.6)
Loss for the year	(521,484)	(7,800,697)	93.3
Client cash held	246,461,536	348,536,394	(29.3)
Retail trade volume ($ billions)	1,672	2,300	(27.3)
Equity shareholder's funds	87,185,238	87,626,351	(0.5)
Loss over net assets	(0.6 %)	(8.9 %)	
Capital resources	84,791,768	83,431,292	1.6
Capital requirement	22,085,344	21,993,406	0.4

STRATEGIC REPORT (CONTINUED)

Business review (continued)

In 2017, the Company's turnover decreased by 10.7%, year on year, to $78.0 million. Such a movement was directly correlated to volume which decreased in the same period. This reduction in trading volumes was across the entire FX and CFD trading industry; a large part of this reduction in trading volumes was due to lower trading volatility in the period. More on the influence of volatility on the firm's trading activity is described below.

Profit on ordinary activities before taxation decreased by 21.6%, year on year, from $2.3 million to a profit of $1.8 million. This was largely due to the lower trading volumes noted above. Client cash held reduced 29.3% to $246.5 million in 2017, from $348.5 million in 2016, again indicative of the lower trading volumes experienced during the period. Capital resources improved by 1.6%, year on year, from $83.4 million in the previous year to $84.8 million in 2017.

The Company receives compensation through a mark-up in the spread or trading commission. The Company earns other forms of revenue such as fees from white label arrangements with other financial institutions to provide platform, back office and trade execution services, FX market prices and various ancillary FX and CFD related services and joint ventures.

The Company's revenue and profitability rely on volatility, which is contingent upon the expectation of how much interest rates will change in the future. Looking forward, the Company expects most major economies to begin raising interest rates. However, the varying degrees of how much and how often rates will change is of course unknown and will drive volatility higher, which will bode well for the Company's revenues.

During 2017, volatility was low as central banks maintained clear and stable interest rate policies. FX volatility in the year ended 31 December 2017 decreased when compared to the previous year-end. The daily JP Morgan Global FX Volatility Index was down 20% on average in 2017 compared with 2016 (2016: 5.7% up versus 2015).

The directors consider it important to control administrative expenditure at all times and as a result, are continuously monitoring the cost structure of the Company, with particular emphasis in respect of overheads. Administrative expenses fell by $12.6m to $111m in 2017 compared to 2016 this was largely due to lower trading activity costs from the lower trading volumes noted above. Trading activity costs included brokerage fees, clearing fees and bank charges.

Risk management

Capital risk

Capital management

Each year, or more frequently if required, the Company undertakes an internal capital adequacy assessment process (ICAAP) to determine the Company's adequate capitalisation (Pillar 2) identified over a three to five year planning horizon. This is in addition to the Pillar 1 capital requirements. The aim of the Pillar 2 processes is to enhance the link between our risk profile, risk management and risk mitigation systems, and capital planning.

STRATEGIC REPORT (CONTINUED)

Risk management (continued)

Capital risk (continued)

Pillar 2 may be divided into two major components:

- The establishment of sound, effective and complete strategies and processes to assess and maintain, on an ongoing basis, the amounts, types and distribution of internal capital commensurate to the risk profiles (ICAAP), as well as robust governance and internal control arrangements; and
- Supervisory review and evaluation process (SREP) performed by the FCA (approximately once every 2-4 years). The key purpose of SREP is to ensure that the Company has adequate arrangements, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of risks, to which we are or might be exposed.

The Company's Board makes use of the ICAAP as a comprehensive, forward looking summary of the Company's risk-based assessment process and the adequacy of capital and liquidity resources. The Board is responsible for and uses the ICAAP as an integral part of reviews of the Company's operations, strategic direction, capital adequacy and liquidity position.

The ICAAP is subject to FCA review (via the SREP) where the FCA sets Individual Capital Guidance (ICG). The ICG is guidance provided to a firm about the amount and quality of capital resources the FCA believes the Company should hold under the overall financial adequacy rule and is a confidential matter between the Company and the FCA. The date of the FCA's last SREP review was 21 July 2015.

Regulatory capital
The Company is authorised and regulated by the FCA. Since 1 January 2014, the Company has been calculating capital resources and requirements using the Basel III framework, as implemented in the European Union through the Capital Requirements Directive IV (CRD IV).

Capital regulatory disclosures
The composition of the Company's regulatory capital under a Basel III/ CRD IV basis is non-complex in that the regulatory capital resources comprises entirely of tier 1 capital, i.e. equity share capital and reserves. Intangible assets are deducted from common equity tier 1 capital and relate specifically to a portfolio of clients acquired during 2015.

STRATEGIC REPORT (CONTINUED)

Risk management (continued)

Capital risk (continued)

The Company's own funds and capital requirements are provided in the table below:

Regulatory Capital	31 December 2017 USD 000's	31 December 2016 USD 000's
Tier 1 capital	**84,792**	**83,431**
Credit and counterparty risk	4,489	7,225
Operational risk	14,835	13,045
Market risk	2,761	1,723
Total Pillar 1 requirement	**22,085**	**21,993**
Capital surplus	**62,707**	**61,438**
Common equity Tier 1 ratio	30.7%	30.3%
Tier 1 ratio	30.7%	30.3%
Total capital adequacy ratio	30.7%	30.3%
RWA	276,067	274,918

The composition of market risk exposures is set out in the table below:

Pillar 1 Market Risk-Capital Requirement	31 December 2017 USD 000's	31 December 2016 USD 000's
CFD's - Equity Indices, Commodities, Interest Rates and Gold	2,101	944
Foreign currency mismatch	660	779
Total Pillar 1 requirement	**2,761**	**1,723**

Capital buffers

CRD IV created a combined capital buffer that all firms are expected to meet in addition to their Pillar 1 and Pillar 2 capital requirements. For the Company, the combined buffer includes the capital conservation buffer and the countercyclical capital buffer and must be met with common equity tier 1 capital.

These buffers were phased in from 1 January 2016. Firms that do not meet their combined buffer shall face restrictions on their distributions. CRD IV rules also require HM Treasury to designate authorities responsible for setting certain CRD IV buffers in the United Kingdom.

The Bank of England is the designated authority for the countercyclical capital buffer (CCB) with policy decisions delegated to the Financial Policy Committee (FPC).

STRATEGIC REPORT (CONTINUED)

Risk management (continued)

Other risks faced by the Company can be categorised as follows and are considered in Note 28.

- Financial risks
- Governance risk
- Credit risk
- Market risk
- Operational risk
- Regulatory risk
- Liquidity risk
- Country risks

For and on behalf of the Board

B. Callan - Director
20 April 2018

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements of the Company for the year ended 31 December 2017.

Results and dividends

The results for the year are shown in the statement of comprehensive income on page 15. The loss for the year of $521,484 (2016: loss of $7,800,697) was transferred to retained earnings.

No dividends were proposed, approved or paid during the year (2016: $nil).

Future developments

The Company will pursue key initiatives to retain and grow its customer base into 2018.

The Company intends to refresh its brand by highlighting its relationship with its major economic owner, Leucadia. The Company will also promote its advantages on trade execution and industry-leading technology.

Two new platforms will be launched: MetaTrader5 ("MT5") and Trading Station Web ("TS Web"). MT5 is an update of the industry-leading MT4 platform and TS Web is an in-house developed platform aimed at traders preferring web-based technology. There are also plans to further develop resources available to algorithmic ("algo") traders through the launch of a REST API and an FXCM owned www.quantnews.com website.

Regulatory developments

In December 2017, the European Securities and Markets Authority ("ESMA") issued a statement updating their preparatory work in relation to contract for differences ("CFDs"), including rolling spot forex, binary options and other speculative products offered to retail clients. Specifically, the ESMA statement set out that it is considering the possible use of its product intervention powers under Article 40 of MiFIR to address investor protection risks.

ESMA is considering measures to:

- Prohibit the marketing, distribution or sale of binary options to retail clients; and
- Restrict the marketing, distribution or sale to retail clients of CFDs, including rolling spot forex.

The restrictions on CFDs currently under review are:

- Leverage limits on the opening of a position between 30:1 and 5:1; whose limit will vary according to the volatility of the underlying asset;
- A margin close out rule;
- Negative balance protection to provide a guaranteed limit on client losses;
- A restriction on benefits incentivising trading; and
- A standardized risk warning.

Furthermore, any product intervention measure adopted by ESMA under Article 40 of MiFIR can have an initial duration of up to three months and is renewable.

DIRECTORS' REPORT (CONTINUED)

Regulatory developments (continued)

Concurrently, the UK financial services regulatory body, the FCA, issued a statement supporting ESMA in its consideration of a potential European-wide ("EU") product intervention and iterated that their domestic policy work on potential product intervention measures applicable to firms offering CFDs and binary options to retail clients will take into account any prospective ESMA measures.

On 27 March, 2018, ESMA issued a further statement agreeing the measures as outlined above. ESMA intends to adopt the agreed measures in the official languages of the EU during April 2018, following which ESMA will publish an official notice on its website. The measures will be published in the Official Journal of the EU (OJ) and firms will be required to implement the prohibition on binary options, one month after publication in the OJ, and two months following the OJ publication, for the restrictions on CFDs.

The Company is actively considering the potential impacts of the proposed measures and is developing strategies to manage the situation.

Events after the statement of financial position date

Inc.'s Restructuring Support Agreement and Prepackaged Plan of Reorganisation

On 10 November, 2017, Inc. entered into a restructuring support agreement to restructure its 2.25% senior convertible notes maturing on 15 June, 2018 (the "Convertible Notes") pursuant to a prepackaged plan of reorganisation (the "Plan") which was filed under Chapter 11 of the United States Bankruptcy Code. On 8 February, 2018, the Plan was substantially consummated and became effective (the "Effective Date"). On the Effective Date, Inc.'s Convertible Notes were exchanged for the New Secured Notes due 8 February, 2023. The New Secured Notes are not liabilities of FXCM Group and only have recourse to the assets of Inc. and Holdings, including a junior lien (subject to the lien of Leucadia under the Credit Agreement, see Note 26) on the interests of Holdings in its membership interest in FXCM Group.

On the Effective Date, the terms of the Credit Agreement were amended to extend the maturity of the term loan held by Leucadia by an additional year to 16 January, 2019. In addition, the LLC agreement of FXCM Group, (the "Group Agreement") was amended to provide for certain covenants that will, among other things, permit certain excess cash generated by FXCM Group to be distributed to Holdings and, thus, to Inc. under certain conditions that are set forth in the Group Agreement.

Sale of Investment in Salex Holding SRL

On March 6, 2018, the Company entered into a definitive agreement to sell its investment in Salex Holding SRL to FinSalex SRL, for a purchase price of one euro, with the sale scheduled to be completed in the second quarter of 2018.

Dividends Paid to FXT

On March 29, 2018, the directors proposed and approved a dividend payment in the amount of $5 million to the Company's immediate parent undertaking, FXT, which was subsequently paid on March 30, 2018.

DIRECTORS' REPORT (CONTINUED)

Financial instruments

The Company's financial instruments at the statement of financial position date comprised cash and cash equivalents, debtors (excluding prepayments), trading derivatives and creditors (excluding tax liabilities and provisions). 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 healthy capital ratio 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 2017 and 2016, respectively.

The Company's Pillar 3 statement and Country By Country Reporting ("CBCR") can be found at https://www.fxcm.com/uk/legal/general-business-terms/.

Capital requirements country-by-country reporting

These disclosures are made in order to comply with the provisions of Statutory Instrument 2013 No.3118 Capital Requirements (Country-by-Country Reporting) Regulations 2013, which implements in the UK, the requirements set out in Article 89 of the Capital Requirements Directive (Directive 2013/36/EU). The Company's country by country reporting for the year ended 31 December 2017 is shown in Note 10(d).

Going concern

Having given due consideration to future developments and projected revenue forecasts of the Company, 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 Inc.'s announcement in February 2018, regarding the consummation of the prepackaged plan of reorganisation to restructure their Convertible Notes in exchange for New Secured Notes with an extended term and the potential impacts of the proposed restrictions by ESMA and Brexit. The Directors believe that the Company will be able to manage its risks successfully, enabling it to continue to enhance its market position and grow its business.

Appointment of auditor

In accordance with S.487 of the Companies Act 2006, a resolution was proposed and approved at a Board Meeting for the appointment of Deloitte LLP as auditor of the Company.

DIRECTORS' REPORT (CONTINUED)

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. This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

Directors

The directors who have held office during the period from 1 January 2017 to the date of this report are as follows:

Brendan Callan
Juan Cafe (appointed 23 January 2018)
David King*
Edwin Philip Manning* (appointed 1 June 2017)
Brandon Mulvihill (resigned 9 February 2017)
Lorenzo Naldini*
Dror Niv (resigned 9 February 2017)

* Non-executive director

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

For and on behalf of the Board

B. Callan - Director
20 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 year.

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; and
- 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 them 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For and on behalf of the Board

B. Callan - Director
20 April 2018

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Forex Capital Markets Limited (the 'Company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

Other information
The directors are responsible for the other information. The other information comprises the information included in the strategic report and the directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
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.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

James Polson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
23 April 2018

Statement of Comprehensive Income
For the year ended 31 December 2017

	Note	2017 $	2016 $
Turnover	3	77,998,469	87,319,937
Administrative expenses	5	(111,029,070)	(123,663,413)
Other operating income	4	33,333,660	37,392,049
Operating profit		303,059	1,048,573
Interest receivable and similar income	6	1,545,148	1,352,562
Interest payable and similar charges	7	(22,883)	(72,615)
Profit on ordinary activities before taxation	8	1,825,324	2,328,520
Tax on profit on ordinary activities	10	(2,346,808)	(10,129,217)
Loss from ordinary activities after tax for the financial year		(521,484)	(7,800,697)
Other comprehensive income		—	—
Loss for the year		(521,484)	(7,800,697)
Loss for the year attributable to:			
Owners of the parent		(521,484)	(7,800,697)

All of the Company's activities during the current year and the preceding year are classed as continuing.

The notes on pages 19 to 50 form an integral part of the financial statements.

Statement of Financial Position
As at 31 December 2017

	Note	2017 $	2016 $
FIXED ASSETS			
Tangible assets	11	624,874	81,667
Intangible assets	12	583,333	1,750,000
Other investments	13	—	—
		1,208,207	1,831,667
CURRENT ASSETS			
Debtors	14,15	46,035,004	42,302,588
Trading derivatives	19	46,534,836	93,231,429
Cash and cash equivalents	16	296,562,713	418,170,766
		389,132,553	553,704,783
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	17	298,424,984	448,752,042
Trading derivatives	19	4,474,215	14,849,958
NET CURRENT ASSETS		86,233,354	90,102,783
Creditors: amounts falling due after more than one year	18	—	859,081
Provisions for liabilities	20	256,323	3,449,018
NET ASSETS		87,185,238	87,626,351
CAPITAL AND RESERVES			
Called up share capital	23	69,891,237	69,891,237
Share based payment reserve	24	—	13,956,581
Retained earnings		17,294,001	3,778,533
EQUITY SHAREHOLDER'S FUNDS		87,185,238	87,626,351

The notes on pages 19 to 50 form an integral part of the financial statements.

The financial statements and associated notes on pages 19 to 50 were approved and authorised for issue by the Board of Directors on 20 April 2018.

For and on behalf of the Board

B. Callan – Director
20 April 2018

Statement of Changes in Equity
For the year ended 31 December 2017

	Note	Share capital $	Share based payment reserve $	Retained earnings $	Total Equity $
At 1 January 2017		69,891,237	13,956,581	3,778,533	87,626,351
Loss for the year		—	—	(521,484)	(521,484)
Share based payment reserve transferred to retained earnings		—	(14,036,952)	14,036,952	—
Contributions by and distributions to owners					
Share based payment credit	**24**	—	80,371	—	80,371
At 31 December 2017		**69,891,237**	**—**	**17,294,001**	**87,185,238**

	Note	Share capital $	Share based payment reserve $	Retained earnings $	Total Equity $
At 1 January 2016		64,891,237	13,777,566	11,579,230	90,248,033
Loss for the year		—	—	(7,800,697)	(7,800,697)
Contributions by and distributions to owners					
Share based payment credit	**24**	—	179,015	—	179,015
Shares issued		5,000,000	—	—	5,000,000
At 31 December 2016		**69,891,237**	**13,956,581**	**3,778,533**	**87,626,351**

The notes on pages 19 to 50 form an integral part of the financial statements.

Cash Flow Statement
As at 31 December 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Profit before tax		**1,825,324**	**2,328,520**
Adjustments for:			
Depreciation	11	89,362	73,049
Amortisation of intangible assets	12	1,166,667	1,166,667
(Increase)/decrease in receivables		(5,762,715)	54,543,013
(Decrease)/increase in payables		(17,723,631)	9,898,534
Share-based payments		80,371	179,015
Decrease in customer liabilities	17	(133,661,002)	(79,214,435)
Decrease/(increase) in net trading derivatives	19	36,320,850	(64,853,264)
(Decrease)/increase in provisions	20	(3,192,695)	629,189
Cash used in operating activities		(120,857,469)	(75,249,712)
Taxation (paid)/received		(118,015)	783,809
Net cash flow used in operating activities		**(120,975,484)**	**(74,465,903)**
Cash flows from investing activities			
Purchase of tangible assets	11	(632,569)	(15,366)
Net cash flow used in investing activities		**(632,569)**	**(15,366)**
Cash flows from financing activities			
Issue of shares	23	—	5,000,000
Net cash flow generated from financing activities		—	**5,000,000**
Net decrease in cash		**(121,608,053)**	**(69,481,269)**
Cash and cash equivalents at the start of the year		**418,170,766**	**487,652,035**
Cash and cash equivalents at the end of the year	16	**296,562,713**	**418,170,766**

The notes on pages 19 to 50 form an integral part of the financial statements.

Notes to the Financial Statements
As at 31 December 2017

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Statement of compliance

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The registered office is 20 Gresham Street, 4th Floor, London, EC2V 7JE.

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention and fair value model and in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies.

Functional and presentation currency

The Company's functional and presentation currency is US Dollars ("USD") and the accounts are presented in USD, rounded to the nearest dollar.

The financial information included in the Company's financial statements has been translated into USD using the procedures outlined below:

- monetary assets and liabilities denominated in non-USD currencies were translated into USD at the closing rates of exchange on the relevant statement of financial position date;
- non-USD income and expenditure were translated at the 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; and
- 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. Revenue is measured at the fair value of the consideration received, excluding value added tax ("VAT") and other sales taxes or duties.

Turnover

Turnover represents:

i) Commission revenue (net of commission/rebates paid): commission revenue is generated through affiliates by acting as a referring broker, although the Company is still a principal on all foreign exchange transactions and excludes VAT. Commission revenue is recognised on a trade date basis; and

Notes to the Financial Statements
As at 31 December 2017 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

Turnover (continued)

ii) Profit and losses on trading in contracts for difference (net of commissions/rebates paid): all contracts are marked to market and the resulting profit or loss is recognised as incurred. Any profit or loss realised due to hedge transactions are 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 inactivity on a client account. Clients are charged a dormancy account administrative fee every calendar year if there is no client-initiated activity in the twelve months preceding the charge date.

Management fee income is recognised in respect of services provided between affiliate companies within the Group.

Interest receivable and similar income
Interest income is recognised in the statement of comprehensive income when earned.

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 statement of financial position date. Income and expense items are translated at the rates of exchange prevailing for the relevant period. 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 statement of comprehensive income and are shown in administrative expenses.

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 24 for further details.

Directors' and employees' remuneration
The Company aims to offer directors and employees a competitive basic salary and employs various incentive schemes which are designed to attract, motivate, retain and fairly remunerate staff by recognising their contribution to the Company whilst ensuring that their interests are fully aligned with those of shareholders and clients. The structure of a director's and an employee's remuneration should promote effective risk management and not encourage any level of risk-taking that exceeds the Company's tolerated and stated risk limits. The Company has formulated a remuneration policy that aims to avoid incentivising staff on a short-term basis, and which promotes the Company's business strategy, objectives, values and long-term interests.

Notes to the Financial Statements
As at 31 December 2017 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.
Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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 statement of financial position 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 statement of financial position 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 suitable taxable profits from which the future reversal of timing differences can be deducted.

Tangible assets
Tangible assets are stated at cost less depreciation and impairment, if any. Depreciation is provided using the straight-line method to write off each asset over the following estimated useful lives:

Furniture, fixtures and fittings	3 years
Leasehold improvements	7 years
Communication and computer equipment	3 years

The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable amount. The residual values and useful lives of tangible assets are reviewed, and adjusted if appropriate, when there are indicators of change.

Intangible assets
Intangible assets include a customer list purchased from external parties. The identifiable and directly associated costs of acquiring customers are capitalised and recognised as intangible assets where the Company has control and where it is probable that future economic benefits will flow to the Company.

Capitalised intangible assets are amortised on a systematic basis, using a straight-line method in order to write off each asset over its estimated useful life. The amortisation rate used is:

Customer list	3 years

Notes to the Financial Statements
As at 31 December 2017 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)
The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable amount. The residual values and useful lives of intangible assets are reviewed, and adjusted if appropriate, when there are indicators of change.

Financial instruments
Financial assets and liabilities
Financial instruments are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are measured as set out below. A financing transaction is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derecognition of Financial assets and liabilities
Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Derivative financial instruments
All derivatives are recognised on the statement of financial position at fair value through profit or loss and are classified as trading derivatives. The carrying value of a derivative is re-measured at fair value through profit or loss throughout the life of the contract. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Investments
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 measured at fair value upon initial recognition. At each statement of financial position date debtors are reviewed to determine whether there is an indication of impairment. If such indication exists, the recoverable amount is estimated. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance is subject to management review.

Notes to the Financial Statements
As at 31 December 2017 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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 with original maturities of three months or less 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 FCA and other regulatory bodies.

Such monies and the corresponding liabilities to the clients are included on the Statement of Financial Position as disclosed in the notes.

Fair value measurement
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Operating lease commitments
Rent payable under operating leases is charged to the profit or loss account on a straight line basis over the lease term unless either: (a) another systematic basis is representative of the time pattern of the benefit, even if the payments are not on that basis; or (b) the lease payments are structured to increase in line with expected general inflation. The lease term is considered to be the period up to which an operating lease is utilised. Operating lease charges can include dilapidation costs.

Provisions for liabilities
Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

Share capital
Ordinary shares, net of directly attributable issue costs, are classified as equity. Dividends paid on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the shareholder.

Employee benefits
The Company provides a range of benefits to employees, including bonus arrangements, paid holiday arrangements and contributions to pension plans.

Short term benefits
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Notes to the Financial Statements
As at 31 December 2017 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Pension Funding

The Company contributes to one pension scheme for staff whereby contributions are recognised as an expense as and when they become payable. This is a money purchase scheme. Contributions are made as a percentage of salary and are not subject to variation based on periodical actuarial valuations.

Critical accounting estimates and judgements

The Company has to make estimates and judgments in its accounting policies that affect the amounts reported for assets and liabilities recognised in the financial statements. The nature of estimates means that actual outcomes could differ from those estimates. In the Directors' opinion, the accounting estimates or judgments that have the most significant impact on the presentation and measurement of items recorded in the financial statements are as follows:

Corporation tax

The Company is subject to corporation tax in numerous jurisdictions.The calculation of the Company's current corporation tax charge involves a degree of estimation and judgment with respect to certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. Amounts to be paid/received may ultimately be materially different than the amounts already accounted for and could therefore impact the overall profitability and cash flows of the Company in future years.

Deferred taxes

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Management consider that it is more likely than not that the losses represented by the deferred tax asset will be utilised. Details of deferred tax assets are disclosed in Note 10 (c).

2. GOING CONCERN

The directors have a 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.

Thus, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

3. TURNOVER

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

	2017	2016
	$	$
Commission revenue	23,026,587	32,014,117
Profit and losses on trading	54,971,882	55,305,820
	77,998,469	87,319,937

Notes to the Financial Statements
As at 31 December 2017 (continued)

4. OTHER OPERATING INCOME

	2017	2016
	$	$
Inactivity fees	813,580	840,203
Management fees - income	32,068,367	35,557,194
Other	451,713	994,652
	33,333,660	37,392,049

5. ADMINISTRATIVE EXPENSES

	2017	2016
	$	$
Legal and professional fees	82,433,866	87,614,538
Staff costs (see below)	9,955,307	12,362,030
Bank charges and processing fees	6,294,665	7,818,657
Communications and technology fees	3,306,786	3,332,716
Bad and doubtful debts	16,321	1,801,529
Regulatory fees	1,770,893	1,361,958
Other administrative expenses	7,251,232	9,371,985
	111,029,070	123,663,413

Staff costs

	2017	2016
	$	$
Wages and salaries	8,451,836	10,789,465
Social security costs	1,503,471	1,572,565
	9,955,307	12,362,030

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

Sales, marketing and support	13	13
IT	4	4
Trading	4	5
Management and administration	27	30
	48	52

Total pension costs incurred by the Company in 2017 was $74,966 (2016: $81,724).

Notes to the Financial Statements
As at 31 December 2017 (continued)

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	$	$
Interest on cash and short-term deposits	1,331,896	999,413
Interest received from related entities	213,252	353,149
	1,545,148	1,352,562

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	$	$
Interest on cash and short-term deposits	22,883	54,454
Interest paid to related entities	—	18,161
	22,883	72,615

8. OPERATING PROFIT

The operating profit is stated after charging:

	2017	2016
	$	$
Depreciation – owned assets	89,362	73,049
Amortisation of intangibles	1,166,667	1,166,667
Services provided by the Company's auditors		
- Fees paid for audit-related assurance services	376,935	759,924
- Fees paid for other assurance services	189,780	542
Foreign exchange differences	906,574	598,138
Lease expense – land and building	966,713	1,443,276

9. DIRECTORS' REMUNERATION

	2017	2016
Directors' remuneration	$	$
Aggregate remuneration for qualifying services	1,316,299	993,107
Aggregate remuneration of highest paid director	933,896	832,520

Of the directors who held office during the year, one was remunerated by affiliates in respect of his services to those companies.

	2017	2016
Number of directors who received shares in respect of qualifying services	1	1

Directors' pension cost in the year was $9,217 (2016: $3,733).

Notes to the Financial Statements
As at 31 December 2017 (continued)

10. TAXATION

(a) Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2017	2016
	$	$
Current tax charge:		
UK corporation tax at 19.25% (2016: 20%)	126,022	118,183
Foreign tax	146,173	204,023
Adjustments in respect of prior years	(3,523)	256,263
Total current tax charge	268,672	578,469
Deferred tax charge:		
Origination and reversal of temporary differences	2,078,136	9,550,748
Total deferred tax charge	2,078,136	9,550,748
Overall tax charge	2,346,808	10,129,217

(b) Factors affecting the tax charge for the year

The tax charge for the year is higher than the standard rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20%).

The difference is explained below:

	2017	2016
	$	$
Profit before tax	1,825,324	2,328,520
Tax charge at blended UK corporation tax rate of 19.25% (2016: 20%)	351,375	465,704
Effects of:		
Prior period adjustment	(78,133)	202,273
Expenses not deductible for tax purposes	11,162	28,523
Unrecognised deferred tax on losses	2,014,567	9,820,406
Adjustment due to change in tax rate	(8,413)	(460,148)
Tax from other jurisdictions	56,250	72,459
Overall tax charge	2,346,808	10,129,217

Notes to the Financial Statements
As at 31 December 2017 (continued)

10. TAXATION (CONTINUED)

(c) Deferred taxation

Movement on deferred tax is made up of:

	2017	2016
	$	$
Provision at start of period	2,750,303	12,301,051
Deferred tax charge to income statement for the period	(2,086,549)	(9,943,841)
Effect of changes in tax rates	8,413	460,148
Prior year adjustment	—	(67,054)
Provision at end of period	672,167	2,750,304
Analysis of the deferred tax balance:		
Accelerated capital allowances	(3,518)	(14,286)
Carry forward loss	675,685	2,764,589
Total	672,167	2,750,303

A reduction in the UK corporation tax rate from 21% to 20% was effective 1 April 2015, a reduction from 20% to 19% was effective 1 April 2017 and a reduction from 19% to 17% is to be effective 1 April 2020. Accordingly, based on the expected reversal of our deferred tax assets and liabilities, a 17% rate has been applied to the Company's deferred tax assets in the measurement of the Company's deferred assets/liabilities at 31 December 2017 as this being the expected deferred tax reversal rate.

The deferred tax assets are recognised to the extent the Directors believe that the Company will have future profits against which the deferred tax can be recovered. As of 31 December 2017 the company has a taxable temporary difference in relation to carried forward tax losses of $215,057,416. A deferred tax asset of $675,685 (at 17%) has been recognised in the current period in relation to the carried forward tax losses which are considered recoverable. The remaining deferred tax asset relating to the carried forward tax losses amounting to $35,884,075 has not been recognised as at the statement of financial position date due to uncertainty over future taxable profits and due to a limitation on carry forward loss utilisation by banking entities. The carried forward tax losses are able to be carried forward indefinitely. We expect the deferred tax asset to decrease by $81,891 in 2018 due to the utilisation of carried forward tax losses.

Total deferred tax asset of $672,167 (at 17.0%) is included in Debtors, see Note 15.

Notes to the Financial Statements
As at 31 December 2017 (continued)

10. TAXATION (CONTINUED)

(d) Country By Country Reporting

Location	Entity	Description of activities	No. of employees on a FTE basis	Turnover $000's	Profit before tax $000's	Tax on Profit $000's	Tax paid during the year $000's
England, London	FXCM Ltd.	CFD trading and Foreign Exchange	48	77,998	1,825	(2,347)	—
France, Paris	Registered in France as a branch of FXCM Ltd.	Operates as a sales office, solicits local clients and provides customer service	12	1,943	158	(50)	91
Germany, Berlin	Registered in Germany as a branch of FXCM Ltd.	Operates as a sales office, solicits local clients and provides customer service	4	1,014	299	(101)	222
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	8	187	237	(3)	—
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	—	340	—	—	—
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	—	119	—	—	—

No public subsidies were received at any location.

Notes to the Financial Statements
As at 31 December 2017 (continued)

11. TANGIBLE ASSETS

	Furniture, fixtures and fittings	Leasehold improvements	Communication and computer equipment	Total
	$	$	$	$
COST				
At 1 January 2017	—	—	581,408	581,408
Additions	97,720	495,336	39,513	632,569
At 31 December 2017	97,720	495,336	620,921	1,213,977
ACCUMULATED DEPRECIATION				
At 1 January 2017	—	—	499,741	499,741
Charge for the year	8,832	11,794	68,736	89,362
At 31 December 2017	8,832	11,794	568,477	589,103
NET BOOK VALUE				
At 31 December 2017	88,888	483,542	52,444	624,874
At 31 December 2016	—	—	81,667	81,667

12. INTANGIBLE ASSETS

	Customer list
	$
COST	
At 1 January 2017	3,500,000
Additions	—
At 31 December 2017	3,500,000
AMORTISATION	
At 1 January 2017	1,750,000
Charge for the year	1,166,667
At 31 December 2017	2,916,667
NET BOOK VALUE	
At 31 December 2017	583,333
At 31 December 2016	1,750,000

Notes to the Financial Statements
As at 31 December 2017 (continued)

13. OTHER INVESTMENTS

The value of the investment in Salex Holding SRL was $nil (2016: $nil). The value of the investment was impaired in 2015, due to the limited income being received from the investment.

The following were fixed asset investments of the Company:

Name	Country of incorporation	Class of shares	Holding
Salex Holding SRL	Italy	Ordinary shares	33%

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	$	$
Amounts owed by group undertakings	37,703,375	37,725,925
Tax receivable	178,158	130,321
VAT receivable	215,985	—
Prepayments	619,610	605,277
Other debtors	735,865	965,018
	39,452,993	39,426,541

Amounts owed by group undertakings include various inter group recharges, profit sharing, margin for trading activities and are all repayable on demand.

15. DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2017	2016
	$	$
Deferred tax assets	672,167	2,750,303
Others debtors	5,909,844	125,744
	6,582,011	2,876,047

16. CASH AND CASH EQUIVALENTS

	2017	2016
	$	$
Own funds	50,101,177	69,634,372
Client funds	246,461,536	348,536,394
	296,562,713	418,170,766

Client funds represents client monies held in segregated client money bank accounts in accordance with the UK's FCA client money and assets ("CASS") rules, separate from the Company's own funds. The client funds included in the Company's statement of financial position is offset by customer liabilities as of 31 December 2017 and 31 December 2016, respectively.

Own funds includes United States Treasury bills balance of $2,297,623 (2016: $2,198,415) held for regulatory liquidity purposes.

Notes to the Financial Statements
As at 31 December 2017 (continued)

16. CASH AND CASH EQUIVALENTS (CONTINUED)

Both own funds and client funds are short-term cash deposits with an original maturity of less than three months. At times, some of these balances which are 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.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	$	$
Amounts owed to group undertakings	2,751,715	17,563,971
Tax payable	249,780	51,286
Other taxation and social security	257,648	220,732
Other creditors	5,622,040	5,808,111
Customer liabilities	285,678,290	419,339,292
Accruals	3,865,511	5,768,650
	298,424,984	448,752,042

Amounts owed to group undertakings result from various inter group recharges, profit sharing and margin for trading activities. Customer liabilities above are repayable on demand and do not include unrealised profit/ (loss) on trading derivatives. Other creditors have an original maturity of less than three months.

18. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2017	2016
	$	$
Other liabilities	—	859,081

The prior year other liabilities amount consist of payments due as a result of acquiring a customer list, with the remaining outstanding payment included in Accruals (see note 17).

19. TRADING DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives positions held on behalf of clients across various currencies, generate exposure to currency rate movement. To offset this the Company utilises a number of counterparties, including affiliates.

	2017	2016
	$	$
Trading Derivatives - assets	46,534,836	93,231,429
Trading Derivatives - liabilities	(4,474,215)	(14,849,958)
	42,060,621	78,381,471

Notes to the Financial Statements
As at 31 December 2017 (continued)

20. PROVISIONS FOR LIABILITIES

	Property related	Other	Total
	$	$	$
At 1 January 2017	246,440	3,202,578	3,449,018
Additions	218,105	38,218	256,323
Utilised	(246,440)	(3,202,578)	(3,449,018)
At 31 December 2017	218,105	38,218	256,323

As part of the Company's operating leasing arrangements there is an obligation to repair damages such as wear and tear, which occur during the life of the lease. The Company has provided $218,105 in respect of such costs, which are expected to be utilised at the end of the lease term in 2024.

In addition, the Company has provided $38,218 in relation to a fine, which is anticipated to be utilised in 2018.

21. FINANCIAL INSTRUMENTS

The Company's financial instruments may be analysed as follows

	2017	2016
	$	$
Financial assets measured at amortised cost		
Cash and cash equivalents	296,562,713	418,170,766
Amounts owed by group undertakings	32,150,116	32,385,918
Other debtors	6,645,709	1,090,762
	335,358,538	451,647,446
Derivative financial assets at fair value through profit or loss		
Trading derivatives	46,534,836	93,231,429
Financial assets that are debt instruments measured at amortised cost		
Amounts owed by group undertakings	5,553,259	5,340,007
Financial liabilities measured at amortised cost		
Customer liabilities	285,678,290	419,339,292
Amounts owed to group undertakings	2,751,715	17,563,971
Other creditors	5,622,040	5,808,111
Accruals	3,865,511	5,768,650
	297,917,556	448,480,024
Derivative financial liabilities at fair value through profit or loss		
Trading derivatives	4,474,215	14,849,958

Notes to the Financial Statements
As at 31 December 2017 (continued)

21. FINANCIAL INSTRUMENTS (CONTINUED)

The Company's financial instruments represent the core assets and liabilities significant to its trading activities. Cash and cash equivalents, amounts owed by group undertakings, customer liabilities and amounts owed to group undertakings have been adjusted by the impact of trading derivatives to reflect the gross position of the Company. Net customer liabilities as at 31 December 2017 amounted to $246,461,536 (2016: $348,536,394). Net cash and cash equivalents as at 31 December 2017 amounted to $296,808,460 (2016: $420,065,883).

Trading derivatives include positions held on behalf of clients and trades with liquidity providers and group undertakings, across various currencies. The fair value at recognition for trading derivatives was $Nil and the change in fair value booked to profit and loss for the year was $36,320,850 (2016: $64,853,264).

Interest income received and interest paid on amounts due to/from group undertakings was $213,252 and $nil, respectively for year ended 31 December 2017 (2016: $353,149 and $18,161, respectively).

There are no bad debts or any provision for impairment on other debtors measured at amortised cost.

Fair value estimation

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined by reference to quoted market prices at the statement of financial position date.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

(1) The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.
(2) When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (for example because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
(3) If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

The financial instruments of the Company are classified under fair value hierarchy level (1).

Set out below is a comparison by class of the carrying amounts of the financial instruments of the Company with the fair value that can be determined for those financial instruments.

Notes to the Financial Statements
As at 31 December 2017 (continued)

21. FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2017		31 December 2016	
	Net carrying value	Net fair value	Net carrying value	Net fair value
	$	$	$	$
Financial assets measured at amortised cost				
Cash and cash equivalents	296,562,713	296,562,713	418,170,766	418,170,766
Amounts owed by group undertakings	32,150,116	32,150,116	32,385,918	32,385,918
Other debtors	6,645,709	6,645,709	1,090,762	1,090,762
	335,358,538	335,358,538	451,647,446	451,647,446
Derivative financial assets at fair value through profit or loss				
Trading derivatives	46,534,836	46,534,836	93,231,429	93,231,429
Financial assets that are debt instruments measured at amortised cost				
Amounts owed by group undertakings	5,553,259	5,553,259	5,340,007	5,340,007
Financial liabilities measured at amortised cost				
Customer liabilities	285,678,290	285,678,290	419,339,292	419,339,292
Amounts owed to group undertakings	2,751,715	2,751,715	17,563,971	17,563,971
Other creditors	5,622,040	5,622,040	5,808,111	5,808,111
Accruals	3,865,511	3,865,511	5,768,650	5,768,650
	297,917,556	297,917,556	448,480,024	448,480,024
Derivative financial liabilities at fair value through profit or loss				
Derivative financial liabilities at fair value through profit or loss	4,474,215	4,474,215	14,849,958	14,849,958

Financial risk management

The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk and market risk.

Credit risk
Credit risk is the risk that a borrower or counterparty will fail to meet their financial obligations. The Company has potential credit risk exposure to clients, affiliates and liquidity providers. The Company has a defined risk appetite and management policy for each such counterparty.

The Company's overall approach to credit risk management is outlined in Note 28.

Notes to the Financial Statements
As at 31 December 2017 (continued)

21. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

The Company makes use of the three credit rating agencies to ascertain credit quality of exposures. The agencies are specifically, Moody's, Fitch and S&P. The credit assessments of counterparties and their mapping to the credit quality steps ("CQS") may be seen from the table below:

External Credit Assessment Institution (ECAI's)		S&P	Moody's	Fitch
Mapping to credit quality steps - Long term credit assessment	1	AAA to AA-	Aaa to Aa3	AAA to AA-
	2	A+ to A-	A1 to A3	A+ to A-
	3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
	4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
	5	B+ to B-	B1 to B3	B+ to B-
	6	CCC+ and below	Caa1 and below	CCC+ and below

The Company's financial instrument exposure to credit risk as at 31 December 2017 and 31 December 2016 respectively, may be found below. The Company does not make use of credit derivatives, or other similar instruments to mitigate credit risk exposures and therefore these instruments do not form part of these disclosures.

The Company's exposure to credit risk at the end of the reporting period is represented as the carrying amount. Derivatives are recorded at fair value, whilst the remaining exposures to credit risk are measured at amortised cost.

The Company has no financial assets that are either past due or impaired.

Financial asset	**CQS 1**	**CQS 2**	**CQS 3**	**CQS 4 - 6**	**Unrated**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
31 December 2017						
Cash and cash equivalents	8,081,412	182,033,284	32,143,442	—	74,304,575	**296,562,713**
Amounts owed by group undertakings	—	—	—	—	32,150,116	**32,150,116**
Other debtors	—	—	—	—	6,645,709	**6,645,709**
Trading derivatives	—	1,067,184	—	—	45,467,652	**46,534,836**
Amounts owed by group undertakings	—	—	—	—	5,553,259	**5,553,259**
Net exposure	8,081,412	183,100,468	32,143,442	—	164,121,311	**387,446,633**

Notes to the Financial Statements
As at 31 December 2017 (continued)

21. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Financial asset	CQS 1	CQS 2	CQS 3	CQS 4 - 6	Unrated	Total
	$	$	$	$	$	$
31 December 2016						
Cash and cash equivalents	9,220,163	316,164,041	37,803,438	—	54,983,124	**418,170,766**
Amounts owed by group undertakings	—	—	—	—	32,385,918	**32,385,918**
Other debtors	—	—	—	—	1,090,762	**1,090,762**
Trading derivatives	—	2,860,735	—	—	90,370,694	**93,231,429**
Amounts owed by group undertakings	—	—	—	—	5,340,007	**5,340,007**
Net exposure	9,220,163	319,024,776	37,803,438	—	184,170,505	**550,218,882**

Market risk
Market risk is defined as the risk that exposures to market price fluctuations inherent in the positions held by the Company could give rise to a material loss given adverse price movements.

The Company's overall approach to market risk management is outlined in Note 28.

(i) Interest rate risk

Exposure to interest rate risk arises where there is a maturity discrepancy between financial assets and liabilities attracting either fixed or floating rates of interest.

The Company's financial asset and liability balances are on-demand and subject primarily to floating rates of interest. Because the Company does not have a maturity discrepancy of financial assets to financial liabilities, any increase or decrease in interest rates would have an immaterial impact on the Company.

The Company's financial assets and liabilities attracting interest are primarily in respect of cash and cash equivalents.

(ii) Foreign currency risk

Currency mismatch risk arises if obligations (i.e. money obligations) owed in one currency are secured by deposits in a different currency and the rates between these currencies change.

A sensitivity analysis showing the impact of a change in foreign currency exchange rates as at 31 December 2017 and 31 December 2016 on the foreign currency risk exposures in existence is shown in Note 28.

Liquidity risk
Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial instrument liabilities.

The Company's overall approach to liquidity risk management is outlined in Note 28.

Notes to the Financial Statements
As at 31 December 2017 (continued)

21. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Maturity profile of financial liabilities

	On demand	0-3 months	3-12 months	> 1 year	Total
	$	$	$	$	$
31 December 2017					
Customer liabilities	285,678,290	—	—	—	**285,678,290**
Amounts owed to group undertakings	2,751,715	—	—	—	**2,751,715**
Other creditors	5,622,040	—	—	—	**5,622,040**
Accruals	3,865,511				**3,865,511**
Derivative financial liabilities at fair value through profit or loss	4,474,215	—	—	—	**4,474,215**
	302,391,771	—	—	—	**302,391,771**

	On demand	0-3 months	3-12 months	> 1 year	Total
	$	$	$	$	$
31 December 2016					
Customer liabilities	419,339,292	—	—	—	**419,339,292**
Amounts owed to group undertakings	17,563,971	—	—	—	**17,563,971**
Other creditors	5,808,111	—	—	—	**5,808,111**
Accruals	5,768,650				**5,768,650**
Derivative financial liabilities at fair value through profit or loss	14,849,958	—	—	—	**14,849,958**
	463,329,982	—	—	—	**463,329,982**

22. OPERATING LEASE PAYMENTS DUE

	2017	2016
	$	$
Amounts due within one year	671,722	751,716
Amounts due within two to five years	1,838,763	403,703
Amounts due after five years	733,070	25,231

The aggregate rental expense for operating leases for the year ended 31 December 2017 was $966,713 (2016: $1,443,276). In October 2017, the Company's registered office was relocated to 20 Gresham Street, 4th Floor, London, EC2V 7JE. Accordingly, a new operating lease agreement was entered into for a seven year period, expiring on 26 September 2024.

Notes to the Financial Statements
As at 31 December 2017 (continued)

23. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Ordinary shares of £1 each	2017	2016
	$	$
At 1 January 2017	69,891,237	64,891,237
Issued during the year	—	5,000,000
At 31 December 2017	69,891,237	69,891,237

24. 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, Restricted Stock Units ("RSUs"). The total number of Shares which may be issued under the LTIP is 1.5 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 31 December 2017, 0.9 million shares (2016: 5 million shares) remained available for future issuance.

As a result of the one-for-ten reverse stock split of Inc.'s issued and outstanding shares on 1 October 2015, all references to the number and price per share have been adjusted to reflect the one-for-ten reverse stock split on a retroactive basis for all prior periods presented, unless otherwise noted.

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 turnover 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 31 December 2017, no shares were granted (2016: no shares were granted). 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 2017 (continued)

24. SHARE- BASED COMPENSATION (CONTINUED)

Stock Options (continued)

The following table summarises the Company's stock option activity as of 31 December 2017 and changes to the year then ended:

	Shares	Weighted-Average Exercise Price $	Weighted-Average Remaining Contractual Term
Outstanding at 1 January 2017	39,900	141.42	
Forfeited	24,000		
Outstanding at 31 December 2017	15,900	142.49	2.33
Vested or expected to vest at 31 December 2017	15,892	142.48	2.33
Exercisable at 31 December 2017	15,125	141.49	2.29

The weighted-average fair value per option granted in the year ended 31 December 2017 was $nil (2016:$nil). The total intrinsic value of the options exercised in the year ended 31 December 2017 was $nil (2016:$nil). The total grant-date fair value of options vested in the year ended 31 December 2017 was $0.2 million (2016: $0.2 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 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. Given that Inc.'s stock has been publicly traded for 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 Employee Stock Options.

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, it's Statement of 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 statement of comprehensive income for the year ended 31 December 2017 was immaterial (2016:$0.1 million).

Notes to the Financial Statements
As at 31 December 2017 (continued)

24. SHARE- BASED COMPENSATION (CONTINUED)

Valuation Assumptions (continued)

As of 31 December 2017, there was an immaterial amount (2016:$0.04 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 1.8 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 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.

The following table summarises the Company's non-vested RSU activity as of 31 December 2017 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 1 January 2017	994	162.50	1.96	7
Exercised	495			
Outstanding at 31 December 2017	499	162.50	1.00	—
Vested or expected to vest at 31 December 2017	478	162.50	1.00	—

Stock-based compensation expense before income taxes for RSUs, which is included in administrative expense in the statement of comprehensive income was immaterial for the year ended 31 December 2017 (2016:$0.1 million).

As of 31 December 2017, there was an immaterial amount (2016: $0.1 million) of total unrecognised compensation cost related to non-vested RSUs that is expected to be recognised over a weighted-average period of 1 year.

Notes to the Financial Statements
As at 31 December 2017 (continued)

25. RELATED PARTY TRANSACTIONS

The Company had no outstanding advances to directors as at 31 December 2017 (2016: $nil).

The Company had $5,919 outstanding advances to employees as at 31 December 2017 (2016: $4,295).

The total compensation for key management personnel were as follows:

	2017	2016
	$	$
Short-term employee benefits	1,930,688	3,234,605
Post employment benefits	9,063	14,735

The Company had the following amounts outstanding with group companies at the year end:

	2017	2016
	$	$
Amounts owed by group undertakings	37,703,375	37,725,925
Amounts owed to group undertakings	2,751,715	17,563,971

Amounts owed by/to group undertakings include various inter group recharges, profit sharing, margin for trading activities and are all repayable on demand.

Interest income received and interest paid on amounts due to/from group undertakings was $213,252 and $nil, respectively for year ended 31 December 2017 (2016: $353,149 and $18,161, respectively).

During the year, the Company received $32,068,367 (2016: $17,069,355) and paid $17,073,537 (2016: $16,769,725) in respect of services provided between affiliate companies in the Group.

26. CONTINGENT LIABILITIES

Credit Agreement

On January 16, 2015, Holdings, a wholly owned subsidiary of Inc. and FXCM Group, LLC, entered into a Credit Agreement (the "Credit Agreement") with Leucadia National Corporation ("Leucadia"), pursuant to which Leucadia provided Holdings and FXCM Group, LLC a $300 million term loan.

In connection with the Credit Agreement, Holdings formed FXCM Group, LLC and contributed all of the equity interests owned by Holdings in its subsidiaries to FXCM Group, LLC. Under the Credit Agreement, 65% of the Company's shares are pledged as collateral.

On September 1, 2016, Inc. and Holdings completed a restructuring transaction with Leucadia. In connection with the restructuring transaction, the financing arrangement with Leucadia was amended, and Leucadia acquired a 49.9% membership interest in FXCM Group, LLC, with Holdings owning the remaining 50.1% membership interest in FXCM Group, LLC.

As of 31 December 2017, the remaining outstanding balance on the loan was $69.9 million (2016: $154.5 million).

Notes to the Financial Statements
As at 31 December 2017 (continued)

27. 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 FXCM Group, LLC, a limited liability corporation incorporated in Delaware, in the United States of America, which is in turn owned by Holdings and Leucadia, who control the businesses and affairs of the FXCM Group of companies. Inc. is the ultimate parent undertaking of Holdings.

28. RISK MANAGEMENT

The Company's risk management framework seeks to ensure that there is an effective process in place to manage risks across the Company. Risk management is integral to all aspects of the Company's activities and is the responsibility of all staff. Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The risk management culture emphasises careful analysis and management of risk in all business processes.

Risk management at the Company is overseen by a structure of committees, including the Risk Management Committee, Audit Committee, Client Money and Asset ("CASS") Committee, Remuneration Committee, Asset and Liability Committee ("ALCO"), Credit Committee and Executive Committee. Ultimate responsibility for risk governance sits with the Board.

Risk appetite can be defined as the amount and type of risk that the Company is willing to take in order to meet its strategic objectives. Risk appetite is assessed against the business's key drivers of success, which form the basis for the risk appetite. Through the risk management framework and its risk policies, the Company has established and communicated its risk appetite.

Business risk

Business risk is any risk arising from changes in the business, including the risk that the Company may not be able to carry out its business plan and desired strategy. These risks can be sub-categorised as performance risk and reputational risk, and include:

- Decrease in the number of new and active customers;
- Increase in the general cost of business; and
- 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 affiliate.

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

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 of the Company's operations. The execution of these promotes overall effective corporate governance.

Notes to the Financial Statements
As at 31 December 2017 (continued)

28. 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 exposure to credit risk in dealing with clients and counterparties.

The Company accepts credit risk arising from:

- Balances held with third parties;
- Balances held with affiliated companies
- Credit extended to a limited number of clients that meet specified credit criteria;
- Counterparty risk arising on OTC derivatives; and
- Defaulted client losses.

There are strict controls around these risks.

Balances held with third parties
The Company aims to deposit the majority 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 limiting the amount of cash at any single third party. Further, balance limits apply to any single third party that does not have credit ratings equivalent to the FCA's credit quality step 3 and above.

Customer funds nominated for segregation are held in segregated accounts.

Credit reviews for all new third party banking and trading relationships are prepared with credit ratings regularly monitored.

Balances held with affiliated companies
The Company is the counterparty to each of its clients' trades. In order to offset market risk it may hedge these trades with multiple counterparties - including other FXCM Group affiliates - leading to credit exposures arising both on and off balance sheet. The Company seeks to consolidate the hedging and clearing functions across its entities in order to internalise the trading flow; thus saving on hedging costs and maximising revenues from overnight financing. By consolidating intra-group hedging arrangements, the Company has a better standing with external counterparties. This translates to potentially lower costs for both the Company and its customers.

Credit extended to clients
The Company extends credit facilities to a limited number of clients that meet specified credit criteria ("Credit Clients"). In relation to extension of credit to clients, the Company's policy is to limit credit to any single client as well as the total exposure to all clients.

Credit Committee approve proposals for new credit clients with reviews 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 2017 (continued)

28. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Counterparty risk arising on OTC derivatives
With the majority of the Company's clients, the capital requirement for exposures arising from counterparty risk on OTC derivative trading is eliminated by a client's equity position (cash collateral). However, under exceptional circumstances, owing to the short amount of time taken for a significant market event to change market prices, clients may fall into negative balances (deficit) exposing the Company to credit risk. See defaulted client losses below.

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 go 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 where clients' useable margins cannot fall below zero. Positions are automatically closed where clients breach margin requirements. The exceptions are as follows:

- Significant price gapping; usually as the result of news during or out of market hours.
- A limited number of non-auto liquidated accounts where margin calls and liquidation of positions are performed manually.

The Company has implemented a policy whereby client debit balances may be waived, except as noted in section 27 of the Terms of Business.

Market risk

Market risk is the risk that exposures to market price fluctuations inherent in the positions held by the Company could give rise to a material loss given adverse price movements.

FX and CFD's
The Company offers its customers leveraged trading in FX and CFD products and acts as principal to client trades. These trades are either passed directly through to a liquidity provider, or matched internally and managed based on the established risk appetite. The Company then offsets residual FX exposure with an affiliate on a one-to-one basis.

CFD market risk arises from unhedged customer trades. To mitigate CFD market risk, the Company firstly considers offsetting exposure with its clearing counterparties, inline with the established risk appetite. The majority of the remaining market risk is offset with an affiliate, leaving a minimal market risk component unhedged. The portion of the market risk that is unhedged is subject to risk limits established by the Company's Board.

The market risk from CFD exposure is monitored in real time, allowing the dealing desk to identify open market risk positions for hedging purposes. The Head of the CFD desk and the Head of Global Dealing oversee the Company's hedging activities. The Company runs limited exposure positions so that portfolio hedges can be aggregated, rather than hedging its entire exposure on a trade-by-trade basis. Exposure limits are therefore set for individual products.

Notes to the Financial Statements
As at 31 December 2017 (continued)

28. RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Sensitivity analysis on open CFD trades:
At 31 December 2017, if the market prices in respect of the open CFD trades the Company had exposure to had weakened or strengthened, using the shock values in the table below, the profit or loss and equity of the Company for the financial year would have been $18,738 (2016: $964,538) higher or lower. There is no correlation between the capital requirement for open CFD trading positions and the resulting potential profit and loss from a price shock. The potential profit or loss from a price shock has reduced from 2016 to 2017 because the net CFD open positions in 2017 were smaller.

Underlying CFD Price movement/ sensitivity	2017 Shock %	2016 Shock %
Bond	5%	5%
AUS200, FRA40, Copper, UK100	10%	10%
ESP35, EUSTX50, GER30, HKG33, ITA40, JPN225, NAS100, SPX500, US30,XAU/USD	15%	15%
UKOil, USOil, XAG/USD	20%	20%
NGAS	30%	30%

Data source: Bloomberg 1-day move over past 30-years (judgement used where data gaps exist).

	31 December 2017	**31 December 2016**
Market risk exposure category	Potential profit or loss from price movement USD	Potential profit or loss from price movement USD
Equity	6,979	467,247
Commodity	1,261	202,978
Gold	10,498	294,313
Total	**18,738**	**964,538**

Currency mismatch risk
The Company has exposures to currency mismatch risk through its 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.

Sensitivity analysis on currency mismatch risk
At 31 December 2017, if the exchange rates in respect of the FX currency mismatch risk positions the Company had exposure to had weakened or strengthened, using the shock percentages in the table below, the profit or loss and equity of the Company would have been $1,288,985 (2016: $1,284,319) higher or lower.

FX currency pair	Max shock % value 2017	Max shock % value 2016
GBP/USD	10%	10%
EUR/USD, GBP/USD, USD/CAD, USD/HKD and USD/SGD	5%	5%
AUD/USD, NZD/USD, USD/JPY and USD/ILS	10%	10%
USD/CHF	20%	20%

Data source: Bloomberg 1-day move over past 30-years (judgement used where data gaps exist).

Notes to the Financial Statements
As at 31 December 2017 (continued)

28. RISK MANAGEMENT (CONTINUED)

Market risk (continued)

For both the currency and CFD sensitivity analysis above where, in some cases, a currency (in relation to USD), Commodity, or Index price moved by a value greater than the shock values used for the stress, we reviewed the frequency of such moves and made an assessment for those products with infrequent market moves.

Operational risk

Operational risk is 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.

Material operational risks identified through the risk assessment process include:

- Information technology and cyber security;
- Internal and external fraud; and
- Conduct risk

Information Technology and Cyber Security
The Company's operations are exposed to technology risk relating to its trading platforms and internal systems. This includes:

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

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 information technology (IT) resources to assist with any necessary incident management. IT management also work under the framework of the 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 FXCM Group's Business Continuity/Disaster Recovery plan. 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.

Notes to the Financial Statements
As at 31 December 2017 (continued)

28. RISK MANAGEMENT (CONTINUED)

Operational risk (continued)

Internal and external fraud
The Company has exposure to the risk of both internal and external fraud. Internal fraud is 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.

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.

Conduct Risk
Conduct risk is the risks arising from the Company's conduct in its direct relationship with all classifications of customers, or where the Company has a direct duty to those customers. The Company has a robust Market Abuse Policy which incorporates the conduct risks associated with ensuring market integrity is not compromised by the Company's actions or those of its clients.

The Chairman of the Risk Committee is responsible for;

- Ensuring the principles of Conduct Risk and the Risk Appetite are communicated throughout the organisation; and
- Ensuring that the Company maintains adequate Management Information, measuring the Company's adherence to its specified benchmarks for Conduct Risk Appetite.

The Compliance Officer is responsible for updating the Risk Committee on new regulations or guidance surrounding Conduct Risk.

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 monitors on-going regulatory obligations, provides internal training and advice to the business.

Notes to the Financial Statements
As at 31 December 2017 (continued)

28. RISK MANAGEMENT (CONTINUED)

Regulatory risk (continued)

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 made to ensure continued compliance with global regulations.

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.

The Company complies with the regulatory principles for sound liquidity risk management and supervision. Accordingly, each year, or more frequently if necessary, the Company undertakes an internal liquidity adequacy assessment process (ILAAP) to determine the Company's liquidity adequacy. The Company's liquidity risk appetite is clearly defined by the Board together with Board-approved policies with respect to liquidity risk management. We maintain a liquidity buffer in the form of unencumbered cash and highly liquid government securities.

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 counterparties.

The Company's liquidity needs are not a result of using short-term instruments to fund longer-term outflows. Rather, the Company's liquidity needs mainly arise from posting initial and variation margin at trading counterparties for hedged customer positions.

Country risk

Country risk is 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 170 countries.

Notes to the Financial Statements
As at 31 December 2017 (continued)

28. RISK MANAGEMENT (CONTINUED)

Brexit risk

Current European Union ("EU") regulations permit "passporting" - the ability of a firm registered in the European Economic Area ("EEA") to do business in any other EEA member state without the need to obtain additional authorisation. With the UK set to leave the EU following the Brexit vote, the Company might lose the passporting right of its London office, which is necessary if the Company is to continue offering its products to EU customers. The Company has created an internal team that has researched the most viable options for a new European headquarters that would allow passporting following the actual Brexit.

Our intention is to expand our Berlin office and be fully licensed and authorised by the German regulator-Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin"). We are working with local experts on the exact requirements of authorisation and anticipate full approvals, if such are needed, later in 2018 - ahead of the current March 2019 Brexit deadline.

As an important note, this initiative would not result in any job losses in the London office, but instead, would likely require more cross-Europe coordination, travel, and potentially the hiring of additional staff.

29. SUBSEQUENT EVENTS

Inc.'s Restructuring Support Agreement and Prepackaged Plan of Reorganisation

On 10 November, 2017, Inc. entered into a restructuring support agreement to restructure its 2.25% senior convertible notes maturing on 15 June, 2018 (the "Convertible Notes") pursuant to a prepackaged plan of reorganisation (the "Plan") which was filed under Chapter 11 of the United States Bankruptcy Code. On 8 February, 2018, the Plan was substantially consummated and became effective (the "Effective Date"). On the Effective Date, Inc.'s Convertible Notes were exchanged for the New Secured Notes due 8 February, 2023. The New Secured Notes are not liabilities of FXCM Group and only have recourse to the assets of Inc. and Holdings, including a junior lien (subject to the lien of Leucadia under the Credit Agreement, see Note 26) on the interests of Holdings in its membership interest in FXCM Group.

On the Effective Date, the terms of the Credit Agreement were amended to extend the maturity of the term loan held by Leucadia by an additional year to 16 January, 2019. In addition, the LLC agreement of FXCM Group, (the "Group Agreement") was amended to provide for certain covenants that will, among other things, permit certain excess cash generated by FXCM Group to be distributed to Holdings and, thus, to Inc. under certain conditions that are set forth in the Group Agreement.

Sale of Investment in Salex Holding SRL

On March 6, 2018, the Company entered into a definitive agreement to sell its investment in Salex Holding SRL to FinSalex SRL, for a purchase price of one euro, with the sale scheduled to be completed in the second quarter of 2018.

Dividends Paid to FXT

On March 29, 2018, the Directors proposed and approved a dividend payment in the amount of $5 million to the Company's immediate parent undertaking, FXT, which was subsequently paid on March 30, 2018.