



## FOREX MAGNATES RETAIL FOREX MARKET QUARTERLY REPORT FOR Q2 2011



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# Content Index

1. *Page 05* - **Market Overview, Volume survey**
2. *Page 14* - **Media Forex Websites Traffic Survey**
3. **Articles**
  - Page 17* - **Forex Social Networks - the next growth driver in the maturing retail forex market?**
  - Page 26* - **Forex and Sports - match made in heaven or vanity marketing?**
  - Page 28* - **Indian retail forex market, an overview**
  - Page 32* - **Australian retail forex market an overview**
  - page 36* - **Japanese retail forex market, an overview**
4. *Page 39* - **Binary Options market snapshot**
5. *Page 42* - **Latest major forex news**
6. *Page 47* - **Top 6 forex brokers snapshot**
7. *Page 57* - **Forex Yellow Pages (list of recommended forex service providers)**



# About Forex Magnates

With an infinite number of sources, breaking Forex news well before its competitors, Forex Magnates gives this information to the reader in a succinct manner, saving you valuable time by distilling what's a must read and what's just PR. Our information is "first to market" - and is often not found in any other sites. Forex Magnates is followed by brokers and traders alike filled with impartial, unique discussions, advice, education and opinions.

In recent months, the blog has expanded to satiate the growing demand for the latest analysis and breaking news. This includes covering platform developments and upgrades, broker mergers and acquisitions, major forex scams and reviewing the major and pioneering undertakings in web forums, portals and trade publications.

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# Q2-Q3 2011 Forex market overview and forecast:

As evidenced by many reported metrics overall retail Forex volume is continuing to experience healthy growth. It seems that global Forex volumes were more or less flat during Q3-Q4 2010 but started to grow again in the first half of 2011. Even in Japan, volumes which dropped more than 70% from May 2010 to August 2010, have now corrected through most of the fall and are now about 25-30% below the pre-leverage reduction averages. This is of course primarily related to the March 2011 earthquake and the surge in Yen trading experienced across the board. Many other brokers including FXCM, Gain, ACM and IG Group have reported a double digit growth in volumes since last year in most regions; the same trend can be evidenced by volumes of larger institutional platforms such as ICAP and Reuters.

The biggest story during the 2nd quarter of 2011 was probably the 25% drop in FXCM's stock value two days after publishing its quarterly report. The main reason supposedly was the slow organic growth experienced by FXCM in Q1 2011 - excluding the GCI acquisition its accounts grew only by 370 for the entire quarter. However what is viewed as disappointing for some is an opportunity for others and FXCM's board

immediately approved a \$30 million stock buy-back. The significant drop wasn't missed by large investors such as Citadel and others who seized the opportunity to buy FXCM's stock at around \$9 as the IPO price was at \$14. The stock rebounded nominally since, but is still 30% below its offering price. The other public Forex broker, Gain Capital, is slowly but steadily losing value and is now down 21% from the IPO and this is despite pretty solid reports and the acquisition of dbFX's client base.

The other major story that has been dominating this last quarter - class action suits against FXCM and FXDD - has somewhat quieted down. The suit against FXDD was even pulled back at the beginning of the quarter but was filed again towards the end. For now, there are no significant updates regarding the progress of the suits. FXCM in its public report didn't consider this as a material event.

**Further regulatory oversight** - starting from Q3 even foreign banks can no longer accept US clients resulting in Dukascopy and MIG looking to offload their US clients database, dbFX exiting the US market altogether and Saxo Bank transferring its clients to its White Label - CitiFX Pro. dbFX's decision may

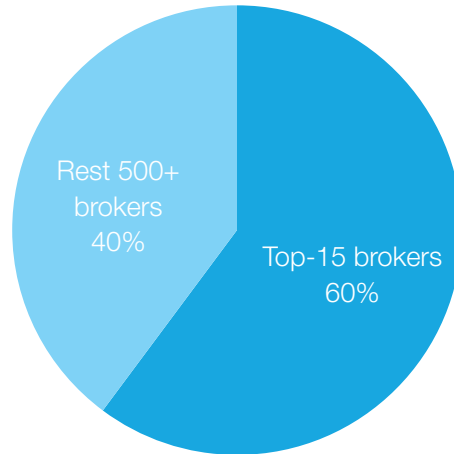
	Monthly	Daily
<b>FXCM</b>	311	14.8
<b>Saxo Bank</b>	291	13.9
GFT	200	9.5
IG Group	160	7.6
Alpari	150	7.1
Oanda	150	7.1
<b>Gain (Forex.com)</b>	134	6.4
FXDD	100	4.8
Forex Club	80	3.8
FXOpen	60	2.9
<b>FXPro</b>	55	2.6



<b>Total</b>	<b>4967</b>	<b>237</b>
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1. Monthly volume is divided by an average 21 trading days to receive the daily average.
2. Brokers in bold have publicly reported their numbers. FXCM's figure is the average of March-May numbers, Gain's number is from Q1 as Q2 numbers weren't yet reported. Saxo's numbers are a 2010 average.
3. Some of Japanese Brokers volume is reported by The Financial Futures Association of Japan for March 2011.
4. Some of the South Korean volume is being passed through foreign brokers, mainly FXCM, therefore an adjustment has been made. Standalone volume is higher.

## Top 15 global brokers vs rest



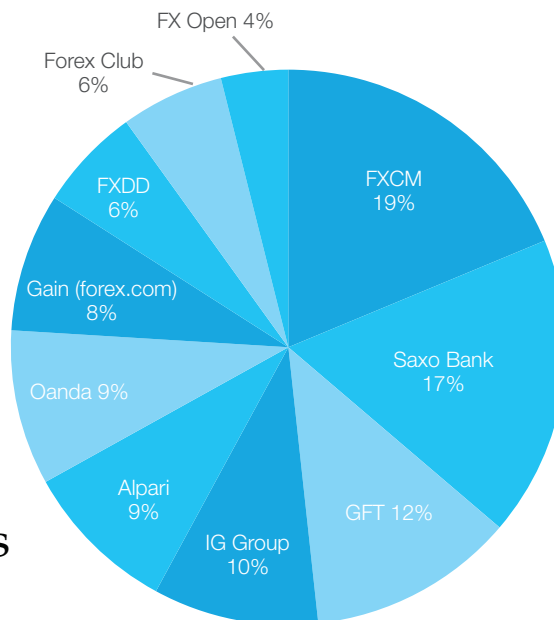
## Top ten non Japanese brokers by volume spotlight:

Name	Monthly Volume	Active Accounts	Customer Equity
FXCM	311		
Saxo Bank	291		
GFT	200		
IG Group	160		
Alpari	150		
Oanda	150		
Gain (Forex.com)	134		
FXDD	100		
Forex Club	80		
FXOpen	60		

### Comments:

01. FXCM - official information
02. Saxo: Volume and Equity official information, Equity includes also asset management division, not only Forex
03. GFT: Volume - estimate, Accounts/Equity - official, only in the US. Worldwide - unknown
04. IG: Volume - estimate, Accounts/Equity - official. These figures include CFD Forex, Binaries and Spread Betting. Excludes number of FXOnline clients.
05. Oanda: Volume - estimate, Accounts/Equity - official, only in the US. Worldwide - unknown
06. Gain: official information, funded accounts - not only active
07. Alpari: estimate
08. FXDD: Volume - estimate, Accounts/Equity - official, only in the US. Worldwide - unknown
09. Forex Club: estimate
10. FXOpen: Volume - estimate, accounts - from public website, exclude ECN, equity - unknown, but average account size is low due to popular micro accounts

## Top 10 non Japanese brokers by volume:



• FXCM, Saxo and GFT represent over 50% of the top 10 non-Japanese brokers' volume.

## Top 10 brokers by volume

# Articles

## Forex Social Networks – the next growth driver in the maturing retail forex market?

*By Nash Wadud.*

Mainstream media has always covered news and information that appeals to the broader masses but did not give a voice to the man on the street. Newspapers and news channels became a tool of the rich and powerful. How do I get the word out if I have a radical idea or a new business initiative? Social networks filled that void by giving individuals, niche industries and new businesses a medium to express their opinion to their followers. Social networks such as Facebook, twitter and LinkedIn serve as important communication gateways when used strategically. Social networks allow freedom of communication without any restrictions or boundaries. This easy access to content creation at social networking sites also made it equally important to identify credible and original sources for news and information. To build a member's credibility, social networks have come up with features such as "recommendations" (LinkedIn), "followers" (twitter), and "likes" (Facebook).

The Forex industry and its followers can still be called pioneers given the age of the industry and the lack of knowledge of currency trading with mainstream audiences. The industry does not get enough exposure from large media outlets. The attention has been increasing lately with shows such as Money in Motion on CNBC in the United States but still has nowhere near the amount of coverage that stocks, futures and option markets get. Social networks catering specifically to Forex traders have jumped in and we have seen the emergence of websites such as Currensee, FX STAT, eToro's OpenBook and Myfxbook to name a few.

The precursors to the Forex social networking sites were Forex forums such as babypips.com, Forexfactory.com and Forexpeacearmy.com. They provided a lively setting for exchange of information among traders but lacked the more profile oriented interface of Facebook. There are also sites such as Zulutrade and Tradency that solely offer automated strategies, which can be considered as a sort of social interaction, but still lacked the full blown social aspect. It's next to impossible to define what a 'social network' is and what it is not and any of the aforementioned websites/services can be defined as such. For the purpose of this article we define social network as a website that gives much more emphasis on user profiles and user interaction than an average forum.



**Asaf Yigal**

We spoke with Asaf Yigal, co-founder of Currensee, to get his take on the next generation of Forex social networking. Yigal says, "As traders, we started to be a part of all these forums and the biggest challenge is that if you go to largest forums, there are a lot of people who are posing as if they are experts. They give you advice and the person who talks the loudest is the one who has most followers. There is no accountability." Currensee was the first Forex site to offer its social trading services to traders and was soon followed by sites such as Myfxbook, MT4i and FXSTAT. FXSTAT and Currensee distinguish themselves from Tradency and Zulutrade by offering social networking tools. Myfxbook and MT4i allow users to share trading statistics but lack all the elements of a social networking site. Zulutrade and Tradency lead the pack in the analytical tools they make available to their users.

# Articles

## India: Over 1 Billion Strong – The next Forex Frontier

*By Adil Siddiqui, Nash Wadud and Jeff Baskin.*

Indian capital markets have been soaring over the last decade with economic growth averaging over 6%. The government aims to reach 10% and many states like Gujarat and Haryana are well on their way. GDP growth hit a historical high of 10.10% in September 2006. Overall each sector is on the rise, with mining, manufacturing and electricity registering over 5% growth rates.

### So what about Forex?

India first opened its doors to spot margin FX trading when South East Asian firms started exporting their products to local brokers, spreads were high, technology was slow and the market was volatile. Singapore based premium capital was one of the first to take advantage of India with local brokers spread through the country. Reymount Securities, a locally regulated firm, took the next step with a strong partnership with UK based Kerford. They had most of the share in Comex Gold and G7 currency trades. Small shops opened up but the major breakthrough came with Refco setting up a brokerage regulated in Mumbai. Unfortunately the Refco story didn't reveal much success for local traders and losses stemmed with the bankruptcy notice.

However in a country of more than 1 billion people, a few small corporate mishaps did not stop traders from coming into the market. With the rise of online market trading Indian traders have become a much larger part of the trading demographic, a recent report by Celent shows that around 20% of retail stock investors (within India) trade online. This figure is set to increase by 30% in 2012.

The trading volume in India for the FX OTC market is constantly increasing and currently is over USD\$40 billion per day (Forwards, Swaps and Options) thus the need for regulated products. The OTC products have been heavily used by several market participants; the importers/exporters use it to hedge their payables/receivables. India's export growth has been considerable as it gears up to compete with China. 2010 saw a 36.4% rise to reach USD\$422.5 billion in December. Foreign institutional investors (FIIs) have been pumping funds in spite of the global recession, FDI in December 2010 was at USD\$198 billion and equity investments rocketed to USD\$171.7 billion. Increasingly NRIs (Non-Resident Indians) are using the FX OTC markets to hedge their investments in India either in the equity markets or real estate.

However the government has been quick to intervene when it comes to spot Forex trading; since 1999 the RBI (Reserve Bank of India) has been going back and forth as to whether or not people can trade in international markets. The main question is posed around remitting funds out of the country. The RBI is putting restrictions on international funds transfer with the Liberalized Remittance Scheme, and specifically looking at margin products. Now most recently in February 2011 a clear cut statement was made that individuals CANNOT participate in Forex trading. The latest announcement was a shocker for international brokerages. Just like all other countries where retail Forex has been banned, it is not stopping traders from getting their fix in this market. Mumbai is becoming a 'hotspot' for FX brokers to open shop and take advantage of India's massive population that craves 'online trading'. India is known to have around 20 million 'de-mat' (dematerialised) accounts and FX brokers are keen to take a share of the pie.

Brokers are allowed to solicit institutional clients after becoming accredited with FEDAI (Foreign Exchange Dealer's Association of India.) FXall, a leading provider of liquidity in the FX markets, recently opened an office in Mumbai to provide services to institutional clients. On the retail side, the RBI (Reserve Bank of India) has issued some notices which have thrown the local trading community into more confusion.



**Status:** Public (NYSE:FXCM)

**Year Established:** 1999

**Shareholders and Funding:** Publicly owned, list of shareholders [here](#).

**Investments and M&As:**

- In 2007 bankrupt Refco sold a 35% stake it owned in FXCM to Lehman Brothers and Long Ridge Equity Partners. FXCM completed an IPO in December 2010, market cap over \$1.05 billion.
- January 2011 FXCM signed an acquisition MOU with its Japanese affiliate GCI Capital.
- In May 2010 FXCM acquired UK based ODL Group in cash+share exchange deal (valued at around \$55 million, more [here](#)). Prior to that in 2009 FXCM acquired all ODL's US business.
- In May 2009 FXCM acquired i-Trade FX's US retail business.
- In January 2009 FXCM acquired Hotspot's US retail business.
- April 2011 FXCM acquired GCI its Japanese franchise for \$5 million receiving \$110 million in client assets and 17,000 accounts.

**Reported Net Profit in 2010:** \$69.6 million.

**Reported Q1 2011 EBITDA:** \$25.5 million.

**Market Cap:** \$727 million

**Balance Sheet:** \$1.05 billion.

**Reported monthly retail volume:** \$311 billion

**Number of clients:** 139,900

**Regulation:** NFA/CFTC, UK FSA, HK SFC, ASIC

**Description:** In one word, FXCM is aggressive. FXCM was established in 1999 but quickly propelled itself into the top rank of the Forex industry leaders. FXCM follows an aggressive development and acquisitions strategy and was the first Forex broker to complete an IPO.

**FXCM news in the past quarter:**

- FXCM UK now offers stock trading, launches [www.fxcmstocktrading.com](http://www.fxcmstocktrading.com). [Read more here.](#)
- FXCM announces May 2011 operating metrics – active accounts down %1.5, everything else is up. [Read more about it here.](#)
- After tumbling 25% in two days FXCM is announcing a \$30m buyback. [Read more about it here.](#)
- FXCM acquires GCI Capital, its Japanese franchise. [Read more about it here.](#)

**FXCM's share price in past quarter:**





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