Forex Capital Markets Limited

Annual Report and Financial Statements

For the year ended 31 December 2021

Registered number: 04072877

CONTENTS

COMPANY INFORMATION

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

* Non-executive director

Company Secretary
Idowu Akanbi - Appointed on 11 February 2021, resigned 16 April 2021
Michael Herron

Finance Officer
Maryke Faulkner

Compliance Officer
Michael Grant

Registered Office
Fourth Floor
20 Gresham Street
London
UK
EC2V 7JE

Auditors
RSM UK AUDIT LLP
Statutory Auditor
25 Farringdon Street
London
UK
EC4A 4AB

STRATEGIC REPORT

The directors present their annual report and the audited financial statements of Forex Capital Markets Limited ("the Company") for the year ended 31 December 2021.

General information

The Company is a wholly owned subsidiary of Forex Trading, LLC ("FXT"), a limited liability corporation incorporated in Delaware, in the United States of America. Forex Trading, LLC is wholly owned by FXCM Group, LLC, a limited liability corporation also incorporated in Delaware. FXCM Group, LLC is 50.1% owned by Global Brokerage Holdings, LLC, whose parent company is Global Brokerage Inc. The remaining 49.9% ownership interest in FXCM Group is held by LUK-FX Holdings, LLC, which is a wholly owned subsidiary of Jefferies Financial Group Inc. Jefferies Financial Group Inc. is incorporated in New York, in the United States of America, its principal executive office is 520 Madison Avenue, New York, NY 10022.

The Company is a United Kingdom ("UK") Financial Conduct Authority ("FCA") regulated full-scope investment firm.

Principal activities

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

Business review

The Company offers online FX and CFD trading to its retail and professional clients utilising the online trading platforms of affiliated companies. The Company offsets all of its FX and CFD trades with affiliate entities and is compensated for selling this risk on a commission basis. 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:

	2021	2020	Change
	$	$	%
Turnover	13,596,854	15,467,078	(12.1)
Profit on ordinary activities before taxation	283,174	5,265,303	(94.6)
Profit for the year	227,982	4,868,683	(95.3)
Client cash held	147,039,334	174,533,813	(15.8)
Retail trade volume ($ billions)	467	601	(22.3)
Equity shareholder's funds	64,720,953	74,492,971	(13.1)
Profit over net assets	0.4%	6.5%	(6.1)
Capital resources	64,470,306	69,592,126	(7.4)
Capital requirement	8,047,677	9,562,919	(15.8)

STRATEGIC REPORT (CONTINUED)

Business review (continued)

In 2021, the Company's turnover decreased by 12.1%, year on year, to $13.6 million. Profit on ordinary activities before taxation decreased by $5.0 million compared to the previous year to $0.3 million in 2021. Retail trading volumes decreased 22.3% in 2021.

Client cash held reduced 15.8% to $147.0 million in 2021, from $174.5 million in 2020, mostly due to client migration to affiliates during the year. Capital resources decreased to $64.5 million as compared to the previous year ($69.6 million), owing to a $10m distribution in February 2021 and recognition of the Company's 31 December 2000 profits of $4.9m in April 2021.

The Company hedges its client trades with affiliates and is compensated in return with a commission based upon a relative contribution to the total FXCM Group profits. The Company also earns other forms of revenue such as fees from white label arrangements with third parties to provide platform, back office and trade execution services, FX market prices and various ancillary FX and CFD related services.

The Company's revenue and profitability rely on, among other things, the levels of volatility, which in the FX markets is partly contingent upon the expectation of how much interest rates will change in the future. Prima facie, increased volatility in the markets is favorable to FX and CFD trading and revenue and profitability due to the countercyclical nature of the Company's business model.

Volatility for 2021 was lower than in 2020. The Vix average, a measure of volatility, was an average of 19.66 for 2021. By comparison it was 22.75 in 2020. While factors affecting volatility such as the ongoing effects of Brexit and the economic and social impacts of the Coronavirus pandemic were still relevant in 2021, the trend in reducing volatility, for now, reflects a slight improvement in economic outlook.

The UK formally left the EU on 31 January 2020 and entered the transitional period which ended on 31 December 2020. During 2021, the Company was no longer able to service EU clients directly and they were invited to transition to an FXCM Group EU affiliate.

Coronavirus developed from an outbreak to a global pandemic in 2020. During 2020 the pandemic caused significant and potentially lasting damage to the global economy. Financial markets experienced heightened and sustained levels of volatility with an increased likelihood of sharp price movements and market gaps. In 2021, disruption continued, but there was some improvement in economic stability and outlook throughout the year. This positive trend was abated somewhat with the development of the Omicron strain of the virus in the European winter of 2021. The Company's operating procedures and infrastructure allowed a seamless transition back to working from home arrangements for staff and the Company continued to operate in a robust manner.

The shorter the duration of the pandemic the more likely this will be positive for the Company. However the longer the pandemic there is the potential that trading activity may slow.

The principal risks and uncertainties of the pandemic faced by the Company as well as the management actions necessary to mitigate and address these risks include:

- the estimation of the length and severity of the pandemic - capital and liquidity projections have been revised and updated to include pandemic scenario analysis;
- the reliability of the Company's IT infrastructure - mitigated through increased investment;
- staff resourcing and productivity risks - mitigated through deployment of remote working and productivity tools as well as an increase in team/Company briefings and coordination meetings. Key tasks continue to be identified and monitored to ensure that procedures and cross training are maintained to the required standard;
- the potential loss of key vendors or trading counterparties - the Company's policy of redundancy in this respect has been maintained.

STRATEGIC REPORT (CONTINUED)

Business review (continued)

- potential increased margin requirements from either trading counterparties or regulators may give raise to a stressed cash position - the Company's management monitors this closely and has measures to mitigate this risk, this include the raising of margin requirements for non-segregated clients or by imposing trading limits to manage client open trades;
- increased regulatory risk - management closely monitors emerging regulatory risks and may modify plans accordingly; and
- the Company's management can also accelerate planned strategic initiatives;

At the time of the preparation of these statements the Russian-Ukrainian conflict is still being waged intensively. The ensuing geopolitical tensions are having a significant impact in the global economy not least caused by national sanctions against the state of Russia as well as an increasing number of significant persons closely associated with the Russian state. The Company's Risk function is closely monitoring the situation.

While risks remain with the possible disruption caused by the pandemic and the ongoing crisis in Ukraine, the directors continue to look to progress corporate programs to improve and expand product offerings and improve the efficiency of business operations with continued investment in the Company's technology infrastructure.

During 2021 the Company undertook restructuring both in its London and its European offices. The process of winding-down the European offices continues into early 2022 and is not yet complete as at the date of preparation of these financial statements. Within these financial statements $2.1 million has been expensed for these restructuring costs.

Restructure of Own Funds

On 11 February 2021 and in accordance with articles 77 and 78 of the EU CRR, the FCA granted the Company permission to reduce its ordinary share capital of $69,891,237 in consideration for an exact value transfer to reserves of $69,891,236, resulting in no change to the total value of the Company's own funds. This was granted on the basis the Company demonstrated the ability to continue to meet all the own funds requirements as contained in relevant Articles pursuant to Regulation (EU) No. 575/2013 on the prudential supervision for credit institutions and investment firms (EU CRR).

Risk management

Capital risk

Capital management

The Company's Internal Capital Adequacy Assessment Process ("ICAAP") involves an integrated approach to risk identification and capital management. The ICAAP is based on the assessment of the Company's risk appetite to ensure the level and quality of capital is appropriate to the risk profile.

The ICAAP is a central component of the Company's strategy for managing risk to create value. Developing a sound ICAAP requires a deep understanding of the sources, nature, and interactions of risks on the business.

The ICAAP process of risk identification and capital considerations have clear linkages and are consistent with one another within the business planning process. The Company embeds this process in its operations and it is a key input to decision making.

The Forex Capital Markets Limited Board of Directors ("Board") and senior management involvement in the ICAAP development process ensures comprehensive evaluation of risk arising for events such as the pandemic and regulatory change etc.

The Company's business model facilitates the decision making process and is stress tested for robustness demonstrating the ICAAP is a core management tool.

STRATEGIC REPORT (CONTINUED)

Risk management (continued)

Capital risk (continued)

Current regulatory framework
The Company calculates capital resources and requirements on an unconsolidated basis using the Basel III framework, under the Capital Requirements Regulation (Amendment) (EU Exit) Regulations 2021 in exercise of the powers in section 8 of the European Union (Withdrawal) Act 2018 following the UK leaving the EU, ensuring the onshored Capital Requirements Regulation continues to operate effectively for UK investment firms.

In the UK, investment firms and banks are required to meet minimum capital requirements as prescribed by CRD IV. In addition, investment firms and banks must adhere to their individual capital guidance, as determined by the ICAAP and supervisory review and evaluation process (SREP).

In line with CRD IV, UK firms are required to meet a combined buffer requirement, which includes the capital conservation buffer (CCB) and the countercyclical capital buffer (CCyB) and must be met with common equity tier one (CET1) capital.

At 31 December 2021, the Company is holding an institution specific CCyB of 0.00058% of Risk-weighted Assets ("RWA"). The institution specific CCyB requirement is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set.

The Company continues to hold capital in excess of all the capital and buffer requirements and applies the standardised approach for its capital calculations.

Review of the existing rules
The prudential rules for investment firms are set out in Directive 2013/36/EU and Regulation (EU) No 575/2013s (onshored as set-out above) on capital requirements for banks and investment firms also known CRD IV or the implementation of Basel III.

Regulatory framework developments
In the UK, the FCA introduced the Investment Firms Prudential Regime (IFPR) as the new prudential regime for MiFID investment firms. The regime came into force on 1 January 2022.

The IFPR aims to streamline and simplify the prudential requirements for MiFID investment firms as it refocuses prudential requirements and expectations away from mostly considering the risks firms face, to also consider and manage the potential harm firms can pose to consumers and markets.

The IFPR introduces the ICARA (internal capital and risk assessment) which replaces the ICAAP. The focus of the ICARA process is on identifying and managing risks that may result in material harms.

The final rules from the FCA's first and second policy statements are in the legal instruments FCA 2021/38 and FCA 2021/39. The final rules from the FCA's third policy statement are in the legal instruments FCA 2021/49 and FCA 2021/50.

Leverage ratio
The Company is subject to the Basel III minimum leverage ratio standard, which is set at 3% of Tier 1 capital (Common equity tier 1 plus Additional tier 1 capital) against total exposures. The Company calculates and reports its leverage ratio quarterly to the FCA. At 31 December 2021, the ratio was 32.26%.

Capital regulatory disclosures
The composition of the Company's regulatory capital comprises entirely tier one capital, i.e. equity share capital and reserves.

STRATEGIC REPORT (CONTINUED)

Risk management (continued)

Capital risk (continued)
The table below shows the Company's regulatory own funds and capital requirements:

	31 December 2021	31 December 2020
Regulatory Capital	**$**	**$**
Tier 1 capital	**64,470,306**	**69,592,126**
Credit and counterparty risk	3,625,656	4,160,014
Operational risk	3,234,121	4,866,509
Market risk	1,187,900	536,396
Total Pillar 1 requirement	**8,047,677**	**9,562,919**
Capital surplus	**56,422,628**	**60,029,207**
Common equity Tier 1 ratio	64.09 %	58.22 %
Tier 1 ratio	64.09 %	58.22 %
Total capital adequacy ratio	64.09 %	58.22 %
RWA	100,595,964	119,536,488

The capital requirement for market risk exposures is set out in the table below:

Pillar 1 Market Risk Capital Requirement	31 December 2021 $	31 December 2020 $
Foreign currency mismatch	1,187,900	536,396
Total Pillar 1 requirement	**1,187,900**	**536,396**

Other risks faced by the Company can be categorised as follows and are considered in notes 19 and 25.

- Business risk
- Governance risk
- Credit and counterparty risk
- Market risk
- Operational risk
- Regulatory risk
- Liquidity risk
- Country and other concentration risks
- Group risk
- Brexit risk
- Pandemic risk - Coronavirus
- Crisis in Ukraine

Section 172 Statement
The Company proactively fosters its business relationships with clients and service providers to ensure a substantial amount of repeat business and uninterrupted and efficient service as needed. The Company seeks to have a favourable impact on the community and the environment and desires to maintain its reputation for high standards of business conduct. With respect to environmental (including Climate Change), social (including 'Diversity and Inclusion') and governance ("ESG") factors that may affect the Company, the Company is looking at risks that may arise from these factors. An ESG Committee is being established, reporting to the Board. The work of this committee will include identifying such factors, how such factors may lead to prudential risks and how data and measurement may be disclosed for such risks. The identification of appropriate metrics will enable the Company to measure progress against ESG targets. With respect to the impact of the Coronavirus pandemic on the Company's employees and any impact on suppliers, please refer to the Business review section of the Strategic Report and Risk Management section for disclosures.

Approved by the Board and signed on its behalf by:

B. Callan - Director
20 April 2022

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 2021.

Results and dividends

The results for the year are shown in the statement of comprehensive income on page 15. The profit for the year of $227,982 (2020: $4,868,683 profit) was transferred to retained earnings. During November 2020, the Board approved a dividend of $10,000,000 which was paid in February 2021. This followed the date of the FCA's approval to reduce the Company's share capital in consideration of increasing reserves by the same amount.

Future developments

The Company will continue to reconsider all plans in light of the Coronavirus pandemic's effects and possible emerging effects, including updating capital and liquidity projections, extensive pandemic scenario analysis and estimates of how client account growth and associated trading volumes may be affected. The Company will continue to follow Government guidelines on the coronavirus pandemic and will continue to provide robust IT support to enable employees to continue to work from home for as long as is needed. Planning scenarios are being developed to address the future return of employees to the Company's various office locations.

The Company will continue to pursue key initiatives to retain and grow its client base in 2022. The Company's objectives for 2022 are to optimise revenues from current and new business and reduce account acquisition and operating costs. To optimise revenues, the Company aims to expand product offerings, add functionality and improve conversion rates of new account applicants and decrease the time it takes between applying for a new account and placing a first trade. The Company is re-evaluating how client trade flows are managed, relying less on a small number of metrics and more on technologies which provide a holistic view into client trading patterns.

The introduction of a significant number of new tradeable products are expected to generate renewed interest from the client base.

Events after the statement of financial position date

There were no significant developments after the statement of financial position date.

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 arising from its operations. For financial risk management objectives and policies of the Company and the exposure to price risk, credit risk, liquidity risk and cash flow risk see Note 25 Risk Management.

Capital management

The Company's capital management objective is to ensure that it maintains a healthy capital ratio, maximising shareholder value and meeting regulatory standards.

The Company manages its capital structure and adjusts 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.

There were no changes made in the objectives, policies or processes during the years ended 31 December 2021 and 2020.

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/.

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 CBCR for the year ended 31 December 2021 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 and will have enough capital to meet all of its regulatory requirements for at least 12 months from the date of signing the statutory accounts.

In determining that the Company is a going concern, the directors considered the impact of the regulatory changes in the UK and EU, more specifically, the ongoing effects of Brexit, the potential impacts of the Coronavirus and the implementation of IFPR, effective from 1 January 2022.

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

RSM UK Audit LLP were appointed on 18 October 2019.

RSM have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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 2021 to the date of this report are as follows:

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

* Non-executive director

None of the directors at year end hold, or have ever held, any beneficial interests in the shares of the Company. The directors had qualifying indemnity provisions during the year up to the date of approval. The UK entity has overseas branches. These are listed within Note 10(d) Country by country reporting.

Directors' regard to relationships with stakeholders

With respect to how the Directors have had regard to the need to foster the Company's business relationships with suppliers, clients and other stakeholders, please refer to the Section 172 statement within the Strategic Report.

Approved by the Board and signed on its behalf by:

B. Callan - Director
20 April 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board and signed on its behalf by:

B. Callan - Director
20 April 2022

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

Opinion
We have audited the financial statements of Forex Capital Markets Limited (the 'company') for the year ended 31 December 2021 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

Matters on which we are required to report by exception
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 material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 10, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to FCA compliance. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations, and inspected correspondence with the FCA.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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.

Malcolm Pirouet

MALCOLM PIROUET (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB
Date: 22 April 2022

Statement of Comprehensive Income
For the year ended 31 December 2021

	Note	2021 $	2020 $
Turnover	3	13,596,854	15,467,078
Administrative expenses	5	(14,639,010)	(14,622,995)
Other operating income	4	1,243,852	3,553,107
Operating profit	8	201,696	4,397,190
Interest receivable and similar income	6	160,077	955,063
Interest payable and similar charges	7	(78,599)	(86,950)
Profit on ordinary activities before taxation		283,174	5,265,303
Tax on profit on ordinary activities	10	(55,192)	(396,620)
Profit from ordinary activities after tax for the financial year		227,982	4,868,683
Other comprehensive income		—	—
Total comprehensive income		227,982	4,868,683
Profit for the year attributable to:			
Owners of the parent		227,982	4,868,683

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

The notes on pages 19 to 43 form an integral part of the financial statements.

Statement of Financial Position
As at 31 December 2021

	Note	2021 $	2020 $
FIXED ASSETS			
Tangible assets	**11**	225,071	350,151
		225,071	350,151
CURRENT ASSETS			
Debtors	**13,14**	9,023,137	15,691,172
Trading derivatives	**17**	14,247,347	20,730,735
Cash and cash equivalents	**15**	225,340,005	253,992,264
		248,610,489	290,414,171
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	**16**	179,256,461	208,960,093
Trading derivatives	**17**	4,638,561	7,089,697
NET CURRENT ASSETS		64,715,467	74,364,381
Provisions for liabilities	**18**	219,585	221,561
NET ASSETS		64,720,953	74,492,971
CAPITAL AND RESERVES			
Called up share capital	**21**	1	69,891,237
Retained earnings		64,720,952	4,601,734
EQUITY SHAREHOLDER'S FUNDS		64,720,953	74,492,971

The notes on pages 19 to 43 form an integral part of the financial statements.

The financial statements and associated notes were approved and authorised for issue by the Board of Directors on 20 April 2022.

For and on behalf of the Board

B. Callan – Director
20 April 2022

Statement of Changes in Equity
For the year ended 31 December 2021

	Note	Share capital $	Retained earnings $	Total Equity $
At 1 January 2021		69,891,237	4,601,734	74,492,971
Total comprehensive income for the year		—	227,982	227,982
Share capital transferred to retained earnings		(69,891,236)	69,891,236	—
Contributions by and distributions to owners				
Dividends paid	**12**	—	(10,000,000)	(10,000,000)
At 31 December 2021		**1**	**64,720,952**	**64,720,953**

	Note	Share capital $	Retained earnings $	Total Equity $
At 1 January 2020		69,891,237	(266,949)	69,624,288
Total comprehensive income for the year		—	4,868,683	4,868,683
Contributions by and distributions to owners				
Dividends paid	**12**	—	—	—
At 31 December 2020		**69,891,237**	**4,601,734**	**74,492,971**

The notes on pages 19 to 43 form an integral part of the financial statements.

Cash Flow Statement

For the year ended 31 December 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Profit before tax		**283,174**	**5,265,303**
Adjustments for:			
Depreciation	11	131,010	197,588
Decrease in receivables		6,769,630	15,605,107
Increase/(decrease) in payables		2,998,516	(15,052,439)
Decrease in customer liabilities	16	(32,376,704)	(57,668,355)
Decrease in net trading derivatives	17	4,032,252	5,723,259
(Decrease)/increase in provisions	18	(1,976)	6,490
Cash used in operating activities		(18,164,098)	(45,923,047)
Taxation received/(paid)		(570,854)	217,062
Net cash flow used in operating activities		**(18,734,952)**	**(45,705,985)**
Cash flows from investing activities			
Purchase of tangible assets	11	(5,930)	(12,873)
Net cash flow used in investing activities		**(5,930)**	**(12,873)**
Cash flows from financing activities			
Interest received		167,222	750,023
Interest paid		(78,599)	(86,950)
Dividends paid	12	(10,000,000)	—
Net cash flow (used in)/from financing activities		**(9,911,377)**	**663,073**
(Losses)/gains on foreign currency revaluations		—	—
Net decrease in cash		**(28,652,259)**	**(45,055,785)**
Cash and cash equivalents at the start of the year		**253,992,264**	**299,048,049**
Cash and cash equivalents at the end of the year	15	**225,340,005**	**253,992,264**

The notes on pages 19 to 43 form an integral part of the financial statements.

Notes to the Financial Statements
For the year ended 31 December 2021

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 UK and the Republic of Ireland.

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

The principal activities of the Company are included within the Strategic Report on page 2.

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 UK 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 presentational currency

The Company's functional and presentational 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 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: Commission revenue (net of commission, rebates, brokerage and clearing paid): commission revenue generated through hedging client trades with affiliates by acting as a referring broker. The Company is still a principal on all foreign exchange and CFD transactions and this excludes VAT. Commission revenue is recognised on a trade date basis.

Other operating income

Other operating income comprises mainly of inactivity fees from clients, management fees and allocation of global loss received from affiliates.

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 FXCM Group.

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

Comprehensive transfer pricing reviews are performed periodically and retrospective adjustments to the commission income earned are booked to other operating income to reflect the allocation of global profits or loss based on the relative contribution of all entities to the total profit or loss.

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. The last remaining stock options expired in March 2021. Stock based compensation expense was nil for both 2021 and 2020. See Note 22 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.

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 FXCM 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.

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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.

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, and 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.

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

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. Cash and cash equivalents also include amounts due from third-party financial institutions for credit card transactions that settle generally within seven business days or less.

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; and 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/(loss) 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.

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

1. ACCOUNTING POLICIES (CONTINUED)

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.

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. The Company has not included a provision for uncertain tax items as management are currently not aware of any.

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. Despite the profit made in the year management consider that it is more likely than not that the losses represented by the deferred tax asset will not be utilised, therefore no deferred tax asset has been recognized in current year (2020: $nil). 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.

With respect to the uncertainty, risks and assumptions made by management on the impact of Brexit and the ongoing coronavirus pandemic, detailed disclosures have been made in Strategic Report and Risk Management sections on these topics.

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

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

3. TURNOVER

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

	2021	2020
	$	$
Commission revenue	13,596,854	15,467,078
	13,596,854	15,467,078

4. OTHER OPERATING INCOME

	2021	2020
	$	$
Inactivity fees	772,451	779,328
Management fees - income	407,599	730,952
Other	63,802	2,042,827
	1,243,852	3,553,107

5. ADMINISTRATIVE EXPENSES

	2021	2020
	$	$
Legal, management and professional fees	3,048,635	2,804,941
Staff costs (see below)	7,141,020	5,994,975
Bank charges and processing fees	1,220,716	2,003,239
Communications and technology fees	373,527	495,049
Regulatory fees	575,837	771,996
Other administrative expenses	2,279,275	2,552,795
	14,639,010	14,622,995

Staff costs

	2021	2020
	$	$
Wages and salaries	5,378,699	4,139,330
Social security costs	1,608,875	1,691,020
Other pension costs	153,446	164,625
	7,141,020	5,994,975

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

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

5. ADMINISTRATIVE EXPENSES (CONTINUED)

	2021	2020
Sales, marketing and support	24	26
IT	2	2
Trading	3	4
Management and administration	34	36
	63	68

Total pension costs incurred by the Company in 2021 was $153,446 (2020: $164,625).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	$	$
Interest on cash and short-term deposits	142,714	746,707
Interest received from related entities	17,363	208,356
	160,077	955,063

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2021	2020
	$	$
Interest on cash and short-term deposits	78,599	86,950
	78,599	86,950

8. OPERATING PROFIT

The operating profit is stated after charging:

	2021	2020
	$	$
Depreciation – owned assets	131,010	197,588
Fees paid for audit-related assurance services	76,935	76,935
Foreign exchange loss	(983,128)	(497,975)
Lease expense – land and building	831,276	779,183

9. DIRECTORS' REMUNERATION

	2021	2020
Directors' remuneration	$	$
Aggregate remuneration for qualifying services	831,498	747,277
Aggregate emolument of highest paid director	268,650	253,834

Of the directors who held office during the year, one (2020: one) was part remunerated by affiliates in respect of their services to those companies.

The number of directors who received shares in respect of qualifying services was nil in 2021 and 2020.

Directors' pension cost in the year was $2,669 (2020: $5,961).

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

10. TAXATION

(a) Analysis of the tax charge

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

	2021	2020
	$	$
Current tax charge:		
UK corporation tax at 19% (2020: 19%)	16,653	322,456
Foreign tax	106,629	74,164
Adjustments in respect of prior years	(68,090)	—
Total current tax charge/(benefit)	55,192	396,620
Deferred tax charge:		
Origination and reversal of temporary differences	—	—
Total deferred tax charge	—	—
Overall tax charge	55,192	396,620

(b) Factors affecting the tax charge for the year

The tax charge for the year is lower than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%).

The difference is explained below:

	2021	2020
	$	$
Profit before tax	283,174	5,265,303
Tax charge/(benefit) at blended UK corporation tax rate of 19% (2020: 19%)	53,803	1,000,408
Effects of:		
Prior period adjustment	(68,090)	—
Expenses not deductible for tax purposes	—	(2,676)
Utilised losses	(13,451)	(642,473)
Adjustment due to change in tax rate	—	—
Tax from other jurisdictions	82,930	41,361
Overall tax charge	55,192	396,620

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

10. TAXATION (CONTINUED)

(c) Deferred taxation

Movement on deferred tax is made up of:

	2021	2020
	$	$
Provision at start of period	—	—
Deferred tax charge to income statement for the period	—	—
Effect of changes in tax rates	—	—
Provision at end of period	—	—

Analysis of the deferred tax balance:		
Accelerated capital allowances	—	—
Carry forward loss	—	—
Total	—	—

Effective 1 April 2023 the UK corporation tax rate will increase to 25% from 19%. Any future deferred tax amounts recognized will therefore be recorded at 25%.

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 2021, the Company has a taxable temporary difference in relation to carried forward tax losses of $203,466,455. Despite the fact that the Company is profitable, to be prudent no deferred tax asset has been recognised in the current period in relation to the carried forward tax losses which are considered recoverable. The deferred tax asset relating to the carried forward tax losses amounting to $50,941,655 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.

Notes to the Financial Statements
For the year ended 31 December 2021 (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/ (refunded) during the year $000's
London, England	Forex Capital Markets Limited. (FXCM Ltd.) The entire FXCM Ltd. entity	Foreign Exchange and CFD on-line trading.	63	13,597	283	(2)	570
Paris, France	FXCM FRANCE An extended FXCM Ltd. office in Paris, but not a branch.	Operates as a support office carrying on exclusively non-regulated activities.	9	3,186	67	(64)	65
Berlin, Germany	FXCM GERMANY An extended FXCM Ltd. office in Berlin, but not a branch.	Operates as a support office carrying on exclusively non-regulated activities.	6	1,165	66	—	(90)
Milan, Italy	FXCM ITALY An extended FXCM Ltd. office in Milan, but not a branch.	Operates as a support office carrying on exclusively non-regulated activities.	3	—	—	—	1
Athens, Greece	FXCM GREECE Representative unregulated Branch Office of FXCM Ltd. under the trade name of FXCM Hellas.	Operates as a support office carrying on exclusively non-regulated activities.	5	—	—	—	—
Tokyo, Japan	FXCM JAPAN Registered in Japan as a branch of FXCM Ltd.	Operates as a support office carrying on exclusively non-regulated activities.	2	384	(4)	(20)	25

No public subsidies were received at any location.

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

11. TANGIBLE ASSETS

	Furniture, fixtures and fittings	Leasehold improvements	Communication and computer equipment	Total
	$	$	$	$
COST				
At 1 January 2021	135,437	516,574	848,360	1,500,371
Additions	—	—	5,930	5,930
At 31 December 2021	135,437	516,574	854,290	1,506,301
ACCUMULATED				
At 1 January 2021	126,798	231,112	792,310	1,150,220
Charge for the year	7,674	73,796	49,540	131,010
At 31 December 2021	134,472	304,908	841,850	1,281,230
NET BOOK VALUE				
At 31 December 2021	965	211,666	12,440	225,071
At 31 December 2020	8,639	285,462	56,050	350,151

12. DIVIDENDS

	2021	2020
	$	$
Paid during the year	10,000,000	—

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	$	$
Amounts owed by group undertakings	3,764,112	13,885,897
Tax receivable	371,235	181,017
Prepayments	247,131	344,580
Other debtors	3,851,470	167,427
	8,233,948	14,578,921

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

14. DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2021	2020
	$	$
Others debtors	789,189	1,112,251
	789,189	1,112,251

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

15. CASH AND CASH EQUIVALENTS

	2021	2020
	$	$
Own funds	78,300,671	79,458,451
Client funds	147,039,334	174,533,813
	225,340,005	253,992,264

Client funds includes 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 both 31 December 2021 and 31 December 2020.

Own funds includes United States Treasury bills balance of $2,499,936 (2020: $2,499,810) held for regulatory liquidity purposes. 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.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	$	$
Amounts owed to group undertakings	12,409,104	10,393,678
Tax payable	33	325,477
Other taxation and social security	350,563	295,674
Other creditors	2,145,051	1,890,377
Merchant liabilities	2,480,945	2,751,565
Customer liabilities	157,910,030	190,286,734
Accruals	3,960,735	3,016,588
	179,256,461	208,960,093

Amounts owed to group undertakings result from various inter group recharges, profit sharing and margin for trading activities. At 31 December 2020, the Company had been issued a loan note from an intermediary parent entity totaling $5,178,327 being the amount of principal and accrued interest due. This loan note was repaid in full on 25 February 2021. The loan accrued interest at an annual rate of 4%, 360/actual day basis, an open maturity and could be demanded at any time by the Company. 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.

17. 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.

	2021	2020
	$	$
Trading Derivatives - assets	14,247,347	20,730,735
Trading Derivatives - liabilities	(4,638,561)	(7,089,697)
	9,608,786	13,641,038

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

18. PROVISIONS FOR LIABILITIES

	Property related
	$
At 1 January 2021	221,561
Additions	—
Utilised	—
Revaluation	(1,976)
At 31 December 2021	219,585

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 $219,585 in respect of such costs, which are expected to be utilised at the end of the lease term in 2024.

19. FINANCIAL INSTRUMENTS

The Company's financial instruments may be analysed as follows

	2021	2020
	$	$
Financial assets measured at amortised cost		
Cash and cash equivalents	225,340,005	253,992,264
Amounts owed by group undertakings	3,764,112	8,707,570
Other debtors	4,640,659	1,279,678
	233,744,776	263,979,512
Derivative financial assets at fair value through profit or loss		
Trading derivatives	14,247,347	20,730,735
Financial assets that are debt instruments measured at amortised cost		
Amounts owed by group undertakings	—	5,178,327
Financial liabilities measured at amortised cost		
Customer liabilities	157,910,030	190,286,734
Amounts owed to group undertakings	12,409,104	10,393,678
Other creditors	4,625,996	4,641,942
Accruals	3,960,735	3,016,588
	178,905,865	208,338,942
Derivative financial liabilities at fair value through profit or loss		
Trading derivatives	4,638,561	7,089,697

The Company's financial instruments represent the core assets and liabilities significant to its trading activities. 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 2021 amounted to $147,039,334 (2020: $174,533,813). Net cash and cash equivalents as at 31 December 2021 amounted to $225,283,423 (2020: $253,863,165).

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 or loss for the year was a loss of $4,032,252 (2020: $5,723,259).

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

19. FINANCIAL INSTRUMENTS (CONTINUED)

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 or loss for the year was a loss of $4,032,252 (2020: $5,723,259).

Interest income received from group undertakings was $17,363 for year ended 31 December 2021 (2020: $208,356).

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

Fair value estimation (continued)

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 all 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
For the year ended 31 December 2021 (continued)

19. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value estimation (continued)

	31 December 2021		31 December 2020	
	Net carrying value	Net fair value	Net carrying value	Net fair value
	$	$	$	$
Financial assets measured at amortised cost				
Cash and cash equivalents	225,340,005	225,340,005	253,992,264	253,992,264
Amounts owed by group undertakings	3,764,112	3,764,112	8,707,570	8,707,570
Other debtors	4,640,659	4,640,659	1,279,678	1,279,678
	233,744,776	233,744,776	263,979,512	263,979,512
Derivative financial assets at fair value through profit or loss				
Trading derivatives	14,247,347	14,247,347	20,730,735	20,730,735
Financial assets that are debt instruments measured at amortised cost				
Amounts owed by group undertakings	—	—	5,178,327	5,178,327
Financial liabilities measured at amortised cost				
Customer liabilities	157,910,030	157,910,030	190,286,734	190,286,734
Amounts owed to group undertakings	12,409,104	12,409,104	10,393,678	10,393,678
Other creditors	4,625,996	4,625,996	4,641,942	4,641,942
Accruals	3,960,735	3,960,735	3,016,588	3,016,588
	178,905,865	178,905,865	208,338,942	208,338,942
Derivative financial liabilities at fair value through profit or loss				
Derivative financial liabilities at fair value through profit or loss	4,638,561	4,638,561	7,089,697	7,089,697

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 25.

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:

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

19. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

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 2021 and 31 December 2020 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 2021						
Cash and cash equivalents	2,499,936	165,710,418	37,101,543	5,380,066	14,648,042	**225,340,005**
Amounts owed by group undertakings	—	—	—	—	3,764,112	**3,764,112**
Other debtors	—	—	—	—	4,640,659	**4,640,659**
Trading derivatives	—	19,889	234,385	338,957	13,654,116	**14,247,347**
Amounts owed by group undertakings	—	—	—	—	—	—
Total exposure	2,499,936	165,730,307	37,335,928	5,719,023	36,706,929	247,992,123

Financial asset	**CQS 1**	**CQS 2**	**CQS 3**	**CQS 4 - 6**	**Unrated**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
31 December 2020						
Cash and cash equivalents	2,499,810	163,253,792	48,867,826	20,858,416	18,512,420	**253,992,264**
Amounts owed by group undertakings	—	—	—	—	8,707,570	**8,707,570**
Other debtors	—	—	—	—	1,279,678	**1,279,678**
Trading derivatives	—	10,616	—	455,546	20,264,573	**20,730,735**
Amounts owed by group undertakings	—	—	—	—	5,178,327	**5,178,327**
Total exposure	2,499,810	163,264,408	48,867,826	21,313,962	53,942,568	**289,888,574**

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

19. FINANCIAL INSTRUMENTS (CONTINUED)

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 25.

(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 2021 and 31 December 2020 on the foreign currency risk exposures in existence is shown in Note 25.

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 25.

Maturity profile of financial liabilities:

	On demand	**0-3 months**	**3-12 months**	**> 1 year**	**Total**
	$	**$**	**$**	**$**	**$**
31 December 2021					
Customer liabilities	157,910,030	—	—	—	**157,910,030**
Amounts owed to group undertakings	12,409,104	—	—	—	**12,409,104**
Other creditors	4,625,996	—	—	—	**4,625,996**
Accruals	3,960,735	—	—	—	**3,960,735**
Derivative financial liabilities at fair value through profit or loss	4,638,561	—	—	—	**4,638,561**
	183,544,426	—	—	—	**183,544,426**

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

19. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

	On demand	0-3 months	3-12 months	> 1 year	Total
	$	$	$	$	$
31 December 2020					
Customer liabilities	190,286,734	—	—	—	**190,286,734**
Amounts owed to group undertakings	10,393,678	—	—	—	**10,393,678**
Other creditors	4,641,942	—	—	—	**4,641,942**
Accruals	3,016,588	—	—	—	**3,016,588**
Derivative financial liabilities at fair value through profit or loss	7,089,697	—	—	—	**7,089,697**
	215,428,639	—	—	—	**215,428,639**

20. OPERATING LEASE PAYMENTS DUE

	2021	2020
	$	$
Amounts due within one year	567,314	696,247
Amounts due within two to five years	738,033	1,270,471
Amounts due after five years	—	—

The aggregate rental expense for operating leases for the year ended 31 December 2021 was $831,276 (2020: $772,399).

21. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Ordinary shares of £1 each	2021	2020
	$	$
At 1 January and 31 December	1	69,891,237

There were no shares issued but not yet fully paid in 2021 and 2020.

On 11 February 2021 the Company reduced its ordinary share capital of $69,891,237 in consideration for an exact value transfer to reserves of $69,891,236. This left the Company's share capital at a nominal value of $1.47 or £1.

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

22. 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 Restricted Stock Units ("RSUs"). The Shares issued may consist, in whole or in part, of unissued Shares or treasury Shares.

In arriving at stock-based compensation expense, the Company estimates the number of equity-based awards that will forfeit due to employee turnover. The Company's forfeiture assumption is based primarily on its turn-over historical experience. If the actual forfeiture rate is higher than the estimated forfeiture rate,

then an adjustment will be made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognised in the Company's financial statements. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment will be made to lower the estimated forfeiture rate, which will result in an increase to expense recognised in the Company's financial statements. The expense the Company recognises in future periods will be affected by changes in the estimated forfeiture rate and may differ significantly from amounts recognised in the current period.

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

During the year ended 31 December 2021, no shares were granted (2020: 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.

The following table summarises the Company's stock option activity as of 31 December 2021 and changes to the year then ended:

	Shares	Weighted-Average Exercise Price $	Weighted-Average Remaining Contractual Term
Outstanding at 1 January 2021	2,100	162.1	
Forfeited or expired	(2,100)	162.1	
Outstanding at 31 December 2021	—	—	—
Vested or expected to vest at 31 December 2021	—	—	—
Exercisable at 31 December 2021	—	—	—

There were no options granted in the years ended 31 December 2021 and 2020, respectively.

There were no options exercised in the years ended 31 December 2021 and 2020, respectively.

23. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Company received $384,163 (2020: $1,666,839) and paid $2,297,001 (2020: $822,248) in respect of services provided between affiliate companies in the group.

Interest income received from group undertakings was $17,363 for year ended 31 December 2021 (2020: $208,356).

The Company recorded an expense of $88,860 (2020: $88,860) in respect of audit fees allocated from group undertakings.

The total compensation for key management personnel were as follows:

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	2021	2020
	$	$
Short-term employee benefits	2,169,751	2,226,206
Post-employment benefits	122,112	105,513

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

	2021	2020
	$	$
Amounts owed by group undertakings	3,764,112	13,885,897
Amounts owed to group undertakings	12,409,104	10,393,678
Trading Derivatives - assets	27,748	—
Trading Derivatives - liabilities	1,233,076	1,982,784

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

During the year ended 31 December 2021 the Company recharged $4,872,799 (2020: $5,575,249) to affiliate companies in the FXCM Group, which represented a fair expense allocation for shared services between the two companies.

At 31 December 2020, the Company had been issued a loan note from an intermediary parent entity totaling $5,178,327 being the amount of principal and accrued interest due. The loan accrued interest at an annual rate of 4%, 360/actual day basis, an open maturity and can be demanded at any time by the Company. This loan note was repaid in full on 25 February 2021.

24. ULTIMATE CONTROLLING PARTY AND PARENT UNDERTAKING

The immediate parent undertaking of the Company is Forex Trading LLC, a limited liability corporation incorporated in Delaware, in the United States of America.

Forex Trading, LLC is wholly owned by FXCM Group, LLC, a limited liability corporation also incorporated in Delaware. FXCM Group, LLC is 50.1% owned by Global Brokerage Holdings, LLC, whose parent company is Global Brokerage Inc. The remaining 49.9% ownership interest in FXCM Group is held by LUK-FX Holdings, LLC, which is a wholly owned subsidiary of Jefferies Financial Group Inc. Jefferies Financial Group Inc. is incorporated in New York, in the United States of America, its principal executive office is 520 Madison Avenue, New York, NY 10022.

25. RISK MANAGEMENT

The Company's risk management objectives seek to ensure adherence to our risk management culture to support the long-term sustainability of the Company by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk with good client outcomes.

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, establish 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 further ensures the Board is provided with reasonable assurance that the risks the Company is exposed to are appropriately managed and controlled and that the business operates within the Board-approved risk appetite.

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

25. RISK MANAGEMENT (CONTINUED)

A number of committees, mandated by the Board, identify and manage risk at the Company. There are three Board Committees comprising the 'Audit Committee', the 'Nomination and Remuneration Committee' and the 'Executive Committee'. The Executive Committee is responsible for the Risk Management Committee and the Training and Competence Committee. The Risk Management Committee is responsible for overseeing a number of Committees, including the Asset and Liability Committee, Credit Committee, Best Execution Committee, Financial Crime Committee, GDPR Committee, Transaction Reporting Committee, Product Governance Committee, Operational Resilience Committee, Global Client Money Committee (Non-regulated) and the CASS Committee. An ESG Committee is being set up and will be in operation, it will report to the Board.

The Company's risk appetite statement sets broad parameters relating to the Board's expectations around performance, business stability and risk management. The Board ensures there are appropriate resources available to manage the risks arising from the Companies activities.

Business risk
Business risk represents 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 clients;
- Increase in the general cost of doing business; and,
- Reputational damage leading to a desertion of clients, including any potential reputational damage suffered by an affiliate.

The Company places the highest importance on risk management at all levels of the organisation. 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 oversees all of the Company's operations. The execution of these promotes overall effective corporate governance.

Credit risk
Credit risk, or default risk, represents the risk of loss arising if a counterparty to a transaction fails to fulfil its financial obligations.

On balance sheet credit risk arises from cash exposures to trading or hedging counterparties with the obligation to place initial or variation margin. It may also arise from non-trading cash exposures, for example, cash on deposit and expense re-charges etc.

Off balance sheet credit risk with counterparties may arise with respect to over-the-counter (OTC) derivative trading on the valuation of open trades, it may also arise from the default or non-recovery of overnight credit facilities extended to select clients.

The Board has set a risk appetite limit framework which regulates the maximum exposure the Company is prepared to tolerate. This framework is monitored on an ongoing basis and reported to management daily and the Board on a regular basis. Should there be any breaches to limits, or circumstances where exposures are nearing limits, these exceptions are specifically highlighted for attention with remedial actions agreed.

The Company accepts credit risk arising from:

- Exposures to banks and trading partners;
- Exposures to affiliated companies
- Credit extended to a limited number of clients meeting specified credit criteria;
- Counterparty risk arising on OTC derivatives; and
- Defaulted client losses.

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

25. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

There are strict controls around these risks.

The Credit Committee reviews the third party banking and trading counterparties, including those counterparties where the Company is willing to extend credit. Credit reviews are performed at least annually with credit ratings and other metrics regularly monitored.

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. Client funds nominated for segregation are held in segregated accounts, completely separate from the Company's operating funds.

The Company is the counterparty to each of its clients' trades. To offset market risk it may hedge these trades with multiple counterparties, including FXCM Group affiliates, leading to credit exposures arising both on and off balance sheet. The FXCM Group seeks to consolidate the hedging and clearing functions across its entities to internalise the trading flow; thus saving on hedging costs and maximising revenues from overnight financing. This translates to potentially lower costs for both the Company and its clients.

With the majority of the Company's clients, exposures arising from counterparty risk on OTC derivative trading is mitigated by a client's equity position. 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 exposing the Company to credit risk from defaulted client losses.

Market risk
The Company offers leveraged trading in FX and CFD products and acts as the counterparty to client trades. Market risk exposures on FX and CFD trades are managed based on the principles of the Company's established risk appetite.

There are three activities which may expose the Company to market risk. They include market risk arising from client trading in FX and CFDs and the mismatch of currencies on the Company's balance sheet.

Since 01 January 2020, it is the policy and preference of the Company to hedge all client trading activity in FX and CFD exposures with affiliated entities, which act as principal resulting in no FX or CFD market risk exposure. There will however be a mismatch of currency balances on the Company's balance sheet giving rise to market risk.

Sensitivity analysis on open client FX trades:
At 31 December 2021 the company had no exposure arising from client FX trades, accordingly the results of the sensitivity analysis are nil (2020: nil).

Sensitivity analysis on open client CFD trades:
At 31 December 2021, there were no exposures arising from client CFD trades on any financial instrument as such there was no market risk in this respect (2020: nil).

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 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 2021, 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 $844,641 (2020: $714,114) higher or lower.

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

25. RISK MANAGEMENT (CONTINUED)

Market risk (continued)

FX currency pair	2021 Shock %	2020 Shock %
EUR/USD, USD/CAD, USD/HKD and USD/SGD	5 %	5 %
GBP/USD	10 %	10 %
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).

Operational risk

Operational risk refers to any instance where there is potential or actual impact to the Company resulting from inadequate or failed internal processes, people and systems or from external events. The impacts can be financial as well as non-financial such as client detriment, reputational or regulatory consequences. The Company seeks to mitigate operational risk to acceptable residual levels.

Regulatory risk

Regulatory risk arises where 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, by reducing client appetite for products or increasing capital requirements.

Regulatory developments are monitored and where there is a likely impact, internal groups are formed to assess, formulate and implement any required changes. The Compliance team in particular monitor's on-going regulatory obligations and provides internal training and advice to the business.

Externally, the Compliance team engages in dialogue with the Company's regulators and with industry bodies in order to inform the judgments and decisions made to ensure continued compliance with global regulations.

Liquidity risk

Liquidity risk refers to the possibility that, despite being solvent, the Company does not have sufficient financial resources at any one point to meet its obligations as they fall due.

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 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. A liquidity buffer is maintained 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 funding initial and variation margin at trading counterparties for the hedging of client positions.

Country and other concentration risk

Concentration risk arises from large concentrations of exposure from the geographical distribution of revenues, product type, counterparty or event.

The Company is exposed to single name concentration risk arising from client exposures in terms of cash placed and open trading positions. The Company's clients are both individuals and institutions/ professionals residing in numerous countries around the globe.

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

25. RISK MANAGEMENT (CONTINUED)

Country and other concentration risk (continued)

It is the policy of the Company to ensure exposures to counterparties do not exceed prescribed limits and a sufficient headroom to those limits is maintained at all times.

Group risk
The Company relies on FXCM Group affiliates for OTC derivative hedging, clearing, margin, support infrastructure and IT systems.

The FXCM Group seeks to consolidate the hedging and clearing functions across its entities to optimise non-agency flow and save on hedging costs. Derivative hedging gives rise to counterparty risk exposures whilst margin and collateral is held between FXCM Group companies to satisfy trading positions, exposing the Company to credit risk.

Pandemic Risk - Coronavirus

On 04 March 2020, the Financial Conduct Authority (FCA) published a statement regarding financial firms' ability to continue fulfilling their regulatory obligations during the COVID-19 outbreak. On 11 March 2020, the World Health Organization (WHO), declared the COVID-19 disease as a pandemic.

The Company had already been monitoring the outbreak since January 2020 to ensure business continuity in the event the situation escalated. The Company's international offices each reacted at different times, with the London office moving all staff to mandatory work from home (WFH) arrangements from 16th March 2020.

Throughout the pandemic, the Company has continued to operate effectively, supporting clients and upholding regulatory obligations.

The pandemic has had a substantial effect on the global economy, with a pronounced negative impact to the client base of the Company and there is a risk that trading volumes will decrease, reducing potential revenue.

Current economic expectations from the World Bank and the International Monetary Fund forecast substantial decreases of Global (-3%) and local GDPs (EEA -7.5%, China -1.2%) which may prompt retail clients to reduce trading should their incomes decrease.

The overall impact of the pandemic has so far been positive for the Company, as it has led to increased volatility and as a result, an increase in overall client onboarding, trading and deposits. Current expectations are that if the pandemic is managed within the short-to-medium term (within 1 year to 18 months), the Company should not suffer reduced revenues.

The Company operates in one of the few industries having the potential to benefit from the uncertainties surrounding a global pandemic.

Notes to the Financial Statements
For the year ended 31 December 2021 (continued)

25. RISK MANAGEMENT (CONTINUED)

Pandemic Risk - Coronavirus (continued)

As such, the nature of the potential financial implications of the pandemic requires the Company to review its financial forecast via the ICAAP process to assess the potential risks affecting the Company's financial position.

The ICAAP pandemic stress scenario includes the assumption that despite the global progress made in the fight against the pandemic, the impact intensifies in 2022 with a higher morbidity rate causing a renewal of the global lockdowns, extreme market volatility and a heavy impact on the personal lives of key staff. Thereafter the scenario assumes the pandemic is under control at the end of 2022.

26. SUBSEQUENT EVENTS

There were no subsequent events after the statement of financial position date.