FOREX CAPITAL MARKETS LIMITED

Pillar 3 - Disclosure

31st December 2017

Table of Contents

1. Introduction

This document covers the period from 01-Jan-2017 to 31-Dec-2017 ("Relevant Period"), and as such, the information provided herein may have changed since the close of the Relevant Period. The FXCM Group Corporate Chart has been revised as FXCM Ltd. sold its 33% holding in Salex Holdings SRL (Italy) on 17-Apr-2018.

This report documents the Pillar 3 disclosure for Forex Capital Markets Limited ("FXCM Ltd." or "The Firm").

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). 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 reflect the position at 31-Dec-2017.

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 (SREP) capital requirements, also required under the CRD.

The Pillar 3 disclosure is 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.

1.1 Future regulatory developments

FXCM Ltd. is cognisant of the recommendations in the EBA's Report "The 2015 Investment Firms Report", which seeks to change the regulations surrounding the Prudential Regime (including both liquidity and capital adequacy).

Following the report on investment firms (published on 15-Dec-2015), the EBA received a second call for advice from the EU Commission in June 2016 to provide further technical advice on the first two recommendations included in that Report. Subsequent papers were published in July 2017 and September 2017. The original 2015 Report recommendations proposed new categories of investment firms consisting of three classes.

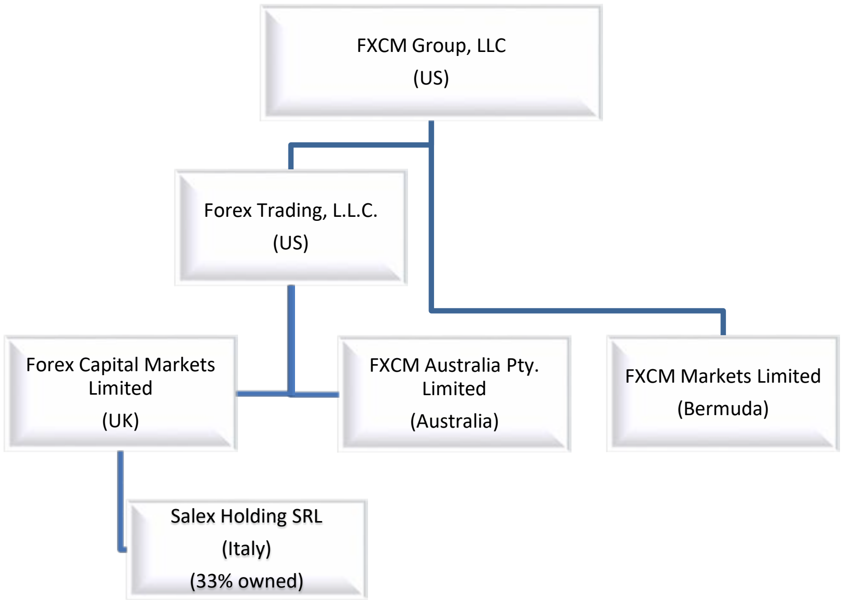
The initial assessment of these recommendations is that FXCM Ltd. will be a Class 2 firm (owing to the holding of client money) based on EBA proposals included in the document EBA-OP-2017-11 with a new Prudential Regime applicable.

The anticipated date for implementation will be sometime after 2019 because the new regime must pass through EU legislation targeted for end of 2017. We anticipate implementation to be at least 18-months after the passing of EU legislation.

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, being FXCM Group, LLC and its subsidiaries (referred to as "FXCM Group"). A full corporate structure chart detailing the position of FXCM Ltd. within the FXCM Group is contained in **Appendix 1.** An extract from the structure chart is below.



FXCM Group, LLC is a holding company of FXCM Ltd. as well as other FXCM subsidiaries.

2.2 Regulated Entities and Regulators

FXCM Group has regulated entities in two jurisdictions; one of which is FXCM Ltd. FXCM Ltd. is authorised and regulated in the UK by the FCA as a Full-Scope €730k IFPRU Investment firm. FXCM Ltd. has regulated branch offices located across Europe and is able to offer services in the 31 EEA states through the EU passporting process.

FXCM GROUP ENTITIES	REGULATOR(S)
Forex Capital Markets Limited	Financial Conduct Authority (FCA)
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 are within the FCA Handbook, the prudential sourcebook for investment firms (IFPRU) chapter 2.2. IFPRU divides investment firms into one of 4-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. For the regulatory calculations, IFPRU cross-refers to the EU CRR Regulations on prudential requirements for credit institutions and investment firms:

EU No. 575/2013, inter alia, introduced new corporate governance arrangements, which affect FXCM Ltd. These requirements have more impact if a firm is considered 'significant'.

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

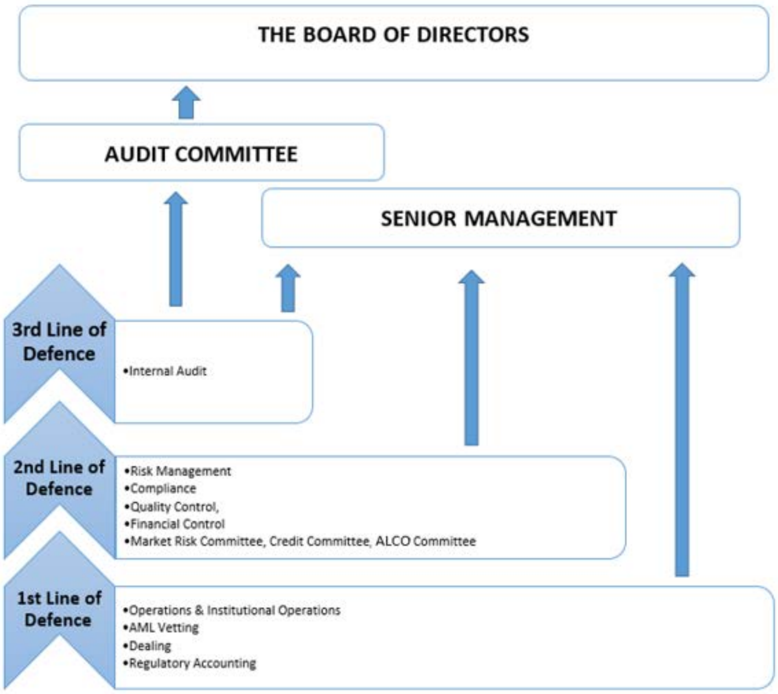
Rules relating to regulatory liquidity are contained within the FCA Handbook, the prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) chapter 12. FXCM Ltd. complies with all the BIPRU 12 rules.

There are no current or foreseen material, practical or legal impediments to the transfer of capital resources or repayment of liabilities between FXCM Ltd. and its parent, other than restrictions due to regulatory capital requirements on the firm.

2.4 Internal Risk Governance

FXCM Ltd. has an embedded governance and risk management framework to identify, measure, control and monitor the risks faced by the business, and to manage the risk the Firm's conduct may pose and to achieve good outcomes for clients and proper standards of market conduct.

We believe that the risk management systems and processes in place represent adequate assurance for the Board to support the Firm's strategy and allow the Firm to operate within its risk appetite tolerance levels set. It provides the foundation for enabling the Firm's ongoing assessment, monitoring and control of capital and liquidity adequacy.



First Line of Defence:

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

FUNCTIONS	RISK AND CONTROL ACTIVITY
Sales & 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 ratios, asset encumbrance 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 comprises 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 CFD and FX risk positions; 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.
Asset & Liability Committee (ALCO)	Responsible for the assessment of capital and liquidity adequacy.

Third Line of Defence:

The third line of defence is the internal audit function, which provides the Board and senior management with assurance on internal controls, governance, and risk management. The Audit Committee has delegated authority from the Board to oversee the internal 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

<table>
<tr><th>BOARD COMMITTEES</th><th>MANAGEMENT COMMITTEES</th></tr>
<tr><td>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.</td><td>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;</td></tr>
<tr><td rowspan="2">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.</td><td>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 credit FACILITIES and Credit extensions are within the Firm's risk appetite.
• Overseeing the Market Risk Committee, which is responsible for monitoring and reviewing changes in market conditions, and how they impact the Firm.
• OVERSEEING THE FINANCIAL CRIME COMMITTEE, WHICH IS RESPONSIBLE FOR PROVIDING GOVERNANCE AND OVERSIGHT FOR THE FINANCIAL CRIME PROGRAMME.
• OVERSEEING THE BEST EXECUTION COMMITTEE, WHICH IS RESPONSIBLE FOR ENSURING (WHEN EXECUTING CLIENT ORDERS) FXCM HAS AS ITS PRIMARY AIM, OBTAINING THE BEST RESULTS FOR CLIENTS</td></tr>
<tr><td>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.</td></tr>
</table>

2.6 Business Overview

FXCM Group provides online FX and CFD trading to approximately 120,000 global clients. Clients acquire access to these markets through both proprietary and white-labelled trading platforms. FXCM Group provides research and educational tools to assist clients in developing successful trading strategies.

FXCM Group has clearing relationships with numerous bank and non-bank liquidity providers ("LPs"). The Firm aggregates each of those price feeds and sends to its clients the highest bid and lowest offer available. Trades are either passed through to FXCM Group LPs in real time and on a one-for-one basis or are internally matched as much as possible, pairing long positions with shorts. Any remaining net exposure is Risk Managed under FXCM's established risk appetite framework. Revenue is generated through a commission charge added to each transaction or by a mark-up to the wholesale prices.

2.6.1 Products

FXCM Ltd. offers leveraged trading products in FX and CFDs at the following web links:

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

Clients from the UK and Ireland may trade FX and CFDs as Spread Bets. Spread bet accounts allow clients to place directional bets on the price of an underlying financial instrument. UK and Ireland clients 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 one or two-day settlement terms. To avoid the need for clients to face settlement and to deliver both currencies in different denominations, FXCM utilises a feature, which automatically carries open positions forward to the next trading day. In the process of rolling positions forward to the next trading day, 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 ("CFD"s) allow clients the ability to trade on price fluctuations of underlying equity and commodity instruments without taking a position in the underlying asset. CFDs are traded on an over-the-counter ("OTC") basis similarly to spot FX. FXCM Group offers CFD trading on equity indices and commodities. Prices for these CFD products reflect those of the underlying futures price, with an adjustment for fair value and a fixed mark up. FXCM Group 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 Australia and Hong Kong. The FXCM Group offer trading software in 17 languages, and provide customer support in 19 languages.

It is 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 01-Jan-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 basis is uncomplicated, 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.

FXCM Ltd. has not applied to the FCA for any Internal Rating Based ("IRB") model approvals and accordingly there are no Pillar 3 disclosures made in this regard.

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 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 refers to 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 EU CRR to calculate the operational risk capital requirement under Pillar 1. The calculation is the past three-year average of turnover 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 EU 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 companies. Non-financial counterparties are excluded from the own funds requirements for CVA risk.

The overhaul of the market risk regulatory capital framework began in 2011 to design a minimum capital standard to be more uniformly applied across jurisdictions, the Basel Committee on Banking Supervision (BCBS) publicly released the new market risk framework, “Fundamental review of the trading book” (FRTB) on 14-Jan-2016.

The changes to implement the FRTB standards are transformational. The standardized approach requirements will use granular risk factor sensitivities and require an overhaul of current market risk calculations and processes to be more risk-sensitive and explicitly capture default and other residual risks.

Planned implementation for have been set back to a revised date of 01-Jan-2022.

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 OTC derivative assets and liabilities is less than EUR 15 bn. 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.

Further details of PVA (or AVA) may be found in the document “EBA FINAL draft Regulatory Technical Standards” on prudent valuation under Article 105(14) of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) published on 23-Jan- 2015.

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.

The Pillar 2 framework covers two main areas:

(i) Risks to the firm that are either not captured, or not fully captured, under the Pillar 1 requirements of EU 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 is Pillar 2A and the second, 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 01-Jan-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-2017, the capital requirement FXCM Ltd. held for the capital conservation buffer was $3.45m ($1.7m 31-Dec-2016).

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-2017, six jurisdictions (where FXCM Ltd. has exposures) have implemented countercyclical buffer rates: Hong Kong (1.25%), Norway (2%), Sweden (2%), Czech Republic (0.5%), Iceland (1.25%) and Slovakia (0.5%). In the UK, the Bank of England's Financial Policy Committee (FPC) maintained the rate at 0% for UK exposures, but announced that this rate will rise to 1.0% from 27-Jun-2018. FXCM Ltd. continues to hold capital in excess of all the new capital requirements and buffers. At 31-Dec-2017, the capital requirement set aside for the countercyclical buffer requirement was $4k ($21k 31-Dec-2016).

3.5 Leverage

Article 4 (94) 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 under article 6(5) of the EU CRR, owing to FXCM Ltd. being a full scope €730k investment firm.

See Section 7 for quantitative disclosure.

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, 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

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.

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:

Technology Availability – Prolonged outage of Trading Station II and Back Office system

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.

Cyber-attack on systems or networks

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 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 arises from failing to deliver fair customer outcomes or from 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. FXCM Ltd. has a low risk appetite for behaviour, which does not meet these standards.

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.

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 being improperly 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. Upon meeting this threshold, consultation with in-house or outside counsel determines whether any action is required.

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") are included in 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. FXCM Ltd. prepare a credit review process for all new credit lines extended and approved by the Credit Committee. 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 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 is pre-approved by senior management. The risk department receives automatic notification 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 largest historical (30-year) move in that contract.

FXCM Group has various Market & Credit Risk mitigation management programs implemented prior to political or known upcoming market events, FXCM Ltd. has suffered minimal client losses as a result.

4.2.5 Concentration Risk (Large Exposures)

It is policy to comply with Article 395 of the EU CRR at all times, by ensuring that the Firm's exposure to any single counterparty does not exceed its threshold. Concentration risk limits are a percentage of the firm's eligible capital. However, the Firm's eligible capital is subject to change, particularly if financial losses arise, depleting eligible capital. It is the policy of the Firm to ensure that exposures to counterparties do not exceed limits in respect of eligible capital by maintaining sufficient headroom at all times.

Each year, FXCM Ltd. seeks to enhance intra-day and end-of-day monitoring and reporting procedures to ensure concentration risk rules remain inside limits.

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 (both on and off balance sheet) arising from both currency mismatch and CFD unhedged customer positions.

4.3.1 Currency Mismatch Risk

FXCM Ltd. has exposure to foreign currency mismatch through its normal course of business (i.e. residual on-balance sheet currency 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 Ltd. has currency mismatch limits in place.

Intra-day, FXCM Ltd. stress tests the impact of adverse market movements, to evaluate its existing mitigation methods and to be prepared to take necessary actions. If required, the Firm may raise client margins, having the effect of reducing its exposure to market risks and potential losses.

While FX trading comprises a large portion of the Firm's business, the entire market risk related to customer FX exposure is offset with other FXCM Group affiliates. FXCM Ltd. manages FX market risk by hedging customer trades with FXCM Australia and FXCM Markets. All FX trades are hedged 1:1 continuously throughout the trading day to avoid market risk, and therefore does not maintain a loss limit.

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 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:

4.4 Concentration Risk (Geographical)

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 posing the greatest risk to FXCM Ltd. Countries have been designated as either Prohibited, High or Medium risk.

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

FXCM Ltd.'s clients are both individuals, corporates and institutions/professionals from over 170 countries. The Board acknowledges geographical concentrations of customers and considers whether the risks are sufficiently mitigated whilst considering the overall diversification of the Firm's client base.

Monthly metrics related to customer geographical concentrations are reported to Risk Management Committee (RMC). Additionally, the Risk Management, Compliance, and Sales departments monitor and report geopolitical threats to RMC at its regularly scheduled meetings.

4.5 Business Risk

Business risk represents 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.

A number of factors influence Business risk, including sales volume, per-unit price, input costs, competition, the overall economic climate, and government regulations.

Cost control is imbedded in the Firm's Business plan, and monthly data related to the percentage change in revenue on a year-over-year basis is reported to RMC.

The Firm sub-divides Business risk 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:

- 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 from 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

Interest rate risk is the 'risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship'.

FXCM Ltd. has exposure to interest rate risk on the non-trading book on the firm's balance sheet. The Firm does not pay interest on customer deposits so negative interest rates on EUR, CHF, USD and GBP have a potential adverse effect on the Firm's profitability.

FXCM Ltd.'s balance sheet does not comprise term loans or deposits, all funds are held as call balances. The only exception is the firm's liquid asset buffer, held for regulatory liquidity purposes in the form of US Treasury bills, purchased with a maximum maturity of up to 3-months.

Regarding interest rate risk on the trading book, the Firm's exposure is limited. FXCM Ltd. may hold German Bund exposure via the CFD Dealing Desk. The intraday exposure for the Bund is generally small, however if it increases, the Dealing Desk will hedge the Bund exposure. At 31-Dec-2017, FXCM Ltd. was fully hedged with no market risk arising.

As stated above, FXCM Ltd. earns interest on some bank accounts, but does not pay interest to the majority of clients on their cash balances. As a result, any increase in the current low interest rates would give rise to additional revenues and profits for FXCM Ltd. Currently, FXCM Ltd. earns less than 50bp per annum on cash deposits. The Board believe it 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 profitability of FXCM Ltd. The impact of a "+/-200bp" parallel shift in accounts accruing interest would result in :

-200bp	As at 31-Dec-2017 - USD	+200bp
-$2.3m	Accounts accruing interest	+$4.9m

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 group as a whole.

FXCM Ltd. monitors financial exposures to FXCM Group entities as connected counterparties, within Part 4 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 a change in laws and regulations will materially impact the business and its potential profitability; as such, changes can lead to an increase in costs, reduce the attractiveness of investments or change the competitive landscape. This is broken down into direct and indirect risk. The Firm faces direct regulatory risk via the issuance of fines by regulators, while tighter regulations have the potential to reduce the profitability of the Firm by either reducing client volumes or increasing capital requirements.

FXCM Ltd. attempts to mitigate regulatory risk by performing regular sweeps to identify regulatory developments where there is a likely impact. Internal FXCM groups assess potential damage, formulate an action plan and implement any required changes. Members of the Compliance team also engage in dialogue with the Firm's regulator and with industry bodies in order to inform the judgments and decisions made; to ensure continued compliance with global regulations.

The Compliance team manages the risk arising 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 (as a minimum standard) 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) and the Net Stable Funding Ratio (NSFR) set by the EU Commission Delegated Act.

In accordance with the FCA's Handbook, FXCM Ltd. is classified as an Individual Liquidity Adequacy Standards (ILAS) BIPRU firm, must comply with all the BIPRU 12 rules and must prepare an Internal Liquidity Adequacy Assessment Process (ILAAP) document, which is similar, in principle to the ICAAP.

4.9.2 Internal Liquidity Adequacy Assessment Process (ILAAP)

The ILAAP informs FXCM Ltd.'s Board of the ongoing assessment and quantification of its liquidity risks. It also shows how the Firm intends to mitigate those risks, and how much current and future liquidity is required.

The ILAAP document also helps FXCM Ltd. demonstrate, explain and ensure compliance with the overall liquidity adequacy rule - BIPRU 12.2.1 R which 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."

Finally, the ILAAP demonstrates how FXCM Ltd. identifies, monitors and manages liquidity and liquidity risk within the business.

Over the past 12-month the Liquidity Risk Appetite Statement has not changed materially and the 3-liquidity risk drivers remain the same. FXCM Ltd. does not set aside an individual liquidity buffer for each liquidity risk driver rather they are considered collectively as part of a wider stress scenario event and may be mitigated by a combination of cash, HQLA buffer and management actions.

The liquidity stress test scenarios are based on the six stresses arising from the ICAAP coupled (where appropriate) with the liquidity risk drivers and are each set out over a 90-day planning horizon. The conclusion from the stress tests sets the level of the HQLA buffer used to meet the overall liquidity adequacy rule.

Liquidity at FXCM Ltd. represents excess operational unencumbered cash including non-segregated client balances and liquid assets held in the form of US Treasury Bills. In other words, the total amount of cash immediately available at FXCM Ltd. bank accounts to meet the Firm's needs to satisfy margin requirements, the funding of credit clients and other operational obligations.

4.9.3 Margin requirements

FXCM Ltd.'s liquidity needs are not a result of using short-term instruments to fund longer-term outflows. Rather, the Firm's liquidity needs mainly arise from having to post initial and variation margin at trading counterparties for hedged customer positions. Margin requirements are funded using excess operational cash. To mitigate the risk of not having enough operational cash to cover those margin requirements, FXCM Ltd. reserves the right to limit the position size its clients may take. The Firm reserves the right to require that clients reduce their position size if it becomes necessary. All of the products that FXCM Ltd. trade can be purchased or sold for immediate delivery thereby instantly relieving any liquidity needs in times of stress.

4.9.4 Credit clients

The Firm has a liquidity need arising from unsecured facilities provided to entities other than credit institutions. FXCM Ltd. grants credit lines to a limited number of clients and are repayable on-demand.

4.9.5 Other operational requirements

An example of other operational liquidity requirements refer to non-segregated client balances. These cash balances become fungible with FXCM Ltd.'s operational cash (unlike segregated client balances). The repayment of non-segregated client's withdrawals is usually immediate. However, under the unusual circumstances large cash withdrawals are requested during periods of high volatility and the firms operational cash is invested in margin placed with clearers, returning client funds may be subject to a delay owing to the time taken to implement management actions to free-up operational cash.

Barclays Bank (Swiss) S.A. is the custodian bank for FXCM Ltd.'s LAB assets (US Treasury Bills).

4.9.6 Stress testing

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

The ILAAP makes use of the scenarios developed for the ICAAP. Certain scenarios relate to general market risk scenarios, whilst others represent idiosyncratic stresses. All the ICAAP scenarios are adjusted to include the key liquidity risk drivers i.e. Margin calls by clearers, non-segregated client withdrawals and credit utilisation from the few clients FXCM Ltd. extends credit. The assumptions and stress scenario events are subject to challenge by senior management and considered for their plausibility.

4.9.7 Liquidity Risk Management and Governance

The Firm's Liquidity risk management is guided by the Board approved Liquidity risk management framework. The intention is to create a culture of risk transparency and awareness as well as personal responsibility throughout the Firm where collaboration, discussion, escalation and sharing information are encouraged. The Global Risk Officer is responsible for the overall direction of the Firm's risk management function.

FXCM's approach to liquidity risk management is based on a continuous cycle of liquidity stress testing, planning, setting guidelines and automated trading limits and real-time monitoring of clients positions. The Firm's liquidity stress parameters and outcomes are used to aid the selection of appropriate guidelines, which in turn serve as benchmarks for liquidity monitoring. In additions, the stress test results are considered in the formulation of the Firm's CFP and its assessment of liquidity position.

FXCM Ltd. has implements a process that ensures a clear distinction 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 and excluded from the ILAAP.

4.9.8 Regulatory stress

In addition to the FXCM Ltd.'s internal assessment of liquidity resource requirements, the FCA conducts its own assessment of the core liquidity requirement. This is essentially the regulator's view of the amount of core liquidity required from the FCA's assessment and referred to as Individual Liquidity Guidance (ILG).

4.9.9 Liquidity Risk Appetite (LRA)

To assess the prudential Liquidity requirement for FXCM Ltd., the Board defines a LRA implemented through the ALCO where RMC provides the Executive oversight. FXCM Ltd.'s LRA statement provides the level of liquidity risk the Board chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. A LRA statement also outlines the approach towards ensuring that it stays within the appetite defined and approved by the Board. The Board reviews the LRA at least annually to ensure it remains relevant and appropriate with the nature, size and complexity of the business. The LRA is described in both quantitative and qualitative terms.

By outlining core principals in managing or mitigating risk and ensuring that FXCM Ltd. has the necessary capabilities to prudently manage liquidity risks, and provide management with sufficient information to effectively oversee operations and risk levels

The LRA includes the liquidity risk limits, which consist of internal risk matrices that control the amount of liquidity risk taken across the business. The limits aim to restrict the amount of liquidity risks and to ensure the maintenance of the Firm's liquidity position and the liquidity risk appetite. FXCM Ltd. has implemented limits to all of the risks that deemed likely to affect the business and has introduced various mitigation methods, thus reducing the risks and ensuring adherence to the business model chosen by the Board of Directors.

4.9.10 Liquidity Indicators

Liquidity indicators are market and internal indictors used to monitor, for example, balance sheet movements and changes in sentiments towards the Firm to identify liquidity concerns. FXCM Ltd. uses the Early Warning Indicators (EWI) as a major source of liquidity information to maintain the overall health of the liquidity for the company.

4.9.11 Systems and Controls

The Treasury department monitors FXCM Ltd.'s cash balances across all counterparties to ensure the Firm can meet all liquidity obligations.

With the exception of a small percentage of clients, all trading accounts are required to post cash security in the form of margin for each trade and are set to be automatically liquidated if the aggregated unrealized losses equal or exceed the cash on deposit (excluding the cash used for margin).

For the small percentage of client accounts that do not have this auto-liquidation feature enabled, the Dealing department set an equity threshold level. Automatic hourly reporting occurs if the client's account(s) were to fall below the set equity threshold.

The Firm utilises automated reporting in efforts to mitigate Liquidity risk. While the Auto-liquidation feature prevents customers from falling negative in equity, there are instances where this can occur (i.e. client's trading account is overly margined, or a pricing gap occurs causing a margin call). To monitor these instances daily reports are generated listing the customer trading accounts that have fallen into debit balance since close of business (5pm NY) the previous day. The report may be generated ad-hoc via the Firm's global reporting interface (GRI). The data from these daily reports are analysed by the Risk Department on a monthly basis to highlight and report any trends or anomalies.

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-2017 and 31-Dec-2016 are summarised as follows:

FXCM Ltd. Capital Resources Summary	$000s 31-Dec-17	$000s 31-Dec-16
Equity share capital (Ordinary Shares)	69,891	69,891
Profit and loss account and other audited reserves.	12,294	16,802
Core Tier 1 Capital	**82,185**	**86,693**
Deductions from Tier 1	-1,169	-3,262
Tier 2 Capital	**0**	**0**
Total Capital Resources (CR)	**81,016**	**83,431**
Capital Requirement for:		
Credit risk	3,486	4,317
Counterparty risk	1,027	2,908
Operational risk	15,659	13,045
Market risk	2,761	1,723
Total Pillar 1 Capital Resources Requirement (CRR)	**22,933**	**21,993**
TOTAL RISK EXPOSURE AMOUNT	**286,667**	**274,913**
CET1 Capital Ratio (regulatory minimum **4.5%**)	28.26%	30.35%
Surplus/(Deficit) of CET1 Capital	68,116	71,060
CET1 Capital Ratio (regulatory minimum **6%**)	28.26%	30.35%
Surplus/(Deficit) of CET1 Capital	63,816	66,936
CET1 Capital Ratio (regulatory minimum **8%**)	28.26%	30.35%
Surplus/(Deficit) of CET1 Capital	58,082	61,438
% CR to CRR	**353%**	**379%**

Deductions from tier 1 capital comprise deferred tax asset, prudent valuation adjustment and intangible assets.

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] Credit Exposures by: Exposure Class	Exposure 31-Dec-2017	8% Capital 31-Dec-2017	Exposure 31-Dec-2016	8% Capital 31-Dec-2016
Corporates	17,177	1,069	20,197	681
Institutions	109,828	1,749	206,212	3,318
Other Items	8,367	668	2,562	318
Central Governments	2,298	0	2,198	0
USD'000's	**137,670**	**3,486**	**231,169**	**4,317**

Table 2. [Trading Book] Counterparty risk by: Exposure Class	Exposure 31-Dec-2017	8% Capital 31-Dec-2017	Exposure 31-Dec-2016	8% Capital 31-Dec-2016
Corporates	18,631	467	93,875	1,849
Institutions	11,766	173	54,697	805
Retail	58,758	387	62,310	254
USD'000's	**89,155**	**1,027**	**210,882**	**2,908**

Table 3. [Non-Trading Book] Credit Exposures by: Regulatory Risk Weightings	Exposure 31-Dec-2017	8% Capital 31-Dec-2017	Exposure 31-Dec-2016	8% Capital 31-Dec-2016
0%	2,515	0	2,200	0
20%	109,829	1,749	206,212	3,319
100%	25,192	1,710	21,816	810
250% [Equity related exposures]	134	27	941	188
USD'000's	**137,670**	**3,486**	**231,169**	**4,317**

Table 4. [Trading Book] Counterparty Risk by: Regulatory Risk Weightings	Exposure 31-Dec-2017	8% Capital 31-Dec-2017	Exposure 31-Dec-2016	8% Capital 31-Dec-2016
20%	11,766	173	54,697	805
75%	58,758	387	62,310	254
100%	18,631	467	93,875	1,849
USD'000's	**89,155**	**1,027**	**210,882**	**2,908**

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

Table 5. [Non Trading Book] Geographic Analysis of Credit Risk	UK Exposure	Europe Exposure	USA Exposure	Australia Exposure	ROW Exposure	USD'm TOTAL
Corporates	0.9	0.1	8.0	0.0	8.2	17.2
Institutions	4.4	0.6	70.1	33.7	1.0	109.8
Central Governments	0.0	0.0	2.3	0.0	0.0	2.3
Other Items	8.3	0.0	0.0	0.0	0.0	8.3
31-Dec-2017 USD'm	**13.6**	**0.7**	**80.4**	**33.7**	**9.2**	**137.6**

Table 6. [Trading Book] Geographic Analysis of Counterparty Risk	UK Exposure	Europe Exposure	USA Exposure	Australia Exposure	ROW Exposure	USD'm TOTAL
Corporates	1.9	9.5	0.0	0.0	7.2	18.6
Institutions	0.0	1.0	7.1	3.7	0.0	11.8
Retail	7.8	13.7	0.0	0.0	37.3	58.8
31-Dec-2017 USD'm	**9.7**	**24.2**	**7.1**	**3.7**	**44.5**	**89.2**

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-2017	31-Dec-2016
Interest Rate	Maturity Method	0	0
Equity	Standard Equity Method	4	287
Foreign Exchange	Standard Method	666	936
Commodities	Simplified Approach	2,091	500
Total Market Risk PRR	**USD'000's**	**2,761**	**1,723**

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%	0.3	0.0
2	A1 to A3	20%	31.3	4.0
3	Baa1 to Baa3	20%	0.1	0.0
4	Ba1 to Ba3	50%	0.0	0.0
5	B1 to B3	50%	0.0	0.0
6	Caa1 and below	150%	0.0	0.0
Unrated	-	20%	78.1	7.8
Total USD'm			**109.8**	**11.8**

Analysis of Trading Book Credit Risk Exposures and Risk Weighted Assets.

Table 9. [Trading Book] Credit Exposures & Risk Weighted Assets		Positive Mark to Market	Potential Future Credit Exposure.	Gross Exposure	Credit Risk Mitigation	Total Net Exposure	Trading Book RWA
Corporates		3,710	14,921	18,631	(12,785)	5,845	5,845
Institutions		3,101	8,665	11,766	(984)	10,782	2,156
Retail		40,387	18,371	58,758	(52,293)	6,465	4,849
31-Dec-2017	**USD'm**	**47,198**	**41,957**	**89,155**	**(66,062)**	**23,092**	**12,850**

The firm applies credit risk mitigation techniques comprising financial collateral to mitigate credit risks to which it is exposed. The firm has policies in place to ensure that credit risk mitigation is appropriately recognised and recorded. The recognition of credit risk mitigation is subject to a number of considerations, assessed in conjunction with the credit quality assessment scale that is set out in Title 2 Chapter 2 Section 3 of the CRR ("Use of ECAIs"). The only type of collateral (mitigation) taken by the firm is cash.

7. Leverage Ratio

The Basel Committee on Banking Supervision (BCBS) introduced a leverage ratio in the 2010 Basel III package of reforms. Basel III leverage ratio framework and disclosure requirements followed in January 2014 with detailed specification of the leverage ratio framework (the "framework").

An underlying cause of the Financial Crisis was the build-up of excessive on- and off-balance sheet leverage in the banking system. In many cases, banks built up excessive leverage while maintaining seemingly strong risk-based capital ratios. The ensuing deleveraging process at the height of the crisis created a vicious circle of losses and reduced availability of credit in the real economy.

The BCBS introduced a leverage ratio in Basel III to reduce the risk of such periods of deleveraging in the future and the damage they inflict on the broader financial system and economy. The leverage ratio is also intended to reinforce the risk-based capital requirements with a simple, non-risk-based "backstop".

The framework is designed to capture leverage associated with both on and off-balance sheet exposures. It also aims to make use of accounting measures to the greatest extent possible, while at the same time addressing concerns that (i) different accounting frameworks across jurisdictions raise level playing field issues and (ii) a framework based exclusively on accounting measures may not capture all risks.

The leverage ratio is the capital measure divided by the exposure measure, expressed as a percentage. The minimum requirement is set at 3%

The capital measure is Tier 1 capital as defined for the purposes of the Basel III risk-based capital framework but after taking account of the corresponding transitional arrangements. In other words, the capital measure for the leverage ratio at a particular point in time is the applicable Tier 1 capital measure at that time under the risk-based framework.

The exposure measure includes both on-balance sheet exposures and off-balance sheet (OBS) items. On balance sheet exposures are generally included at their accounting value, although exposures arising from derivatives transactions and securities financing transactions (SFTs) are subject to separate treatment (in essence, amounts owed to a bank are excluded while any on-balance sheet collateral related to such transactions are included).

No reduction in exposures are allowed for physical or financial collateral held, guarantees in favour of the firm or other credit risk mitigation techniques. Balance sheet assets deducted from Tier 1 capital may be deducted from the exposure measure. OBS items arise from such transactions as credit and liquidity commitments and guarantees.

The basis for the framework's treatment of derivative transactions is a modified version of Basel II's Current Exposure Method. It captures both the exposure arising from the underlying of the derivative contract and the related counterparty credit risk (CCR). The exposure measure amount is generally equal to the sum of the replacement cost (the mark-to-market value of contracts with positive value) and an add-on representing the transaction's potential future exposure. Eligible bilateral netting contracts can reduce the exposure amount, but collateral received generally cannot.

At 31-Dec-2017, using a transitional definition of tier 1 capital, the leverage ratio was 37.78% (2016 20.77%)

LEVERAGE RATIO USD'000's	31-Dec-2017	31-Dec-2016
Balance sheet assets	120,914	179,121
Derivatives (Mark to Market method)	89,155	210,882
Off balance sheet exposures	4,344	11,690
Total Exposure (Exposure Method)	**214,413**	**401,693**
Tier 1 Capital (Capital Measure)	**81,016**	**83,431**
Leverage ratio	**37.78%**	**20.77%**

8. Remuneration Disclosure

The Group is required to comply with the Remuneration Code ("the Code") requirements within the FCA Handbook of rules in accordance with Article 450 of the CRR. These rules recognise that not all the Code's principles apply to firms equally and therefore introduce a concept of proportionality, internal organisation (including legal structure) and the nature scope and complexity of its activities.

The FCA has defined a high level three tier proportionality framework as set out in the FCA's General Guidance on Proportionality relating to the Remuneration Code of SYSC19A.This sets out their expectations on the level of application of the Code requirements to different types of firms. Within these tiers, the Group meets the definition of the proportionality tier 3 and these disclosure reflect the requirements for such tier 3 firms.

8.1 Decision Making Process for Determining Remuneration Policy

The Remuneration Committee consists of FXCM Ltd.'s Non-Executive Directors. Meetings are held at least twice a year and written terms of reference approved by the Board include:

- Consideration and periodic recommendation to the Board of the remuneration policy (including incentives linked to the Firm's performance measured amongst other things by financial results adjusted for risks relating to the executive Directors and other senior managers designed to ensure that such policy attracts and retains high calibre Directors and senior management;
- The review of Firm's policy and approach for the employees in the Firm as a whole.

8.2 Code Staff Criteria

The FCA Remuneration Code requires the Group to identify individuals whose professional activities have a material impact on its risk profile (known as Code Staff) and the Code requirements and disclosures (applicable to tier 3 firms) apply to those.

The following criteria meet the FCA requirements for Code Staff:

- Extent to which each individual has the ability and authority to make decisions that may impact areas of risk set out in FXCM's internal risk documents including ICAAP Report, Risk Register, Risk Assessment Matrix (or similar / comparable document)
- Reporting lines including but limited to direct reporting line to the CEO;
- Primary responsibilities, staff performing a Significant Influence Function within FXCM;
- Level of autonomy in role;
- Extent to which each individual has the ability and authority to make decisions that may impact on material areas of risk set out in FXCM's internal risk documentation including ICAAP report, risk register and Risk Assessment Matrix (or similar/ comparable document);
- Level of earnings.

8.3 Link between Pay and Performance

The Group's remuneration policy supports the Group's business strategy, which encourages and rewards for growth and shareholder alignment. It is based on building long-term relationships with clients and employees and managing the financial consequences of business decisions across the economic cycle.

Overall, the policy is designed to provide packages, which attract and retain directors, senior managers and employees of the highest calibre and motivate them to perform to the highest standards.

At the same time, the objective is to align individual rewards with the Firm's performance, the interest of the shareholders and a prudent approach to risk management.

8.4 Design characteristics

Remuneration is delivered via a combination of fixed and variable elements, which includes base salary and a bonus.

All employees receive a fixed salary that reflects their market value, responsibility and contribution to the Firm. The Firm pays market competitive salaries with variable remuneration awards. All employees are eligible to be considered for a variable remuneration award through a discretionary bonus. Any bonus payment is subject to the achievement of the Firm's targets, business unit and individual objectives and risk criteria.

8.5 Ratio between fixed and variable remuneration

As a firm in proportionality level three the Remuneration Committee applies an appropriate balance between fixed and variable remuneration. The Remuneration Committee also ensures that the remuneration policies do not encourage unnecessary risk taking.

Details of code staff aggregate remuneration for the year to 31-Dec-2017

		EXECUTIVE DIRECTORS		OTHER CODE STAFF	
		31-Dec-17	31-Dec-17	31-Dec-17	31-Dec-17
	Code Staff - Aggregate remuneration	No. of recipients	Aggregate remuneration	No. of recipients	Aggregate remuneration
1	Fixed remuneration awarded for performance	3	$599,395	16	$3,062,972
2	Variable remuneration awarded for performance:				
	Cash	2	$680,546	14	$1,381,628
	Share Options				
	Total	2	$680,546	14	$1,381,628
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	19		-	
	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 2017.

9. Frequency, location and verification of disclosure

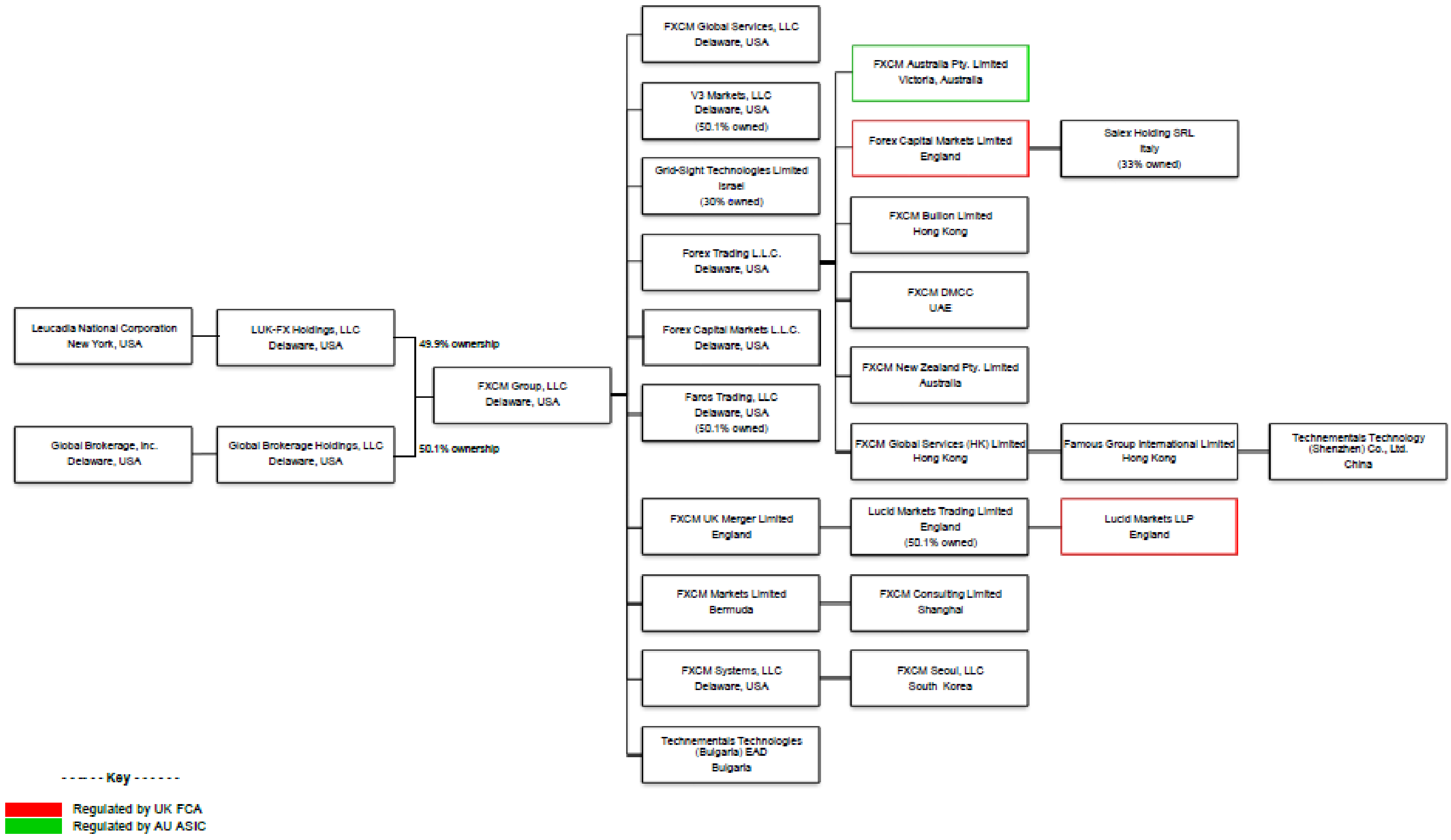
These Pillar 3 disclosures are made in respect of FXCM Ltd. FXCM Ltd.'s Pillar 3 disclosures are not subject to external audit unless they are equivalent disclosures to those prepared under FRS102 and included in the Firms' Annual Reports.

Pillar 3 disclosures are made annually at the accounting reference date, which is 31-Dec-2017 and published on FXCM Ltd.'s corporate website:

http://www.fxcm.com/uk/legal/general-business-terms/

10. Appendix 1

FXCM GROUP CORPORATE STRUCTURE CHART



Notes: (1) this structure chart is current as of 02 January 2018; (2) unless otherwise noted, each entity is 100% wholly-owned by its direct parent.