FOREX CAPITAL MARKETS LIMITED
(“FXCM Ltd.”)
Pillar 3 - Disclosure
31st December 2016

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1. Introduction

This document covers the period from 01-Jan-2016 to 31-Dec-2016 ("Relevant Period"), and as such, the information provided herein may have changed since the close of the Relevant Period.

- *Forex Capital Markets L.L.C. ceased to be a member of the National Futures Association (NFA) on 10-Mar-2017 and is no longer designated as being regulated by the United States NFA and/or the Commodity Futures Trading Commission (CFTC);*

The FXCM Group Corporate Chart has been revised:

- *During the first quarter of 2017, the percentage by which FXCM Inc. owns FXCM Holdings, LLC increased from 67.995% to 74.515%.*
- *In February 2017, FXCM Inc. changed its name to "Global Brokerage, Inc." and FXCM Holdings, LLC changed its legal name to Global Brokerage Holdings, LLC. This was a name change only.*

This Pillar 3 disclosure has been prepared based on the Capital Requirements Directive (CRD IV) and subsequent European Union Capital Requirements Regulation (EU CRR), as implemented in the UK by the Financial Conduct Authority (FCA), which took effect on 01-Jan-2014. The relevant Articles are 431 to 455 of the EU CRR, which specify the pillar 3 disclosure requirements for an IFPRU Investment Firm. Quantitative Pillar 3 disclosures are made as at 31 December 2016.

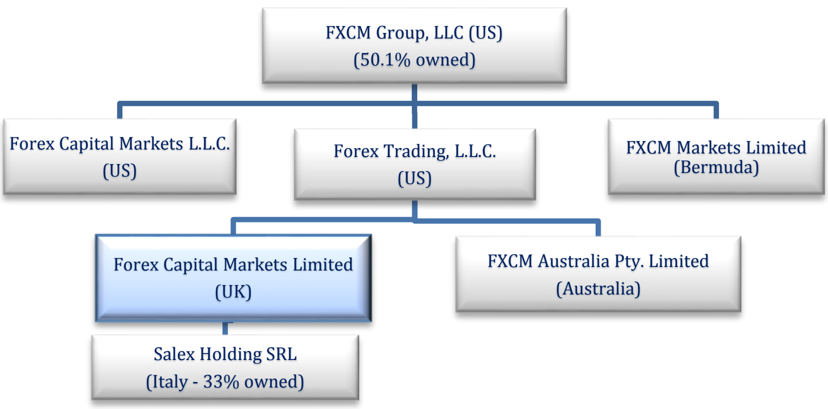
The purpose of Pillar 3 disclosures is to encourage market discipline by developing a set of disclosure requirements allowing market participants to assess key and consistent information (i.e. across all firms) on firms' capital adequacy, risk assessment and control processes.

Pillar 3 disclosures are in addition to minimum Pillar 1 capital requirements and Pillar 2 supervisory review and evaluation process capital requirements, also required under the CRD. The Pillar 3 disclosure is made in respect of FXCM Ltd. on a stand-alone (unconsolidated) basis and are not subject to external audit, unless there are equivalent disclosures to those published under UK GAAP or FRS102 and included in the FXCM Ltd. audited financial statements.

2. Background and Governance Framework

2.1 Legal structure

FXCM Ltd. is a private limited company, incorporated under the laws of England and Wales. FXCM Ltd. is a member of the FXCM Group of companies (referred to as "FXCM Group"). Appendix 1 shows a full corporate chart detailing the position of FXCM Ltd. within the FXCM Group. An extract from the chart is shown below.



2.2 Regulated Entities and Regulators

FXCM Group has regulated entities in a number of jurisdictions. FXCM Ltd. is authorised and regulated by the FCA as a Full Scope IFPRU Investment firm. FXCM Ltd. has branch offices located across Europe and these branch offices are also regulated. FXCM Ltd. is able to offer services in the 31 EEA states through the passporting process.

The following tables detail the regulated entities/regulator(s) within the FXCM Group as well as FXCM Ltd.'s branch offices/regulator(s).

FXCM GROUP ENTITIES	REGULATOR(S)
Forex Capital Markets Limited	Financial Conduct Authority (FCA)
Forex Capital Markets L.L.C	National Futures Association (NFA); and U.S. Commodity Futures Trading Commission (CFTC)
FXCM Australia Pty. Limited	Australian Securities And Investments Commission (ASIC)

FXCM LTD. BRANCH OFFICES	REGULATOR(S)
France FXCM France	Autorité de Contrôle Prudentiel et de Résolution (ACPR); and Autorité des Marchés Financiers ("AMF")
Germany FXCM Germany	Bundesanstalt für Finanzdienstleistungsaufsich ("BaFin")
Italy FXCM Italy	Commissione Nazionale per le Società e la Borsa ("CONSOB")
Greece (operated through a tied agent relationship)	Hellenic Capital Market Commission (HCMC)
Hungary (operated through a tied agent relationship)	Hungarian Financial Supervisory Authority (HFSA)

2.3 Regulation

The rules relating to regulatory capital can be found in the Prudential Sourcebook for Investment Firms (IFPRU). IFPRU divides investment firms into one of four categories; namely an IFPRU 50K, 125K, 730K or a collective portfolio management investment firm.

FXCM Ltd. falls within the category of an IFPRU 730K firm. Such a firm is so defined because it falls outside all of the other categories of an IFPRU firm.

EU CRR Regulations on prudential requirements for credit institutions and investment firms: EU No. 648/2012, inter alia, introduced new corporate governance arrangements which impact FXCM Ltd. These requirements have more impact if a firm is considered to be significant. In this context a firm is considered to fall within the definition of significant if it either (a) has total assets exceeding £530m or (b) has total liabilities exceeding £380m or (c) receives annual fees and commissions in relation to regulated activities exceeding £160m or (d) the client money it receives or holds exceeds £435m or (e) the client assets that it holds in the course of regulated activity exceeds £7.8b.

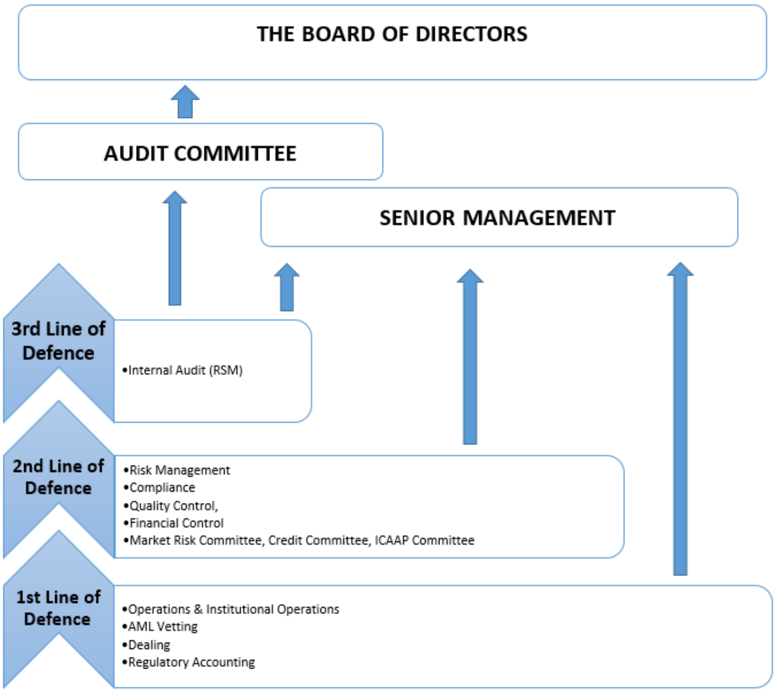
FXCM Ltd. does not satisfy any of these conditions and as a result is not a significant IFPRU Investment firm, as defined.

BIPRU 12 contains the rules pertaining to liquidity. FXCM Ltd. must comply with all the BIPRU 12 rules, in particular, but not limited to the following chapters:

- 12.5 Individual Liquidity Adequacy Standards
- 12.6 Simplified ILAS
- 12.7 Liquid asset buffer and;
- 12.9 Individual liquidity guidance (ILG) and regulatory intervention points.

2.4 Internal Risk Governance

FXCM Ltd.'s risk governance structure is designed to oversee all of FXCM Ltd.'s operations, including FXCM Ltd.'s branch offices. Embedded in FXCM Ltd.'s governance structure is the "Three Lines of Defence" model.



First Line of Defence:

The first line of defence are the functions within FXCM Ltd. that own and manage risks. This consists of the following:

FUNCTIONS	RISK AND CONTROL ACTIVITY
Operations	Responsible for on-boarding and maintaining client accounts.
Institutional Operations	Responsible for on-boarding and servicing institutional clients.
Anti-Money Laundering (AML) Vetting	Responsible for the vetting of customers (at time of on boarding, and ongoing.)
Dealing	Responsible for managing and monitoring all activities related to the execution of clients' trades; and the monitoring of overall exposures.
Regulatory Accounting	Responsible for monitoring and reporting on the adequacy of capital and liquidity, large exposures, leverage and client money.

Second Line of Defence:

The second line of defence are the functions within FXCM Ltd. that oversee risks. These functions provide the oversight, tools, systems and advice necessary to support the first line in identifying, managing and monitoring risks. This consists of the following:

FUNCTIONS	RISK AND CONTROL ACTIVITY
Risk Management	Responsible for managing the Firm's risk management framework, including internal practices, market events, margin requirement thresholds and regulatory requirements. They identify and report emerging issues up to senior and executive management.
Compliance	Oversee the Firm's compliance with regulations, monitor client activity, monitor business processes, and provide guidance on new initiatives. Compliance has several sub-departments: AML, Regulatory Research & Development, Core Compliance and Global Compliance Monitoring.
Compliance Monitoring	Responsible for carrying out quality assurance testing over the day to day activities of the business.
Compliance Audit	Responsible for auditing risk and internal control activities across the business.
Quality Control (Operations & Institutional Operations)	Review the work carried out by the operations and institutional operations team.
Financial Control	Oversee the monitoring of exposures.
Market Risk Committee	Monitor and review positions on the Dealing Desk and No Dealing Desk; monitor metrics such as margin requirements and interest rates; and decide whether market risk for a particular product or market requires action.
Credit Committee	Responsible for ensuring that new lines of credit and extensions of credit are within the Firm's risk appetite.
ALCO Committee	Responsible for the assessment of capital and liquidity adequacy.

Third Line of Defence:

The third line of defence is provided by the internal audit function. FXCM Ltd. does not maintain its own in-house internal audit function, and instead outsources this to an external supplier (RSM). Nonetheless, compliance monitoring and compliance audit perform a similar function as RSM which provides an additional measure of assurance to the Firm. RSM provide the Board and senior management with independent assurance on internal controls, governance, and risk management. RSM reports to the Audit Committee which has delegated authority from the Board to oversee the audit function. Internal audit's role is largely detective and corrective (i.e. detecting control weaknesses and suggesting improvements and remedial action)

2.5 Corporate Risk Governance Structure

The Board and Committees provide oversight to FXCM Ltd. and their overall duties are set out in their written terms of reference. Duties of the Board include, but are not limited to:

- Management and oversight of FXCM Ltd., setting the strategic direction of the Firm and determining policy.
- Setting the risk appetite for the Firm.
- Reviewing and challenging capital and liquidity stress-testing.
- Reviewing and challenging the internal control and risk management system.

FXCM Ltd. Corporate Risk Governance Structure

BOARD COMMITTEES	MANAGEMENT COMMITTEES
AUDIT COMMITTEE The responsibilities of the Audit Committee include: § Reviewing and challenging the annual report and accounts, related internal control disclosures and any other publicly available financial information; § Ensuring that the external and internal audit arrangements are appropriate and effective; and § Reviewing an assessment of the control environment, via internal and external audit reports, and the progress on implementing audit recommendations.	**EXECUTIVE COMMITTEE** The responsibilities of the Executive Committee include: § Agreeing and recommending the Business Plan to the Board; § Managing the delivery of the Firm's strategy and Business Plan as agreed by the Board; § Ensuring that there is an effective management structure and organisation within FXCM Ltd. which is consistent with the effective delivery of the Business Plan; and § To oversee the performance across the Firm, assessing performance against agreed Key Performance Indicators and reporting to the Board as required;
REMUNERATION COMMITTEE The responsibilities of the Remuneration Committee include: § Determining and monitoring the remuneration policy for all staff and executives within its remit, ensuring that the remuneration policies and practices are consistent with and promote sound and effective risk management, including Conduct Risk.	**RISK MANGEMENT COMMITTEE** The responsibilities of the Risk Management Committee include: § Maintaining and having oversight of FXCM Ltd.'s Risk Policy framework and Risk Management framework; § Reviewing and monitoring FXCM Ltd.'s risk profile in line with the risk appetite; § Overseeing the ALCO Committee, which is responsible for the assessment of capital and liquidity adequacy; and § Overseeing the Credit Committee which is responsible for ensuring that new lines of credit and extensions of credit are within the Firm's risk appetite. § Overseeing the Market Risk Committee which is responsible for monitoring and reviewing current changes in market conditions, and how they impact the Firm.
	CASS COMMITTEE The responsibilities of the CASS Committee include: § Overseeing the client money controls and procedures, ensuring that the client money regulations are being adhered to.

2.6 Business Overview

FXCM Group provides online Foreign Exchange (FX) and Contracts for Difference (CFD) trading to approximately 160,000 global clients. Our clients are given access to the markets through both proprietary and white-labelled trading platforms. FXCM also provides research and educational tools for the purpose of assisting clients in developing successful trading strategies.

FXCM has clearing relationships with various bank and non-bank liquidity providers (LPs). We aggregate each of those price feeds and send to our clients the highest bid and lowest offer available in the market. Trades are then executed on either a principle (Dealing Desk) or agency (No Dealing Desk) basis. For clients on the Dealing Desk model, trades are internally matched as much as possible, pairing long positions with shorts. Any remaining net exposure is managed under FXCM's established risk appetite and framework. For clients on the No Dealing Desk model, trades are passed through to FXCM LPs in real time and on a one-for-one basis. Under the No Dealing Desk model, FXCM operates as a riskless principle to client trades. FXCM generates revenue through a commission added to each transaction or by a mark up to the whole-sale prices.

FXCM Ltd. takes on all client types, including retail and professional, and accepts clients from various regions, but focuses particularly in Europe and Asia.

2.6.1 Products

FXCM Ltd. offers leveraged trading in FX and CFD markets. The entire list of our products offered can be found at the following links:

FX	https://www.fxcm.com/uk/forex/currency-pairs/
CFD	https://docs.fxcorporate.com/user-guide/ug-cfd-product-guide-ltd-en.pdf

All FX and most CFDs can be traded as Spread Bet by clients from the UK and Ireland. Spread bet accounts allow clients to place directional bets on the price of an underlying financial instrument. Clients from the UK and Ireland are not required to pay stamp duty and capital gains taxes on their spread bet activity.

2.6.1.1 FX

In an FX trade, a participant buys one currency and simultaneously sells another, a combination known as a “currency pair”. For example; if a client buys one lot of EUR/USD at 1.3245, they are purchasing €100,000, and simultaneously selling $132,450. The trader is expecting that the exchange rate will increase, either due to the Euro appreciating or the US Dollar depreciating.

Spot FX is traditionally traded on 1 or 2 day settlement terms. To avoid the need for clients to face settlement and to both accept and deliver currencies in different denominations, we’ve introduced an automatic Trade Roll Over feature on all FX pairs. At 5pm (New York time) each day, all open positions are rolled forward by one day. Trade Roll Over allows clients to hold positions open for as long as they’d like. In the process of rolling positions the different interest rates of each currency are accounted for through either a debit or credit to the client’s account.

2.6.1.2 CFDs

Contracts for difference (CFDs) allow clients the ability to trade on price fluctuations of underlying equity and commodity instruments without taking a position in the actual asset. CFDs are traded on an over the counter basis similarly to spot FX. FXCM offers CFD trading on major stock indices, commodities, and bonds. Prices for these CFD products reflect those of the underlying futures price, with an adjustment for fair value. FXCM also offers CFD trading on company shares. FXCM hedges market risk in the futures market and through institutional CFD clearing relationships.

2.6.1.3 Jurisdictions

Whilst FXCM Ltd.’s branch offices and tied agents are based in Europe, the broader FXCM Group’s operating subsidiaries are located in a number of non-European jurisdictions, including sister companies regulated in the US and Australia. The FXCM Group offer trading software in 17 languages, and provide customer support in 19 languages.

It is the FXCM Group’s belief that its global footprint provides access to emerging markets, diversifies risk from regional economic conditions and allows the group to draw employees from a broad pool of talent.

3. Capital Adequacy

3.1 Approach

Risk management and capital planning are established disciplines within FXCM Ltd. The Board considers the capital and liquidity impacts of risks on a regular basis and prior to making decisions that may expose the Firm to risk. Since 1 January 2014 FXCM Ltd. has been calculating capital resources and requirements using the Basel III framework, as implemented in the European Union through the Capital Requirements Directive IV (CRD IV).

The composition of FXCM Ltd.'s regulatory capital under the Basel III/CRD IV is quite simple, in that the regulatory capital resources comprise entirely of equity share capital and reserves. Intangible assets, deferred tax asset ("DTA") and Prudent Valuation Adjustment ("PVA") are deducted from common equity tier 1 capital.

The outcome of the ICAAP is the Internal Capital Assessment (ICA) and it determines the amount of any risk-based capital resource requirements under Pillar 2, over a three to five year planning horizon.

3.2 Pillar 1 Requirement

Under Pillar 1 FXCM Ltd. is required to maintain a minimum capital requirement for credit risk, market risk and operational risk. The capital ratio is calculated using the definition of regulatory capital and risk-weighted assets and must be no lower than 8% of risk weighted assets. To calculate the requirement FXCM Ltd. must choose between the Standardised Approach ("SA") and the internal ratings based approach ("IRB"). The SA refers to a set of credit risk measurement techniques proposed under the Basel capital adequacy rules for banking and investment firms. It is calculated as the product of the exposure amount and supervisory determined risk weights and has been adopted by FXCM Ltd.

Operational risk

Operational risk is defined as any instance where there is potential or actual impact to the group 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 customer detriment, reputational or regulatory consequences.

Operational risk exists as part of the normal activities of the Firm. FXCM Ltd. has adopted the Basic Indicator Approach under Article 315 of the CRR to calculate the operational risk capital requirement under Pillar 1. This is represented as the past three year average of revenues multiplied by a factor of 15%.

Credit risk

FXCM Ltd. accepts credit risk arising from:

- Counterparty Risk;
- Group Risk;
- Drawdown on credit lines;
- Defaulted client losses and;
- Concentration Risk.

FXCM Ltd. uses the SA to calculate its credit risk capital requirement under Pillar 1. Under this approach firms are required to use ratings from External Credit Rating Agencies to quantify required capital for credit risk. The mark-to-market method is used to calculate the counterparty credit risk exposure amount.

Market risk

Market Risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting from changes in underlying market risk factors, such as interest rates, equity markets, bond markets, commodity markets and exchange rates) between now and a future point in time.

FXCM Ltd. has market risk arising from both currency mismatch and CFD positions. The standard approach (SA) is used to calculate the market risk capital requirement under Pillar 1.

Credit Valuation Adjustment (CVA)

CVA risk is the risk of loss caused by changes in the credit spread of a counterparty due to changes in its credit quality. CVA is "an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty" which "reflects the current market value of the credit risk of the counterparty to the institution". It has also been described as "the difference between the 'hypothetical' value of the derivative transaction assuming a risk-free counterparty and the true value of the derivative transaction that takes into account the possibility of changes in creditworthiness of the counterparty.

Under CRR Articles 381 and 382, credit institutions (banks) and investment firms are required to hold additional own funds due to CVA risk arising from OTC derivatives. At FXCM Ltd. CVA risk is calculated on financial counterparties, i.e. banks, investment firm and affiliated trading companies. Non-financial counterparties are excluded from the own funds requirements for CVA risk.

In July 2015 the Basel Committee on Banking Supervision ("BCBS") issued, for consultation, the revised credit valuation risk framework, which takes into account the market risk exposure component of CVA risk. The BCBS will ensure the revisions to this framework are consistent with the revised market risk framework. The proposals will be subject to a Quantitative Impact Study (QIS), which will inform the final calibration of the framework. No implementation timelines have been set, although the QIS closed on 31-May-2016.

Prudent Valuation Adjustment (PVA) - or - Additional Valuation Adjustment (AVA)

The provisions on prudent (additional) valuation for the trading book applies to all instruments measured at fair value, whether in the trading book or non-trading book.

FXCM Ltd. uses the simplified approach based on the condition that the sum of the absolute value of fair-valued over the counter derivative assets and liabilities is less than EUR 15 billion. Under the simplified approach, the total additional valuation adjustments to be deducted from own funds is obtained by applying a percentage of 0.1% to the aggregate absolute value of fair-valued assets and liabilities.

(Draft Regulatory Technical Standards (RTS) on prudent valuation under Article 105(14) of Regulation (EU) 575/2013 (Capital Requirements Regulation - CRR) refers)

3.3 Pillar 2 Framework

Under the Pillar 2 framework, FXCM Ltd. is required to undertake a regular assessment of the amounts, types and distribution of capital considered adequate to cover the level and nature of risks to which the Firm is or might be exposed. Generally, this assessment may lead to firms identifying risks that are inadequately covered under the Pillar 1 framework, or not covered at all.

There are two main areas that the Pillar 2 framework covers:

(i) Risks to the firm that are either not captured, or not fully captured, under the Pillar 1 requirements of Capital Requirements Regulation (CRR); and

(ii) Risks to which the firm may become exposed over a forward-looking planning horizon (e.g. due to changes to the economic environment).

The first area is known as Pillar 2A and the second as Pillar 2B. In addition to the Pillar 1 requirements of the CRR, the FCA regards capital held under Pillar 2A as the minimum level of regulatory capital a firm should maintain at all times in order to cover adequately the risks to which it is or might be exposed, and to comply with the overall financial adequacy rule. Pillar 2B is represented by capital buffers which help to ensure that firms can continue to meet minimum requirements (Pillar 1 and Pillar 2A) during a stressed period.

FXCM Ltd. undertakes an annual ICAAP process to determine the Firm's adequate capitalisation under Pillar 2, for a three to five year planning horizon. The aim of the Pillar 2 process is to enhance the link between the Firms' risk profile, risk management, risk mitigation systems and capital planning.

3.4 Combined Buffer Requirement

In line with the CRD IV provision on capital buffers, firms are required to meet a combined buffer requirement (in addition to their Pillar 1 and Pillar 2 capital requirements). The combined buffer includes the capital conservation buffer and countercyclical capital buffer and must be met with common equity tier

1 capital. The buffer for global systemically important institutions (G-SIIs) and the systemic risk buffer do not apply to FXCM Ltd. and will not be included in the combined buffer requirement.

From 1 January 2016 FXCM Ltd. began phasing in the capital conservation buffer at 0.625% of risk-weighted assets. An additional 0.625% of risk-weighted assets will be phased-in each year until fully implemented by 01-Jan-2019 where the total capital requirement is 2.5% of the total risk weighted assets. At 31-Dec-2016, the capital requirement FXCM Ltd. held for the capital conservation buffer was $1.7m

FXCM Ltd. is also subject to the countercyclical capital buffer requirement, which is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. As at 31-Dec-2016, three jurisdictions (where FXCM Ltd. has exposures) have implemented countercyclical buffer rates. Hong Kong, Norway and Sweden have set rates of 0.625%, 1.5% and 1.5% respectively. In the UK, the Bank of England's Financial Policy Committee (FPC) has maintained the rate at 0% for UK exposures, but announced that this rate will rise to 0.5% from 29-Mar-2017. FXCM Ltd. continues to hold capital in excess of all the new capital requirements and buffers. At 31-Dec-2016, the capital requirement FXCM Ltd. held for the countercyclical capital requirement was $21k.

3.5 Leverage

Article 4 of the EU CRR defines the risk of excessive leverage as the risk resulting from an institution's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets. The leverage ratio framework complements the risk-based capital framework ensuring broad and adequate capture of both the on- and off-balance sheet sources of a firm's leverage. This non-risk based "backstop" measure, restricts the build-up of excessive leverage.

The leverage ratio is defined as the "capital measure" (the numerator) divided by the "exposure measure" (the denominator) and is expressed as a percentage.

FXCM Ltd. reports the leverage ratio as an appendix of the COREP Leverage Ratio Reporting templates per the rules under article 6(5) of the EU CRR, owing to FXCM Ltd. being a full scope EUR 730k investment firm.

See Section 7 for reporting details.

4. Risk Appetite

FXCM Ltd. faces a wide range of risks. These risks include financial risks resulting from the main lines of business of foreign exchange and CFD trading as well as day-to-day operational activities.

4.1 Operational Risk Appetite

4.1.1 Internal Fraud

Internal fraud is defined as losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/discrimination events, which involves at least one internal party. The Firm has systems and controls in place to prevent internal fraud across the business lines.

Losses arising are reported to the Risk department and Risk committee which follow-up with the respective department to investigate why the controls failed and if additional controls or a modification of the existing control is appropriate.

Self-Assessment. The Risk department regularly meets with the different departments to assess potential operational risks in their areas including potential weakness in controls that could be exploited.

4.1.2 External Fraud

External fraud is defined as losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party.

FXCM Ltd. has systems and controls in place to prevent external fraud across the business lines. The most common source of external fraud arises from fraudulent credit card use by clients.

Losses arising are reported to the Risk department and Risk committee which follow-up with the respective department to investigate why the controls failed and if additional controls or a modification of the existing control is appropriate.

4.1.3 Clients, Products and Business Practices

Risk relating to Clients, Products & Business Practices is defined as losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.

FXCM Ltd. has policies in place for departments to report losses and near-misses due to operational risk events. The risk department records these events and classifies the losses as per the operational risk categories defined by the Basel Committee. Losses greater than $1,500 are reported to the risk department. Losses greater than $7,500 are reported to senior management.

4.1.4 Damage to Physical Assets

Damage to Physical Assets is defined as losses arising from loss or damage to physical assets from natural disaster or other events.

FXCM Ltd. has policies in place for departments to report losses and near-misses due to operational risk events. The risk department records these events and classifies the losses as per the operational risk categories defined by the Basel Committee. Losses greater than $1,500 are reported to the risk department. Losses greater than $7,500 are reported to senior management.

4.1.5 Information Technology and Cyber Security

Information Technology (IT) risks cover both daily operations and ongoing enhancements to the Firm's IT systems. These include:

<u>Technology Availability – Prolonged outage of Trading Station II and Back Office system</u>

FXCM Ltd. has a very low appetite for risks to the availability of systems which support its critical business functions including those which relate to customer trading, back office operations and risk management.

<u>Cyber-attack on systems or networks</u>

FXCM Ltd. has a very low appetite for threats to Firm assets arising from external malicious attacks. To address this risk, the Firm aims for strong internal control processes and the development of robust technology solutions.

The main controls that FXCM Ltd. has in place around system failures are:

- FXCM Ltd. undertakes System Monitoring to ensure maximum system uptime as well as robust Planned Maintenance processes. As part of continuous system management, the Group is able to make use of wider and more extensive IT resources including IT Support and IT Development to assist with any necessary Incident and Problem management. IT Management also work under the framework of FXCM Group's internal best practice policies and control procedures to manage its technology risks.
- Mission critical software is deployed in more than one location which minimises the extent of platform outage should a single server fail. Secondly, technology with inherent redundancy is used in mission critical systems (for example, multiple hard drives, duplex network connectivity and

power supply systems) to avoid failure of the system itself. Additionally, redundant infrastructure is deployed at the most critical technology layers (for example, Storage, Databases and Networking).

- To minimise data loss due to loss of the primary data centre, mission critical data is protected in enterprise standard databases for all trading accounts, traded positions and trading history and is replicated in near real time between two data centres. FXCM Ltd. system backups are also replicated to a secondary data centre at the time of backup.
- A contingency plan for the interruption of the dealing operation is covered in FXCM Ltd.'s Business Continuity Management/Business Recovery strategy ("BCP") plan for FXCM Ltd. Furthermore, the plan can be implemented at different phases depending upon the level of disruption.
- FXCM Group follows a rigorous Information Security Policy which is under continuous review and scrutiny via Sarbanes Oxley and related audits. As a result, client's view to trading accounts is via secure encrypted access. Dealer terminals connect to core systems from the trading room via secure networking and staff access to critical applications is monitored and reviewed on a regular basis. Systems are periodically penetration tested and breaches are investigated and monitored by InfoSec teams.

4.1.6 Conduct Risk

Conduct Risk is defined as losses arising from failing to deliver fair customer outcomes or losses to lack of market integrity.

FXCM Ltd. expects employees to conduct themselves with a high degree of integrity promoting suitable products for customers and treating customers fairly. The appetite for behaviour which does not meet these standards is very low.

4.1.7 Execution, Delivery and Process Management

Execution, Delivery and Process Management is defined as losses arising from failed transaction processing or process management, from relations with trade counterparties and vendors.

FXCM Ltd. has policies in place for departments to report losses and near-misses due to operational risk events. The risk department records these events and classifies the losses as per the operational risk categories defined by the Basel Committee. Losses greater than $1,500 are reported to the risk department. Losses greater than $7,500 are also reported to senior management.

4.1.8 Legal Risk

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and relevant documentation may not give rise to the rights and remedies anticipated when the transaction originated.

FXCM Ltd. has established documentation tracking procedures to ensure the completeness of relevant documentation and to resolve any documentation exceptions on a timely basis.

FXCM Ltd. provides standardized account documentation for all of its end users which have been prepared and approved by the Legal department. FXCM Ltd. delegates new account oversight to the Operations department and periodically reviews accounts to ensure documentation has been properly processed and completed. Any administrative exceptions are directed to the New Accounts department for review. Any legal exceptions are directed to the Legal department for review.

Additional legal risk stems from the servicing of clients via the internet which may require the Firm to comply with laws of each country in which we are deemed to conduct business. Failure to comply with such laws may negatively impact our financial results. The Firm may be subject to censure, fines, cease-and-desist orders, suspension of our business, removal of personnel, civil litigation or other sanctions, including, in some cases, increased reporting requirements or other undertakings, revocation of operating licenses or criminal conviction. Any disciplinary action taken against the Firm could result in negative publicity, potential litigation, remediation costs and loss of clients which could have a material adverse effect on the Firm's business, financial condition and results of operations and cash flows.

The Firm reviews its population of accounts by country and determines when the concentration rises to a level that presents significant legal risk. When the threshold is met, in-house or outside counsel is consulted to determine whether any action needs to be taken.

4.2 Credit Risk Appetite

Credit risk is the risk that a borrower or counterparty will fail to meet their obligations. FXCM Ltd. is exposed to credit risk in dealing with clients and counterparties.

4.2.1 Counterparty Risk

FXCM Ltd. is exposed to credit risk arising from cash placed with third parties. This risk is managed by FXCM Ltd.'s strict policy (FXCM Ltd. aims to deposit 75% of all funds (Client Money and Operational Money) with third parties with credit ratings equivalent to the FCA's credit quality step 3 and above) (at minimum credit quality rating of Step 5 and above) and carrying out periodic credit reviews).

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

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

4.2.2 Group Risk

FXCM Ltd. is exposed to credit risk resulting from intercompany balances held with other FXCM Group entities which are governed by various SPA's and trading agreements. These balances are all repayable on demand. The Board and senior management considered the credit risk associated with intercompany balances and conduct various analysis to assess such risks.

4.2.3 Drawdown on Credit Clients

FXCM Ltd. provide credit services to a limited number of clients. A credit review process is carried out for all new credit lines extended and approved by the Credit Committee and a credit review of all existing credit lines is carried out annually. Specific margining rules and credit limits are set and regularly reviewed by the Credit Committee, and reported to the FXCM Ltd. Board. The total permissible credit line extended to all clients (collectively) is $15 million and no one client can exceed $3 million of credit.

4.2.4 Defaulted Client Losses

FXCM Ltd. is exposed to credit risk arising from over the counter (OTC) transactions with retail and corporate clients.

To mitigate the risk of loss, retail and corporate counterparties deposit surplus cash to their trading accounts in order to cover margin requirements. FXCM Ltd. considers the possibility of the risks that may arise if clients do not meet their margin requirement and/ or go into debit, which would potentially expose FXCM Ltd. to credit risk in respect of the margin call and/ or debit balance. Therefore, FXCM Ltd. maintains a strict policy where clients' useable margins are not permitted to fall below zero. If clients breach their margin requirements, positions are automatically closed out with the exception of a limited number of non-auto-liquidated accounts where margin calls and liquidation of positions are performed manually. Removal of the auto-liquidation feature from an account has to be pre-approved by senior management. The risk department is automatically notified via email when auto-liquidation is removed from an account. The number of accounts without the auto-liquidation feature is reported to the risk department and senior management on a daily basis.

The risk department for FXCM Ltd. runs a daily report which tracks the gross client exposures (and hence credit risk) on the major FX and CFD contracts. The report also indicates the potential client losses from the biggest historical (30 year) move in that contract.

FXCM Group has also introduced various Market & Credit Risk management programs. These were tested during the UK's recent EU Referendum vote, which saw FXCM Ltd. suffer minimal client losses.

4.2.5 Concentration Risk

It is the policy of the Firm to be in compliance at all times with Article 395 of the EU CRR, by ensuring that the Firm's exposure to any single counterparty does not exceed its threshold. The Firm's eligible capital may change, in particular losses may arise, which deplete eligible capital. It is the policy of the Firm to ensure that exposures to counterparties do not exceed limits in respect of eligible capital, and maintain a sufficient headroom at all times.

During the year, FXCM Ltd. enhanced intra-day and end-of-day monitoring procedures and reporting in place to ensure FXCM Ltd. does not breach large exposure rules.

4.3 Market Risk

Market Risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting from changes in underlying market risk factors, such as interest rates, equity markets, bond markets, commodity markets and exchange rates) between now and a future point in time. FXCM Ltd. is exposed to market risk arising from both currency mismatch and CFD positions.

4.3.1 Currency Mismatch Risk

FXCM Ltd. is exposed to currency mismatch through its normal course of business (i.e. residual on balance sheet currency mismatch positions) and does not acquire open speculative trading book market risk on FX. The major currencies of FXCM Ltd. are USD, JPY, GBP and EUR. FXCM Limited has currency mismatch limits in place and stress tests adverse market movements on the current position to avoid loss.

4.3.2 CFD Market Risk

FXCM Ltd. offers customers the ability to trade CFDs. In contrast to clients trading FX, CFD market risk arising from executed customer trades is not automatically hedged, rather FXCM Ltd. selectively hedges a portion of its market risk. The portion of the market risk that is unhedged is subject to risk limits established by the Board of FXCM Ltd. The risk limits are set forth below:

- Internal haircuts on CFD exposures may not exceed $17m ($17m includes the gross exposure haircut amounts) at any point. These internal haircuts are in effect the Pillar 1 market risk capital requirements.
- Maximum aggregate daily loss limit of $3m. In the event the $3m aggregate daily loss limit is breached, the CFD desk proceeds as follows:
    - CFD Desk hedges new exposure 1 for 1

- Determines the root cause of the breach
- Monitors positions identified as causing the breach and determines if any risk mitigating measures are needed
- Post market close, develops a trading strategy for the following day
- Reports the breach to the Risk Committee

4.4 Concentration Risk

Concentration risk refers to the risk of loss arising from concentration of exposure in terms of geographical distribution of revenues, product type, counterparty or event. FXCM Ltd.'s concentration risk surrounding the geographical distribution of products and revenues is managed through the current client geographical distribution.

FXCM Ltd.'s Group Compliance Anti Money Laundering process categorise countries which pose the greatest risk to FXCM Ltd. Countries have been designated as either Prohibited, High or Medium risk.

Under the circumstances where a country's credit rating has been downgraded or is under threat of being downgraded, Senior Management consider the implications of continuing business in the jurisdiction.

FXCM Ltd.'s clients are both individuals and institutions/professionals from over 170 countries. While the Firm acknowledges that a 30% concentration of its customer base originates from China. The Board consider this risk to be sufficiently mitigated owing to the diversification of the Firm's overall client base.

4.5 Business Risk

Business risk is defined as any risk arising from changes in the business, including the risk that FXCM Ltd. may not be able to carry out its business plan and desired strategy. We group these into Performance Risk and Reputational Risk.

4.5.1 Performance Risk

FXCM Ltd.'s main business risk arises from a deterioration of business or economic conditions. The impact of performance risk is addressed through modelling scenarios.

The Board believe that FXCM Ltd. manages its performance risks adequately and effectively. FXCM Ltd. manages and controls performance risk in the following ways:

- The existing STP model for a section of FX trades has geared FXCM Ltd.'s revenue generating model to operate as a fee based system. This was further enhanced in 2014/2015 by the introduction of a commission fee structure on FX trading in certain jurisdictions;
- FXCM Ltd. structures its business lines to operate with low overhead costs. In the event of an economic downturn, FXCM Ltd. will quickly adjust and continue to operate its business lines with limited operational costs; and
- FXCM Ltd.'s business lines are diversified, allowing FXCM Ltd. to use the same system to access institutional/professional and retail markets alike.

4.5.2 Reputational Risk

Reputational risk is defined as the risk that an action, event or situation may adversely impact FXCM Group's reputation. Reputational risk arises as a result of failure to manage other business risks, consequentially FXCM Ltd. place the highest importance on risk management at all levels throughout the organisation. FXCM Ltd. seeks to operate at the highest level of integrity and ethical standards in all its activities to mitigate this risk. The FXCM Group ensures strategies and cultures within FXCM Group are aligned by having the FXCM Group CEO on the Board of FXCM Ltd. Reputational damage (beyond the capability of FXCM Ltd. to withstand) would be likely to result in a wind-down decision by the Board.

4.6 Interest Rate Risk

FXCM Ltd. earns interest but does not pay interest to the majority of clients on their balances. As a result any increase in the current low interest rates would result in additional revenues and profits for FXCM Ltd. Currently, FXCM Ltd. earns less than 50bp per annum on cash deposits. The Board believe it very unlikely that interest rates will drop any further and has decided to carry out a 200bp stress test to assess the impact of interest rate fluctuations on the capital position of FXCM Ltd. The impact of a 200bp parallel shift in interest would result in an $8.6m increase in interest income for FXCM Ltd.

4.7 Group Risk

Group risk is the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risks which may affect the financial position of the whole group.

FXCM Ltd. monitors financial exposures to FXCM Group entities as connected counterparties, within Part Four of the EU CRR, Large Exposures rules. Such exposures arise from both on-balance sheet positions (debtors) as well as OTC derivative trading where an FXCM Group entity is a hedging counterparty.

FXCM Ltd.'s group risk results from its reliance on other FXCM Group entities. Specifically, FXCM Ltd. relies on sister entities:

- To provide, support and develop dealing and pricing systems
- To provide, support and develop other IT systems (e.g. back office systems);
- As hedging counterparty;
- To provide some administrative systems and support (e.g. account opening, and many legal, risk and compliance operations);
- To staff some management functions; and
- To pay agreed revenue.

FXCM Ltd. controls such risk by defining, recognising and monitoring standards of service through SPA's and trading agreements.

FXCM Ltd. accepts group risk, being part of the wider FXCM Group and is subject to scenario testing.

4.8 Regulatory Risk

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

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

The Compliance team also manage the risk which arises from undertaking business in a multitude of foreign countries and in particular those locations where FXCM Ltd. has a branch office. The Compliance team aim to ensure the appropriate implementation of FCA rules in a way which is consistent and not contrary to local laws and regulations.

4.9 Liquidity Risk

4.9.1 Liquidity Rules

Banks and Investment Firms are subject to the general liquidity requirement under the Capital Requirements Regulation (CRR) Article 412(1), however only banks are directly subject to the detailed Liquidity Coverage Ratio (LCR) set by the EU Commission Delegated Act.

The FCA stated in PS13/10 their confirmation of the approach to continue the UK's liquidity regime until binding minimum standards for liquidity coverage requirements are implemented in the CRR. The FCA plan to issue a further statement on their liquidity approach in due course. Until then, the rules contained in FCA's Handbook, the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU), chapter 12 requirements continue to apply to IFPRU firms.

The requirements of BIPRU 12 mean that FXCM Ltd. is classified as an Individual Liquidity Adequacy Standards (ILAS) BIPRU firm and must comply with all the BIPRU 12 rules and prepare an Internal Liquidity Adequacy Assessment (ILAA), which is similar, in principle to the ICAAP, and sets out to achieve the following:

1. Confirm that FXCM Ltd. is complying with the Overall Liquidity Adequacy Rule (OLAR) as contained in BIPRU 12.1.1. This rule states that a firm must at all times maintain liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. This simply means that FXCM Ltd. must ensure:

   - FXCM Ltd.'s liquidity resources contain an adequate buffer of high quality, unencumbered assets; and
   - FXCM Ltd. maintains a prudent funding profile; and
   - FXCM Ltd. may not include liquidity resources that may be made available through emergency liquidity assistance from a central bank.

2. Informs FXCM Ltd.'s board about on-going liquidity risk faced by the business, how these risks are being mitigated and also current and future liquidity needs of the business.

3. Enable the FCA to assess firms' liquidity more effectively.

The ILAA requires that FXCM Ltd.'s management analysis is based on policy documents approved by the Board with the requisite process and policy guidelines. This means FXCM Ltd. must have a Liquidity Risk Management Framework from where most of the ILAA contents will be derived. This framework typically specifies the overall principles for FXCM Ltd.'s liquidity risk management as well as articulating FXCM Ltd.'s approach to liquidity risk, including governance, measurement, assessment, monitoring & control and liquidity stress testing.

At the minimum, this liquidity risk framework encompasses the following FXCM Ltd. policies / documents;

i. Liquidity Risk Management policy;
ii. Liquidity Risk Appetite statement (LRA);
iii. Contingency Funding Plan (CFP);

4.9.2 Liquidity Risk Appetite (LRA)

The FXCM Ltd. Board has reviewed and approved the 2016 LRA statement, which defines the level of liquidity risk the Board chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. FXCM Ltd.'s LRA Statement also outlines the approach towards ensuring that it stays within the appetite defined and approved by the Board. The LRA is regularly reviewed by the Board to ensure it remains relevant and appropriate with the nature, size, and complexity of the business.

FXCM Ltd. complies with its liquidity risk appetite which is monitored via liquidity reports and the various governance forums (ALCO and RMC) The FXCM Ltd. specific tolerances approved by the Board are detailed below.

The FXCM Ltd. liquidity risk appetite includes:

- The Funding and Asset Mix which the Firm may use which clarifies the source and structure of both funding and the quality of assets held by the Firm.
- A survival horizon with defined actions to be able to withstand liquidity demands under stressed conditions for a period extending to 90 days.

The Board expresses its liquidity risk appetite in term of the performance in the Liquidity stress tests.

The FXCM Ltd. stress scenario considers an idiosyncratic, market and combined stress events based on certain assumptions. These assumptions and stress scenario events have been challenged and considered plausible by the senior management. The stress model takes into consideration the following:

- No access to equity and capital market;
- No access to central bank; and
- No capital injection in the form of callable capital.
- Risk Appetite & Management Actions

4.9.3 Liquidity Risk Management and Governance

At FXCM Ltd. a clear distinction is made between segregated cash management and non-segregated cash management. Segregated cash management is subject to the strict regulations of CASS (Client Assets) section of the Business Standards chapter of the FCA's Handbook.

At FXCM Ltd. liquidity risk may be defined as;

Despite being solvent, a firm is unable to meet payment obligations as they fall due, without incurring unacceptable losses.

Typically, liquidity risks can arise from:

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

In FX markets, liquidity management is a critical function. FXCM Ltd.'s most significant liquidity risk can arise from a mismatch between asset and liability flows. Specifically, FXCM Ltd. may be exposed to risk in the event that FXCM Ltd. would have to meet its obligations to clients before it received settlement from its counterparties. To manage this risk, FXCM Ltd. holds excess operating cash and short maturity bonds in the form of US Treasuries.

Offering OTC trading in the CFD and FX markets is a cash intensive business owing to:

1. Regulatory capital requirements
2. As segregated client collateral cannot be re-hypothecated, firms are required to post operational funds to satisfy margin requirements for offsetting positions.

The level of capital to meet margin requirements is higher for a firm that applies a ‘No Dealing Desk’ execution model. A risk exists of one or both of these requirements being dramatically increased. In this scenario revenue and expenses are unaffected, but the amount of cash necessary to continue operating as normal would increase. FXCM Ltd. mitigates the risk of these increases in a number of ways.

- FXCM Ltd. maintains excess cash on its balance sheet to buffer against increases in these requirements.

- FXCM Ltd. may, if necessary turn away business that would require too much cash to support and could threaten FXCM Ltd.’s liquidity position.

- FXCM Ltd. mitigates the risk of increases cash requirements as it has multiple liquidity and brokerage relationships that provide execution and clearing services for CFD trading. No singular bank increasing margin requirements would necessarily affect FXCM Ltd.’s capital or liquidity position, as the business would simply be redirected to a more competitive institutional relationship.

If there is a systematic increase across all of the Group’s relationships, FXCM Ltd. maintains excess capital and liquidity on its balance sheet to support such an increase.

At FXCM Group each business entity must be self-sufficient from a funding and liquidity standpoint so that there is no reliance on intergroup lines either from, or to other group entities.

5. Internal Capital Adequacy Assessment Process (ICAAP)

The purpose of the ICAAP is to determine the adequate capitalisation of FXCM Ltd. The ICAAP includes the requirements to carry out regular assessments of the amount of financial resources that it considers adequate to cover the nature and level of the risks to which FXCM Ltd. is or might be exposed. The ICAAP also seeks to identify the major sources of risk to its ability to meet its liabilities as they fall due (the overall Pillar 2 rule and related rules).

The ICAAP further considers stress and reverse stress testing and ensures the processes, strategies and systems required by the overall Pillar 2 rule are both comprehensive and proportionate to the nature, scale and complexity of FXCM Ltd.'s activities.

The FXCM Ltd. Board makes use of the ICAAP as a comprehensive, forward looking summary of FXCM Ltd.’s risk-based assessment process and the adequacy of capital and liquidity resources. The Board intends to use the ICAAP as an integral part of quarterly reviews of FXCM Ltd.’s operations, strategic direction, capital adequacy and liquidity position.

The Board and senior management teams have assessed FXCM Ltd.’s capital requirements by identifying material risks to the Firm, and then quantifying the impact of each material risk through stress testing. The outcome of this assessment is the Pillar 2(a) assessments against each material risk class.

6. Capital Resources

FXCM Ltd. regulatory capital resources and capital resource requirements (under the standardised approach) as at 31-Dec-2016 (31-Dec-2015) are summarised as follows:

FXCM Ltd. Capital Resources Summary	$000s 31-Dec-16	$000s 31-Dec-15
Equity share capital (Ordinary Shares)	69,891	64,891
Profit and loss account and other audited reserves.	16,802	25,356
Core Tier 1 Capital	**86,693**	**90,247**
Deductions from Tier 1 Capital:		
Intangible assets	-1,750	-2,916
Deferred tax asset (not arising from temporary differences)	-1,412	-4,888
Prudent valuation adjustment	-100	0
Total Deductions from Tier 1	**-3,262**	**-7,804**
Tier 2 Capital	**0**	**0**
Total Capital Resources (CR)	**83,431**	**82,443**
Capital Requirement for:		
Credit risk	4,317	6,667
Counterparty risk	2,908	2,942
Operational risk	13,045	13,045
Market risk	1,723	5,264
Total Pillar 1 Capital Resources Requirement (CRR)	**21,993**	**27,918**
TOTAL RISK EXPOSURE AMOUNT	**274,913**	**348,975**
CET1 Capital Ratio (regulatory minimum **4.5%**)	30.35%	23.62%
Surplus/ Deficit of CET1 Capital	71,060	66,739
CET1 Capital Ratio (regulatory minimum **6%**)	30.35%	23.62%
Surplus/ Deficit of CET1 Capital	66,936	61,505
CET1 Capital Ratio (regulatory minimum **8%**)	30.35%	23.62%
Surplus/ Deficit of CET1 Capital	61,438	54,525
% CR to CRR	**379%**	**295%**

Deferred tax asset is subject to an IFPRU transitional provision permissible under the EU CRR, where the deduction of DTA included in the above represents 60% (2015 40%) of the total amount. The remaining 40% (2015 60%) is risk weighted at 250%.

The following tables analyse credit, counterparty and market risks by exposure classes, risk weightings and geography. The exposure values do not consider the effects of credit risk mitigation.

For the purposes of the Pillar 3 disclosures, we do not treat client money accounts held under trust for our clients in client money bank accounts as credit exposures of FXCM Ltd. as defined under FCA rules.

Table 1. [Non-Trading Book]	Exposure	8% Capital	Exposure	8% Capital
Credit Exposures by: Exposure Class	31-Dec-2016	31-Dec-2016	31-Dec-2015	31-Dec-2015
Corporates	20,197	681	13,708	735
Institutions	206,212	3,318	261,614	4,186
Other Items	2,562	318	10,710	1,746
Central Governments	2,198	0	0	0
USD'000's	**231,169**	**4,317**	**286,032**	**6,667**

Table 2. [Trading Book]	Exposure	8% Capital	Exposure	8% Capital
Counterparty risk by: Exposure Class	31-Dec-2016	31-Dec-2016	31-Dec-2015	31-Dec-2015
Corporates	90,875	1,849	46,080	2,015
Institutions	54,697	805	33,004	477
Retail	62,310	254	81,470	450
USD'000's	**210,882**	**2,908**	**160,554**	**2,942**

Table 3. [Non-Trading Book]	Exposure	8% Capital	Exposure	8% Capital
Credit Exposures by: Regulatory Risk Weightings	31-Dec-2016	31-Dec-2016	31-Dec-2015	31-Dec-2015
0%	2,200	0	8	0
20%	206,212	3,319	261,614	4,186
100%	21,816	810	16,996	998
250% [Equity related exposures]	941	188	7,413	1,483
USD'000's	**231,169**	**4,317**	**286,032**	**6,667**

Table 4. [Trading Book]	Exposure	8% Capital	Exposure	8% Capital
Counterparty Risk by: Regulatory Risk Weightings	31-Dec-2016	31-Dec-2016	31-Dec-2015	31-Dec-2015
20%	54,697	805	33,005	476
75%	62,310	254	81,470	451
100%	93,875	1,849	46,080	2,015
USD'000's	**210,882**	**2,908**	**160,555**	**2,942**

Tables 5 and 6 analyse credit and counterparty exposures by geography.

Table 5. [Non Trading Book]	UK	Europe	USA	Australia	ROW	USD'm
Geographic Analysis of Credit Risk	Exposure	Exposure	Exposure	Exposure	Exposure	TOTAL
Corporates	1.7	7.4	7.4	0.0	3.6	20.1
Institutions	52.8	0.6	59.7	90.3	2.8	206.2
Central Governments	0.0	0.0	2.2	0.0	0.0	2.2
Other Items	2.6	0.0	0.0	0.0	0.0	2.6
31-Dec-2016 USD'm	**57.1**	**8.0**	**69.3**	**90.3**	**6.4**	**231.1**

Table 6. [Trading Book]	UK	Europe	USA	Australia	ROW	USD'm
Geographic Analysis of Counterparty Risk	Exposure	Exposure	Exposure	Exposure	Exposure	TOTAL
Corporates	3.8	72.1	0.0	0.0	17.9	93.8
Institutions	14.6	0.0	2.3	33.4	4.3	54.6
Retail	7.7	14.2	0.0	0.0	40.4	62.3
31-Dec-2016 USD'm	**26.1**	**86.3**	**2.3**	**33.4**	**62.6**	**210.8**

The following table illustrates the firm's minimum (Pillar 1) market risk capital requirements.

Table 7.		8% Capital	8% Capital
Position Risk Requirement (PRR)	Calculation Method	31-Dec-2016	31-Dec-2015
Interest Rate	Maturity Method	0	23
Equity	Standard Equity Method	287	1,030
Foreign Exchange	Standard Method	936	626
Commodities	Simplified Approach	500	3,585
Total Market Risk PRR	**USD'000's**	**1,723**	**5,264**

Credit exposures to Institutions analysed by credit quality step (Moody's credit ratings).

Table 8.	USD'm		Non-Trading	Trading
Credit Quality Step	Moody's Long Term Rating	Risk Weight	Book Exposure	Book Exposure
1	Aaa to Aa3	20%	0	-
2	A1 to A3	20%	146.4	43.8
3	Baa1 to Baa3	20%	11.3	-
4	Ba1 to Ba3	50%	-	-
5	B1 to B3	50%	-	-
6	Caa1 and below	150%	-	-
Unrated	-	20%	48.5	10.9
Total USD'm			**206.2**	**54.7**

7. Leverage Ratio

The leverage ratio is a regulatory and supervisory tool introduced under Basel III (CRD IV) as a transparent non-risk based measure. The rules provide for an observation period from 01-Jan-2013 to 01-Jan-2017, during which the leverage ratio, its components and its behaviour relative to the risk-based requirement will be monitored by the regulators.

Based on the results of the observation period the Basel Committee on Banking Supervision (BCBS) intends to make any final adjustments to the definition and calibration of the leverage ratio in the first half of 2017, with a view to migrating to a binding requirement on 01-Jan-2018 based on appropriate review and calibration. The BCBS guidelines also provide for disclosure of the leverage ratio and its components from 01-Jan-2015.

Article 429 (2) of the EU CRR defines the leverage ratio as an institution's capital measure (Tier 1 capital) divided by the institution's total exposure measure (balance sheet exposures, derivative exposures, securities financing transactions and off balance sheet items) and shall be expressed as a percentage.

The BCBS has introduced a minimum observation level for the leverage ratio at 3%.

At 31-Dec-2016, using a transitional definition of tier 1 capital, the leverage ratio was 20.77% (2015 23.71%). Tier 1 Capital $83.4m/Exposure measure $401.7m.

LEVERAGE RATIO USD'000's	31-Dec-2016	31-Dec-2015
Balance sheet assets	179,121	182,576
Derivatives (Mark to Market method)	210,882	160,555
Off balance sheet exposures	11,690	4,519
Total Exposure (Exposure Method)	**401,693**	**347,650**
Tier 1 Capital (Capital Measure)	**83,431**	**82,443**
Leverage ratio	**20.77%**	**23.71%**

8. Remuneration Disclosure

FXCM Ltd. is required to comply with the Remuneration Code (SYSC 19A) (“the Code”) requirements within the FCA’s handbook of rules and guidance as well as article 450 of the CRR (Regulation of the European Parliament and the Council on prudential requirements for credit institutions and investment firms (Regulation EU) No. 575/2013) and amending Regulation (EU) No. 643/2012). This remuneration disclosure is a requirement under Article 450 of the CRR which applies to companies within the definition of significant IFPRU firm (FCA/PRA combined view IFPRU 1.2.). These rules recognise that not all the Code’s principles apply to firms equally and introduce a concept of proportionality, which applies the Code to the extent that it is appropriate to a firm’s size, internal organisation (including legal structure) and the nature, scope and complexity of its activities.

At FXCM Ltd. responsibility for the Remuneration Policy and levels for Executive Directors and other Code Staff rests with the Remuneration Committee. The Committee met four times during the financial year 2015-16. The Committee obtained advice from the Global Director of Compliance. The Committee also considers advice from the Chief Executive but not in relation to their remuneration. The Committee engages proactively with major shareholders through consultation on material changes to the remuneration policy for executives. The Committee also takes account of the overall approach to rewards for employees in the Group as a whole.

8.1 Decision Making Process for Determining Remuneration Policy

The Remuneration Committee (RC) is made up of the Group’s Non-executive Directors and the Head of Human Resources. Attendance may be invited from senior executive management and regular attendees include the CEO and the Head of HR and the Global Director of Compliance. The Committee’s Terms of Reference as approved by the Board include:

- To monitor the level and structure of remuneration for senior and executive management on the basis of adequate information provided to them;
- To determine and agree with the Board the framework of remuneration for all staff and executives within its remit;
- To determine the remuneration policy for executives within its remit, presenting the remuneration framework, policy and overall cost to the Board and to update the Board regularly about Remuneration Committee activities and make appropriate recommendations;
- To review the design of any long term incentive schemes, and define policy on retirement schemes;
- To review any compensation payment for loss of office for those within its remit to ensure the terms are fair to the individual and the company and that failure is not rewarded;
- Seeking Board approval on remuneration packages for newly appointed Directors and executives;
- To agree and oversee the operation of the Directors expenses policy;
- To ensure that all provisions regarding disclosure of remuneration as set out in the UK Corporate Governance Code are fulfilled;
- To review remuneration outcomes against policy and previous determinations;
- To seek appropriate advice both from internal functions and remuneration consultants or other advice on which it requires advice to fulfil responsibilities; and

- To ensure that the Remuneration Committee has access to resources and information necessary to fulfil its duties. These include continuing administrative and secretarial support, and on occasion, specialist legal, financial tax or accounting advice.

8.2 Code Staff Criteria

The FCA Remuneration Code requires FXCM Ltd. to identify individuals whose professional activities have a material impact on its risk profile (known as “Code Staff”) and the Code requirements and disclosures apply to those individuals.

The following groups of employees have been identified as meeting in the FCA’s criteria for Code Staff:

- The Directors of Forex Capital Markets Limited
- Staff performing Significant Influence Functions
- Some employees in any other Controlled Function
- Employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers whose professional activities have a material impact on the risk profile of FXCM Ltd. During the financial year Code Staff have been identified, made aware of the implications of their status and had their remuneration reviewed by the Remuneration Committee. The Committee has ensured that remuneration arrangements are in accordance with the FCA code as varied were applicable by the FCA’s guidance on proportionality.

8.3 Link between Pay and Performance

The Remuneration Committee’s objective is to ensure that remuneration encourages, reinforces and rewards the growth and preservation of shareholder value. The Remuneration Policy is set to ensure that remuneration remains competitive and provides appropriate incentives for performance.

The Committee is also mindful of ensuring that there is an appropriate balance between the level of risk and reward for the individual, the Company and or shareholders. As well as financial risk, the Committee ensures that there is an appropriate focus on regulatory and governance matters.

The Committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the Company’s business environment and in remuneration practice. There must be transparency and alignment to the delivery of strategic objectives at both a company and an individual level. There must also be scope to reward for exceptional effort and achievement that delivers value both for the Company and the shareholders. Likewise, failure to achieve, individually or at Company level will not be rewarded.

A Long Term Incentive Plan (LTIP) has been made available to selected members of senior management. Vesting of awards under this plan are subject to the achievement of performance conditions aligned to Group objectives.

Details of code staff aggregate remuneration for the year to 31-Dec-2016 (and 2015)

	Code Staff - Aggregate remuneration	31-Dec-16 No. of recipients	31-Dec-16 Aggregate remuneration	31-Dec-15 No. of recipients	31-Dec-15 Aggregate remuneration
1	Fixed remuneration awarded for performance	15	$3.5m	17	$3.9m
2	Variable remuneration awarded for performance:				
	Cash	8	$1.2m	12	$1.8m
	Share Options	-	-	-	-
	Total	8	$1.2m	12	$1.8m
3	Outstanding deferred remuneration charge				
	Awarded	n/a	n/a	n/a	n/a
	Lapsed due to performance outcomes or adjustments	n/a	n/a	n/a	n/a
	Lapsed due to leaving service	n/a	n/a	n/a	n/a
	Vested	n/a	n/a	n/a	n/a
	Exercised	n/a	n/a	n/a	n/a
4	Outstanding deferred remuneration				
	Outstanding unvested	n/a	n/a	n/a	n/a
	Outstanding vested, but exercised	n/a	n/a	n/a	n/a
	Sign-on payments or awards	n/a	n/a	n/a	n/a
	Severance payments	n/a	n/a	n/a	n/a
	Highest individual severance payment	n/a	n/a	n/a	n/a
5	Total remuneration bands (**in Euro's**)				
	<1,000,000 to 1,500,000	15		17	
	1,500,001 to 2,000,000	-		-	
	2,000,001 to 2,500,000	-		-	
	2,500,001 to 3,000,000	-		-	

Notes:

Remuneration includes base salary, pension contribution (or allowance), fringe benefits and variable pay granted in respect of performance.

Remuneration also includes payments made by a seconding organization not subject to the Remuneration Code to a secondee in respect of their employment by a firm which is subject to the Remuneration Code.

There was no outstanding deferred remuneration charge during 2016 nor 2015.

9. Frequency, location and verification of disclosure

These Pillar 3 disclosures are made in respect of FXCM Ltd. Following assessment of the FCA's frequency of publication criteria, Articles 433 and 434 of the CRR refers, the Board of Directors consider that the Pillar 3 disclosures should not be made any more frequently than annually unless there has been a material change in either the approaches or permissions used to calculate regulatory capital or in the nature and characteristics of the business. FXCM Ltd.'s Pillar 3 disclosures are not subject to external audit unless they are equivalent disclosures to those prepared under FRS102 and included in the Firms' Annual Reports.

Pillar 3 disclosures may be found on FXCM Ltd.'s web site at the following address; http://www.fxcm.com/uk/legal/general-business-terms/

10. Appendix 1

FXCM GROUP CORPORATE STRUCTURE CHART