FOREX MAGNATES

FOREX MAGNATES RETAIL FOREX MARKET QUARTERLY REPORT FOR Q4 2011

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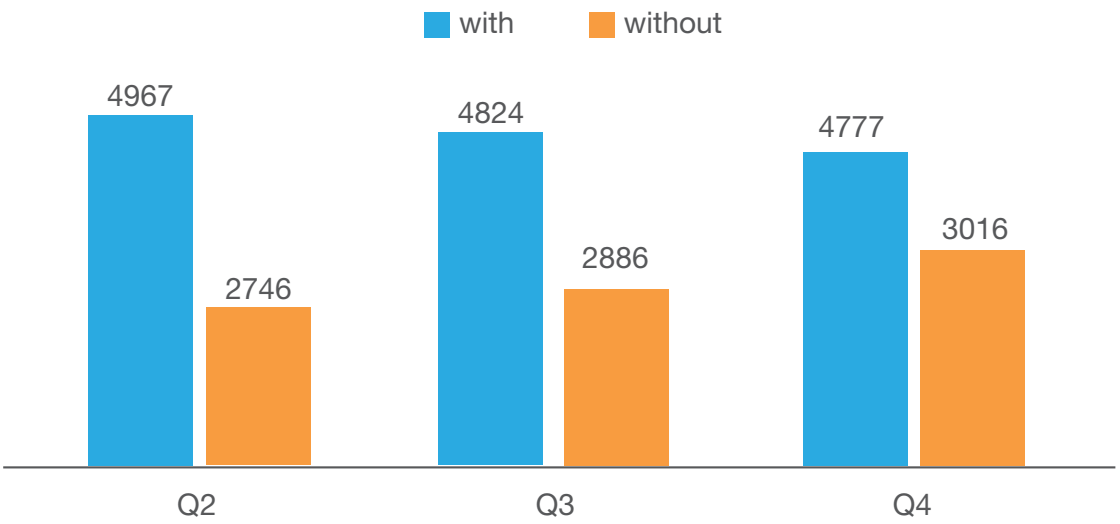
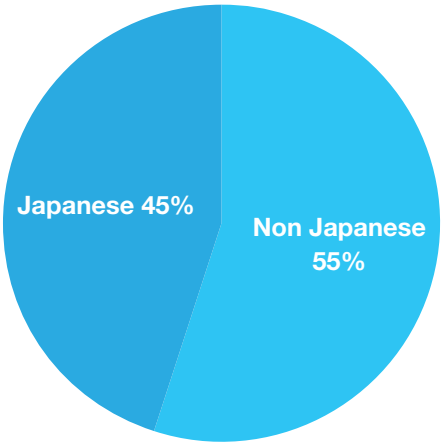
Monthly Volume, with and w/o Japan ($B)

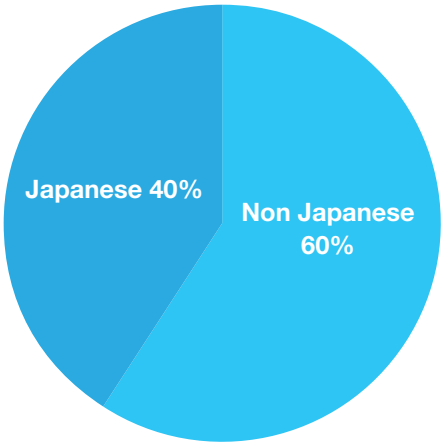


Leverage reduction in Japan has caused its overall market share to decrease from 45% in Q2 2011 to 37% in Q4 2011.

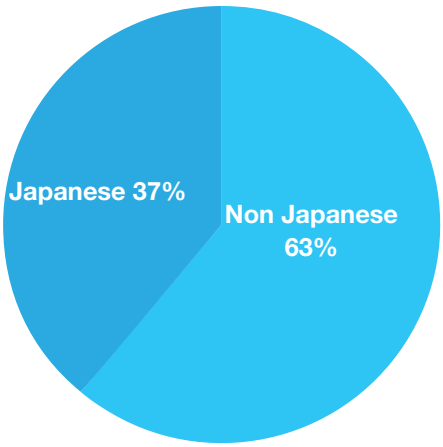
Q2 2011



Q3 2011



Q4 2011



Japan in Q4 2011 – Consolidation is already here

Since this August the number of Japanese forex brokers has decreased from 89 to 85 and there are two main reasons for this:

First, the leverage regulation (4% from August) had a major impact. Average monthly turnover decreased around 9% since August. Compared with 4 months average, April to July is 154.9 trillion yen and August to November is 141.5 trillion yen. This may not seem like a big change, however considering the already very narrow spread (=commission) this will gradually eat into broker profits.

Second, lower volatility of JPY slows down trading activity. In Tokyo market, most traders only trade USDJPY and JPY crosses. In 2011 so far USDJPY range is only 10 yen, this is narrowest range since floating exchange system started. Except Oct.31 and Nov.01 (heavy intervention and the next day), USDJPY range is only 40 pips till Dec.23.

Also after August, we see a major trend of forex broker mergers and acquisitions and capital infusions from third parties to strengthen corporate balances.

Typical M&A case is FXCM Japan. FXCM acquired Foreland Forex, which had 18,500 active accounts with 14.8 billion yen deposit versus 25,700 active accounts with 12.8 billion yen deposit at FXCM Japan prior to the deal. FXCM's Tokyo business will double.

Typical capital raise case is Himawari Securities. They are in hard financial situation after Nikkei options crash in March. Some customers have gone bankrupt and they made huge outstanding commission obligation around 8 billion yen. They withdrew all other financial business except FX and issued new shares to IS Holdings. Now IS has nearly 63 percent share of Himawari Holdings. IS Holdings also has an interest in Gaitame Online, which is the largest forex broker in Tokyo.

During the next two years we will see many more such deals which will lead to bigger brokers getting even bigger.

Number of Accounts with Top FX brokers:

	(' thousand)	Nov.2011	Aug.2011
1	Gaitame.com	338	335
2	Gaitame Online	290*	280*
3	Himawari Securities	207	203
4	GMO Click Securities	197	183
5	SBI Securities	190*	182*
6	Money Partners	180	173
7	Cyber Agent FX	171	162

**estimate*

Since August Top 7 brokers haven't changed and all of them slightly increased numbers of clients.

Search Engine Advertising for Brokers

Prepared by Media Group London www.mediagrouplondon.com, info@mediagrouplondon.com

Brokers spend a lot of time and resources on marketing using banner ads. Creating banners, finding placements and sites that work, trafficking and tracking — let alone how much money is being spent on the placements themselves. Don't get us wrong; display marketing is obviously necessary to have a well-rounded marketing communications mix, and this tactic can be very effective in getting clients. The issue is that it takes away from the time and focus spent on search engine marketing.

So why should brokers spend time on search engine marketing?

Glad that you asked. There are a few reasons:

1. A very important part of the acquisition funnel

If you think about your own usage of search engines, you'll notice that when you're interested in a new product category, on average you'll first search for generic terms in Google. You'll then start reading on sites that seem authoritative (and see/click the banner ads there) and proceed to Google and read about specific brands. Of course this is just one scenario, but our research confirms this is a very representative user journey. Well, if you want to influence brand selection, you will have to be there when users first start searching for the product category (i.e. "forex" or "CFDs") and when they start searching for your brand (i.e. "FXCM" or "IG MARKETS"). See an illustration below using the classic marketing theory for the decision-making process. In red are the steps that usually start with search. Depending on your strategy, you may or may not want to skip the need recognition phase as a target.

Need Recognition	• Influenced by marketing of the asset class • Targeting: find the right demographic everywhere
Information Search	• Influenced by general searches, beginners courses • Targeting: beginner sites, general PPC keywords
Evalutation of Alternatives	• Influenced by ppc, rating and review sites, peer group, social media • Targeting: Social media, PPC brand & review keywords, rating and review sites
Purchase	• Influenced by ppc, on-page marketing, automated email & sales contact • Targeting: brand keywords, on page marketing, post-lead marketing & sales
Post Evaluation	• Influenced by trading and service experience • Targeting: sales & post-client marketing

2. PPC clients and leads are higher quality

There is something about the channel that ensures a higher quality client (i.e. bigger accounts, trading activity) and that is true among almost all brokers we have talked to and seen data for. Perhaps it is the fact that high-quality clients are more often "readers" as opposed to "browsers" (they don't have time to browse around, are more task oriented); perhaps it's something else. In any case, specifically looking at leads and clients that have a search-dominated journey versus a display-dominated journey, search clients are higher quality.

Financial Innovation
TRADOLOGIC

The TRADOLOGIC platform is equipped with cutting-edge technology and advanced trading tools

Binary Options traders can enjoy levels of control and risk management comparable to those found in professional FX and equity trading

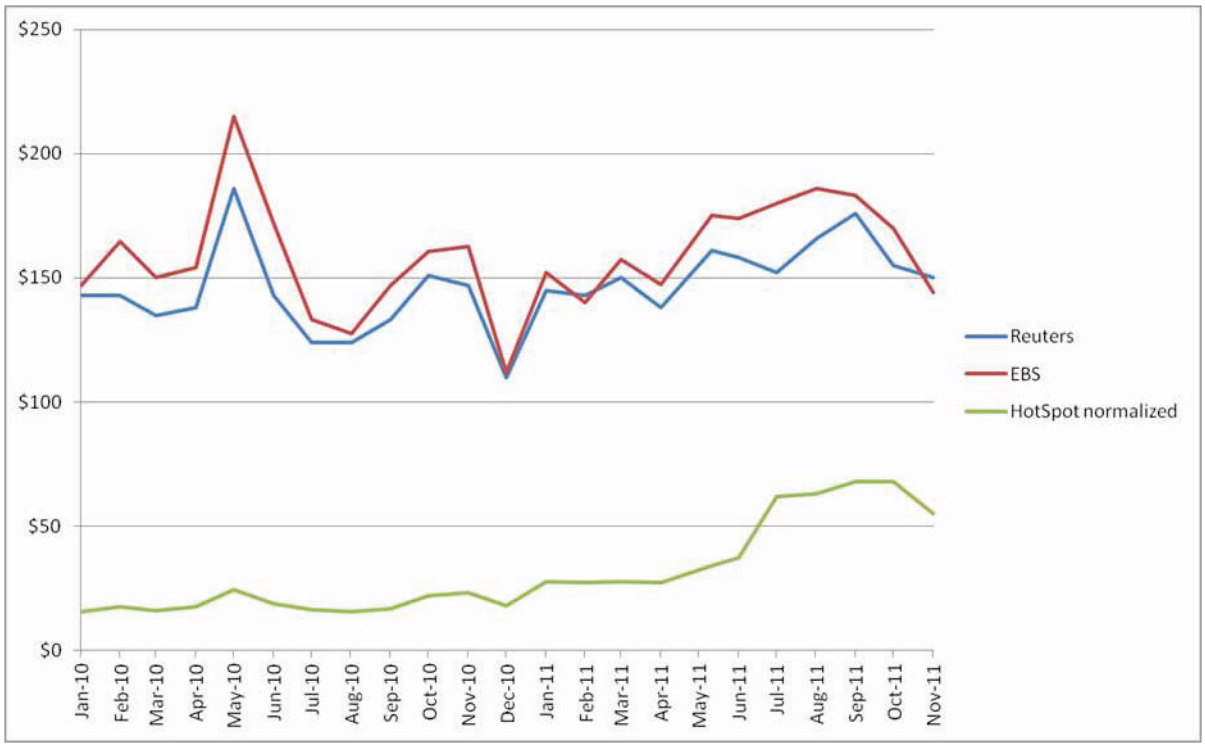
TradoLogic's innovative turnkey solution model was designed to provide our clients with a full set of services that allows them to focus solely on marketing and building the customer base.

Our services are tailor-made to meet all the needs of our client's target-audience and create maximum client profitability.

To find out more about what TradoLogic can do for your online business,
contact info@tradologic.com, www.tradologic.com, or call us at +357 22 030 390

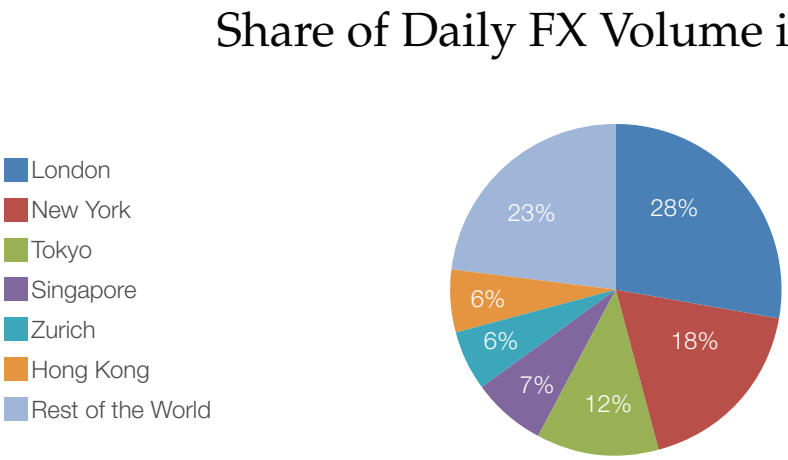
FX futures are lagging behind, however CME tried to emphasize the safety element of their product when they launched micro contracts. Volumes have increased, especially in the USA, as the new leverage restrictions have limited traders. CLS Banks, the major clearinghouse for FX, has been gaining most of the market share. LCH Clearnet is developing its FX clearing product and is set to launch in 2012.

Overall volumes of these platforms seem to be on a rise with HotSpot seemingly being the fastest growing platform. EBS's volumes are only slowly rising and are pretty much stable lately; it is still one of the largest platforms out there. Integral's volumes seemed to pick up with signing Japanese Gaitame and by partnering with FCStone but FCStone still passes most of its trades through Currenex.



Trading Hubs

According to a BIS survey, London remains on the top of the list and has been since FX trading has been gaining momentum as an investment product.



Major news that hit the wires in the past quarter:

Gain Capital reports Q3 2011 Results — Net Revenue $53.9 million

Gain just released its Q3 2011 results, which show a solid increase in revenues and improvement in net income. Retail volume was almost unchanged from Q2 2011.
Gain's institutional GTX platform is experiencing high growth and its volumes were $260 billion in Q3 — a little more than third of all Gain's volume.

Read the full post here.

Massachusetts posts BNY Mellon internal emails — smoking gun is there?

BNY Mellon and State Street Corp are under increasing regulatory scrutiny for alleged overcharging of their institutional clients in forex transactions. Steven Grossman, Massachusetts State Treasurer, estimated that BNY Mellon overcharged the state's pension fund by over $20 million. After additional analysis this figure now seems to be over $30 million.
State Treasurer Steven Grossman also said he has unearthed another $10.5 million in "overcharges" to the state pension fund by Bank of New York Mellon — on top of $20 million found in an audit earlier this month.
Massachusetts State has now published exhibits related to the case that uncover internal BNY Mellon emails and where the possible smoking gun is hidden.

Read the full post here.

Detailed broker information for the top 7 non-Japanese brokers in terms of volume

Recommended Service Providers

Saving you Google time

- Bridges and Customized Development
- VPS Providers
- Calendar/data/market commentary
- Mobile Platform Providers
- Charts/Patterns
- Platforms
- Autotrading
- Regulatory Agencies
- Regulation Lawyers
- Payment solutions
- mt4videos+education
- Outsourced Dealers
- Forex Specialized Marketing Agencies
- Advertising channels

Forex Industry Biggest M&As and Investments