APEXUM

FOREX BROKER BUSINESS PLAN

APEXUM LTD - RESEARCH PLAN BUSINESS PLAN



As presented by
APEXUM LTD

Foreword by
APEXUM LTD

Research by
APEXUM LTD

Table of Contents

Introduction

1. Forex Market

1.1 Market Size ---------- 4

1.2 Market Description ---------- 4

2. Starting a Brokerage

2.1 Business Model ---------- 7

2.2 Technology ---------- 12

2.3 Finance ---------- 22

2.4 Marketing ---------- 23

2.5 Licensing & Incorporation ---------- 26

3. Company Procedures (Company Structure)

3.1 CEO ---------- 32

3.2 I.T (Technology) ---------- 33

3.3 Marketing ---------- 34

3.4 Sales ---------- 35

3.5 Support ---------- 36

3.6 Finance ---------- 37

3.7 Compliance ---------- 38

3.8 HR (Human Resource) ---------- 39

4. Implementation & Timeline

4.1 Planning & Documentation ---------- 40

4.2 Entity Creation ---------- 40

4.3 Office Infrastructure ---------- 40

4.4 Technology Setup ---------- 41

4.5 Operational Infrastructure ---------- 41

4.6 Staff Recruiting ---------- 41

4.7 Revenue Generation ---------- 41

Appendix – Definitions ---------- 42

Introduction:

The Following document is intended to direct and Guide Apexum's Customers who intend to establish their own Forex Brokerage, whether it's an existing or a new Foreign Exchange (Forex) brokerage, this guide will provide information that is descriptive to which it was generated through research and best practice procedures, through this document Apexum's clients will have relative information regarding many aspects the business needs to achieve optimum market presence and visibility.

Apexum's Role:

Apexum is a Technology Provider that builds, installs, maintains and support's any individual seeking a brokerage or partnership, Apexum strives to augment any existing or new business, Furthermore, Apexum seeks partners to elevate their existing presence in the market through Apexum's Innovative Technology.

Apexum is neither a **broker nor a trading company,** Apexum will strive to elevate any client with the relevant technology demands, Apexum will neither hold End-User money neither will it initiate trades in any manner.

Apexum is NOT a Trading Counter-party

Contact information:

Address:
Cyprus
Markou Mpotsari,33040, Limassol, Cyprus

Telephone: +(357) 25262280

E-mail:
info@apexum.com
support@apexum.com
sales@apexum.com

Skype: apexum.sales

1. Forex Market:

1.1 Market Size:

Forex Market is a highly liquid, decentralized market, where it exceeds on average $5.3 Trillion USD per day in total trading, Forex Market consists of two tiers: The Interbank and wholesale market, and client or retail market:

- Approximately 39% of transactions were strictly Interdealer (i.e. interbank).
- Approximately 53% of transactions involved a dealer (i.e. bank) and fund manager or other non-bank financial institution.
- Approximately 9% of transaction were between a dealer (i.e. bank) and a non-financial company.

The Forex Market is dominated by these currencies: USD dominant vehicle currency traded at 88%, EUR is the second being traded at 31%, JPY being third at 22%. The major markets are London, New York and Tokyo.

1.2 Market Description:

Foreign Exchange (Forex) market is an emerging and uprising market with numerous disaggregated players, it has expanded by 35% from 2010 to 2013 reaching an all-time high of $5.3 trillion traded per day, The Forex Market consists of many segments that are explained bellow:



Central BANKS:

- **Bank:** Large Banks (Institutional players) that are classified as a segment of the inter-banking market which are accountable of 53% of all forex trading, in conclusion they make the major trades in the Foreign Exchange Market.

- **Size:** Ranging from 8-10 large banks and institutions estimated to be trading in the total daily traded sum of $5.3 trillion dollars.

- **Business Model:** Twofold: buying and selling currencies to each other as well as to larger corporations who need to exchange their currencies into a different nomination in order to set a price on particular currencies, to which are used for speculation, hedging and currency exchange for international commerce.

- **Spread:** Low spread on margins (i.e. 1 Pip). Prices are purposively set with less variability than smaller players.

- **Regulation:** Well-regulated on Forex operations.

Prime Brokers:

- **Prime Brokerage**: Large capital firms that specialize in providing financial services and Source liquidity from a variety of executing dealers while maintaining a credit relationship, placing collateral, and settling with a single entity to the trading industry.

- **Size:** Ranging from 15-25 total Prime Brokerage's trading Forex.

- **Business Model:** Model is built on practice of rehypothecation. Furthermore, Prime Broker's Provide hedge funds with the ability to borrow stocks and bonds.

- **Spread:** Low spread on margins (i.e. 0.2 – 0.4 Pip's), these spreads are low due to prime brokers offering credit and services to traders who usually trade on ECN's.

- **Regulation:** Well-regulated on forex operations.

Prime of Prime:

- **Prime of Prime:** Secondary Prime Brokerage's (Capital Firms) specializing in providing services to traders (Forex Traders) who require micro-contract trades. Prime of Prime brokerage's (PoP) occasionally allow trades of greater leverage, to which it leads to placing greater risk.
  (Significant deposit is required to be available in order to access Prime of Prime**)**

- **Size:** Ranging from 15-25 Prime of Prime Brokerage's trading Forex.

- **Business Model:** Model is built on aggregating trades by traders/small Forex brokerage's, to/with the Prime of Prime's own desired trades.

- **Spread:** Low spreads on margins (i.e. 0.2 – 0.7 Pip's). (info: These Firms provide access to both bank and non-bank liquidity).

- **Regulation:** Reputable Jurisdiction.

Broker:

- **Broker:** Firms that provide currency traders with access to a trading platform that allows them to buy and sell foreign currencies.

- **Size:** Exceeding 100+ Broker's trading Forex.

- **Business Model: 1) A-Model:** Send trades from their clients to large institutions for Straight Through Processing (STP).

  2) B-Model: Act as "Dealing Desk's" themselves, Trading directly against their clients (ECN).

- **Spread:** High Spread on margins (i.e. 2 – 3 Pip's), (Occasionally higher in developing countries (i.e. 3 – 4 Pip's)).

- **Regulation:** Well-regulated on Forex operations.

1. Starting a Brokerage

1.1 Business Model:

Forex Brokerage business model is segmented into different factors, there are:

1. Straight Through Processing Broker (STP)

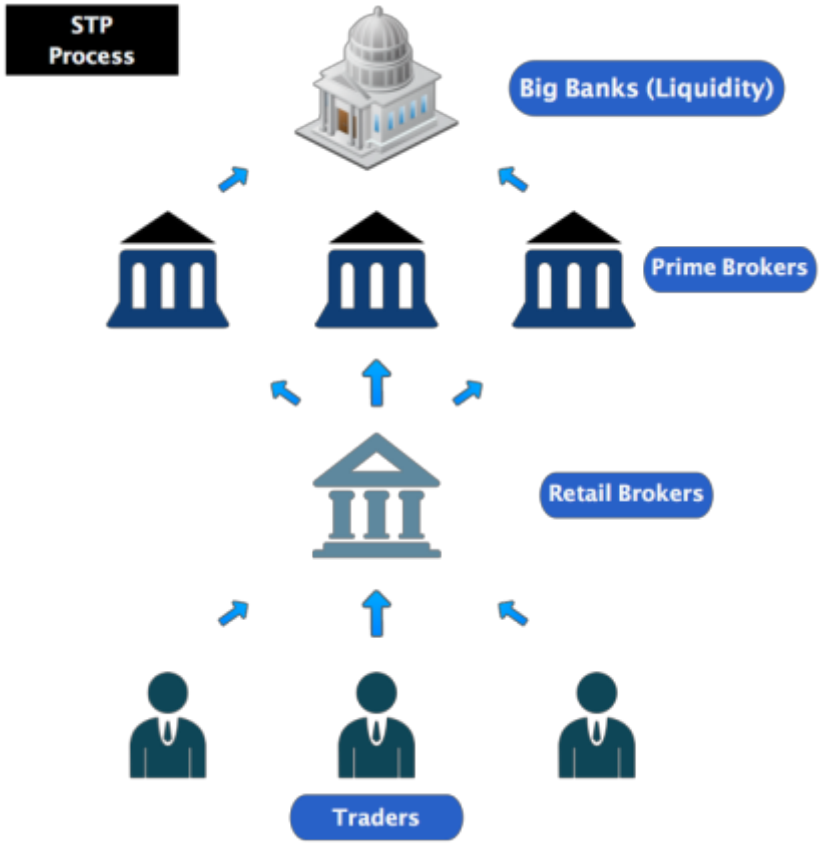
2. Electronic Communications Network Broker (ECN)

These Foreign Exchange Brokerage's are usually referred to as Non-Dealing Disk Brokers.

A. Straight Through Processing (STP):

- **Definition:** Straight through processing (STP): A procedure that financial companies use to optimize the speed at which they process transactions. This is performed by allowing information that has been electronically entered to be transferred from one party to another in the settlement process without manually re-entering the same pieces of information repeatedly over the entire sequence of events. (i.e. A Forex Brokerage sending clients transactions automatically from its platform to its liquidity provider: A-Model).

Business Model:



- **Spread:** Difference between ask and bid price, Calculated in Pip's.
  Customer Buys currency USD/GBP with a difference in spread of 1.8 Pip's,
  The spread is automatically lost by the client once he places an order on his platform, this simply is a calculation of profit on the broker and liquidity provider side, to which the broker profits from the 1 Pip and the 0.8 goes to the liquidity provider.

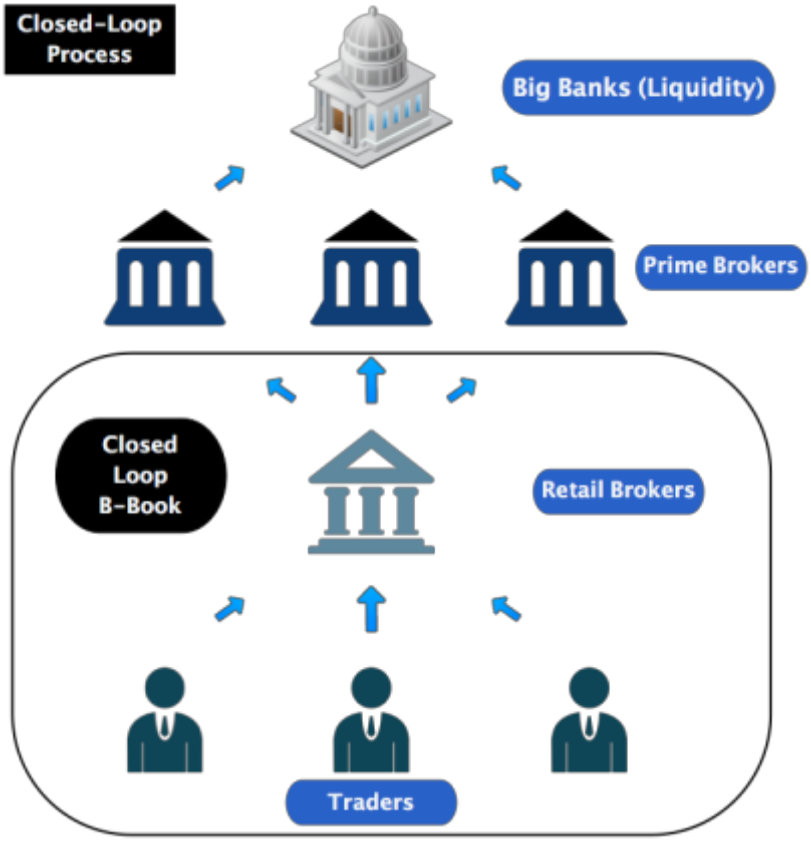
- **Commission:** Developing Countries: Ability to charge up to 4 – 5 Pip's.
  Secondary Countries: Ability to charge 1 – 2 Pip's.

- **Revenue Stream:** Spread, Commission, profit is achieved from efficiency of Brokerage Client Trade's (Commission per Trade).
- **Risk Level:** Low

B. Closed Loop Dealing Desk

- **Definition:** Closed Loop Dealing Desk: A procedure that a Forex Brokerage implies to which a client buys and sells through a Forex Broker, the Forex Broker, at the same time, is a counter-party of a deal. If clients get profit, a broker bears a loss, and vice versa. Most of the clients of a Forex Broker have no experience at the Forex exchange market, (i.e. A Forex Brokerage counter-parties his client's transactions from the trading platform to which the Forex Broker keeps the client's trades In-House: B-Model).

Business Model:



- **Spread:** Difference between ask and bid price, Calculated in Pip's.
  Customer Buys currency USD/GBP with a difference in spread of 1.8 Pip's,
  The spread is automatically lost by the client once he places an order on his platform, this simply is a calculation of profit on the broker and liquidity provider side, to which the broker profits from the 1 Pip and the 0.8 goes to the liquidity provider.

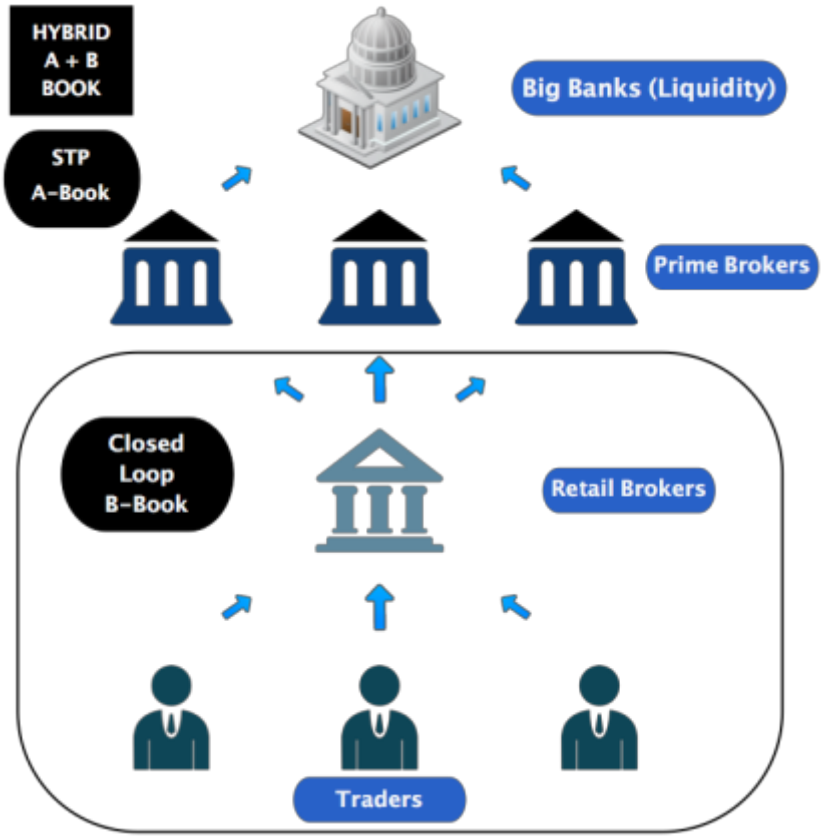
- **Commission:** Developing Countries: Ability to charge up to 4 – 5 Pip's.
  Secondary Countries: Ability to charge 1 – 2 Pip's.

- **Revenue Stream:** Spread, Commission, profit is achieved from efficiency of a Forex Brokerage Client Trade's (Commission per Trade), as well as B-Model, Counter-Partying clients (Client Loss = Forex Brokerage Profit).
- **Risk Level:** High (Client Profit = Forex Brokerage Loss).

C. Hybrid (STP + Closed Loop):

- **Definition:** A procedure to which Forex Brokerage uses both A-Model and B-Model, where the Brokerage sends a portion of its clients using Straight Through Processing (STP) to its Liquidity providers which is A-Model, and the B-Model where the Brokerage Counter-Party the other portion of its clients and profits from their client's loss.

Business Model:



- **Spread:** Difference between ask and bid price, Calculated in Pip's.
  Customer Buys currency USD/GBP with a difference in spread of 1.8 Pip's,
  The spread is automatically lost by the client once he places an order on his platform, this simply is a calculation of profit on the broker and liquidity provider side, to which the broker profits from the 1 Pip and the 0.8 goes to the liquidity provider.

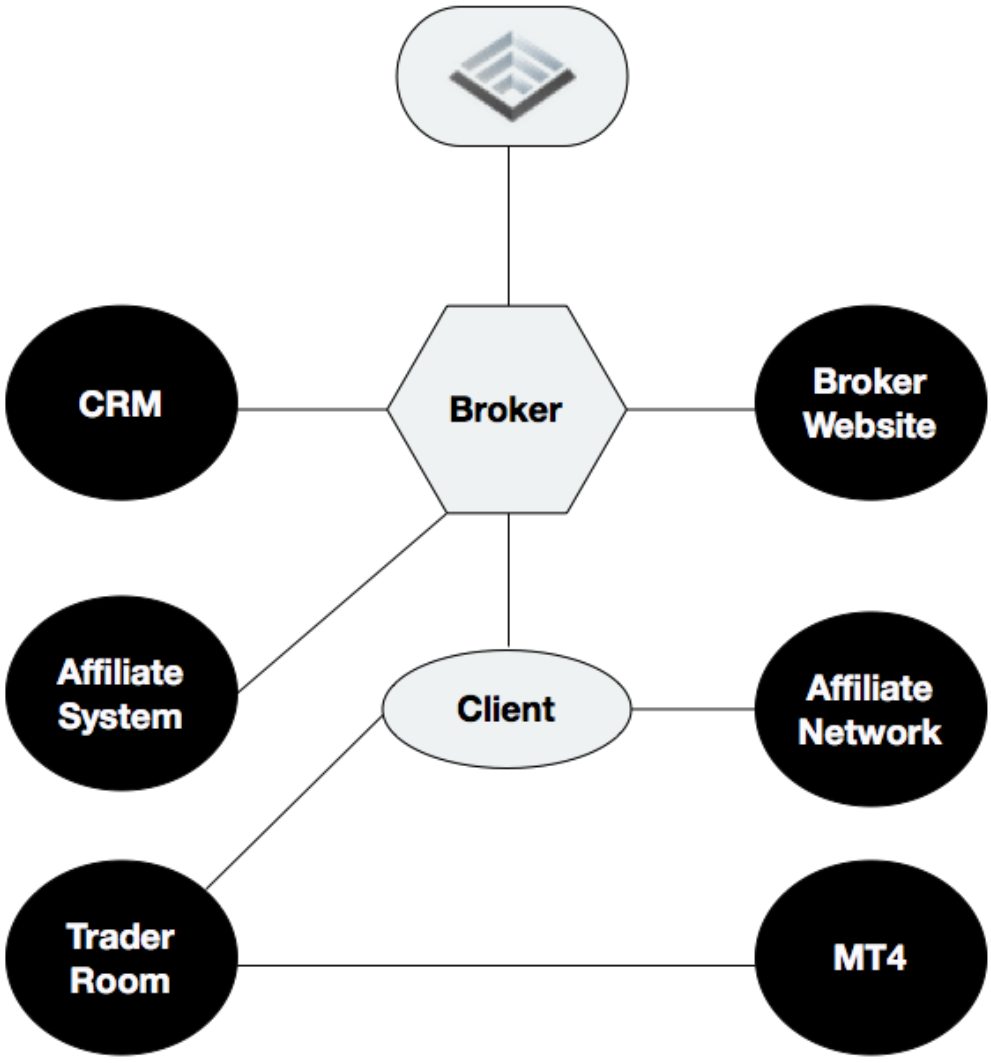
- **Commission:** Developing Countries: Ability to charge up to 4 – 5 Pip's.
  Secondary Countries: Ability to charge 1 – 2 Pip's.

- **Revenue Stream:** Spread, Commission, profit is achieved from efficiency of Brokerage Client Trade's (Commission per Trade), as well as B-Model, Counter-Part clients (Client Loss = Forex Brokerage Profit).
- **Risk Level:** Medium (Client Profit = Forex Brokerage Loss/Client Trades = Spread & Commission).

1.2 Technology:

Internal Technology:

A Forex Brokerage Needs to have the capability to support its business and its Clients services, through technology a Forex Brokerage has the capability to achieve effectiveness and efficiency, a thorough research was done to provide the relevant information below, this information will be illustrated to fully aware Apexum's client's of the best Practice's and Procedure's needed to achieve the required goal's a Brokerage need's.



As seen in the diagram above, a Forex Brokerage needs to have the competencies in providing services to its clients, a Brokerage must have at first its own capability in order to provide clients with such services, in conclusion the technology diagram can be categorized into two section, these will be explained below:

A. Broker:

I. Website:

Design: A Broker Needs to have a website that is User Experienced and interfaced design (UX/UI), to which the Framework of the website is build on customer anticipation and prediction of client action (many designer's are aware and capable of doing so in designing a website)
Page Number: A Forex Brokerage website needs to range from 10 – 15 Pages, an example is provided in this website: http://yourbrokername.com/.
Content: Relative and Descriptive.

II. Customer Relationship Management (CRM):

Management: A Brokerage Needs to have a CRM in order to manage clients whether their new clients or potential ones, a CRM gives the capability of having information about a Brokerage clients and managing them, this gives a Brokerage an advantage of being efficient and effective in complying to their client's needs, an example is provided to give a conceptualizing idea of a CRM: http://www.apexum.com/crm.

III. **Affiliate System:** A Brokerage Needs to have an Affiliate network, an Affiliate Network is one digital channel used in marketing, it is used by Forex Brokerage's as it is one effective method in client acquisition (High conversion rate), it gives a competitive advantage over other Digital Channels as it guarantees a Lead to a Brokerage in exchange of commission.
http://www.apexum.com/affiliate-system

B. Client:

I. Trader Room:

the central hub where Forex Brokerage clients can manage their accounts and trading activities with their Brokerage. Within the Trader Room area, a Forex Brokerage has the ability to access a wide range of features such as registration, opening new accounts, deposits and withdrawals, uploading documents, Fund transfer between multiple accounts and even contacting a client service representative.
http://www.apexum.com/trader-area

II. Trading Platform:

A type of trading software used to help currency traders with forex trading analysis and trade execution. Currency trading platforms provide charts and order-taking methods, These platforms could be leased (White label, Grey Label) or bought by a forex brokerage, there are a few providers of these platforms as they are highly costly to maintain and develop.

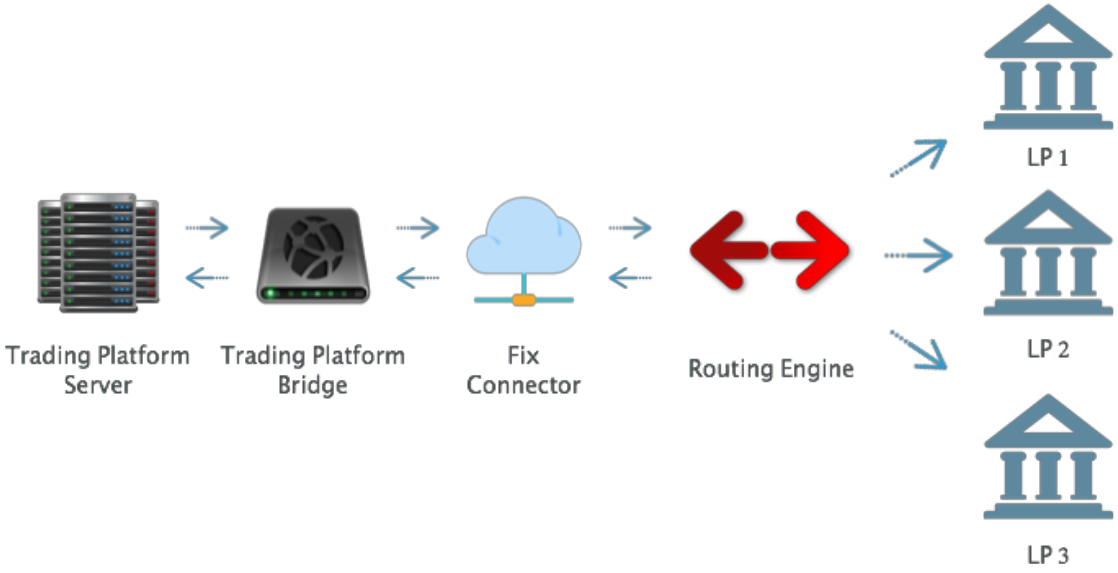
Platform Providers:

1. **Metaquotes:** MetaTrader 4, MetaTrader 5
2. **ACT Forex:** ACT Trader.

   And many more.

External Technology:

A Forex Brokerage needs to have certain Technology in order to connect with the Forex Market and provide the Service feeds for the Brokerage clients, these are the External Required Technology needed to be established in order to provide the services intended for the Brokerage end-clients.



- **Trading Platform Server:**
  A Trading platform such as the MT4 (MetaTrader 4) consists of both a client and server component. The server component is run by the broker and the client software is provided to the brokerage's client's, who use it to see live streaming prices and charts, to place orders, and to manage their accounts.

- **Trading Platform Bridge:**

I. **Trading Platform ECN Bridge**: A technology which allows users to access interbank foreign exchange market through the MetaTrader 4 (MT4) electronic trading platform. MT4 was designed to allow trading between a brokerage and their client's, brokers do not operate the bridge, so a Forex Brokerage client's get the prices as they are from the liquidity providers.

II. **STP (Straight Through Processing Bridge):** Straight-through processing bridge software has been developed over the years to allow the MT4 server to pass orders placed by clients directly to an ECN (Electronic Communication Network and feed trade verification back automatically.

- **Fix Connector:**
  Allows attaching MetaTrader system to any FIX compliant destination, such as brokers, exchanges, ATS. It supports all asset classes and order types which are available in MetaTrader. Groups of MT4 accounts could be structured in a way to route orders to a specified destination.

- **Routing Engine:**
  Handles communication with various Liquidity Provider's via FIX protocol and allows to dynamically change the hedging parameters (forex brokers can switch on/off particular LP, add markup etc.)

Technology Strategy and Procedures:

Trading Platform Strategy:

Platform:
As a platform, a brokerage offers the platform to the end-clients, a Forex Brokerage must place certain mechanism's and strategies in order to meet required Standards, these Procedures have been listed below:

1. Security:

- **Authentication:** Verify different authentication methods used in trading platform and test these authentication methods.
- **Encryption:** Provide encryption methods used on platform and test them to see how viable are the functionalities.
- **Firewalls:** Verify installations and functions of customers firewall in order to comply with the highest security standards.
- **Authorization:** Comply with customers identification with privileged access to the platform in order to state the rights for each account.
- **Administration:** Verify the presence of written security charts and provide appropriate fundamental training for the information Technology personnel.
- **Testing:** Testing should be conducted in accordance with customers support team where the Broker should have an internet service provider approval in conjunction with customers datacenter team:
    1. Verification of Firewall.
    2. Authentication, verification of any security breach (Ex: Dictionary password attack).
    3. Verification of password robustness.
    4. Verifications of physical security precautions for personnel.
    5. Installation of a network analyzer, network monitor and its usage when necessary.
    6. Verification of physical security management and restriction to customer datacenter zones.

2. Capacity:

I. **General Standards:** Forex Brokerage's must handle customer orders through adopting and enforcing written procedures reasonably designed to maintain adequate personnel and facilities for the timely and efficient delivery of customer orders and reporting of executions. Furthermore, Forex Brokerages who operate trading platforms must adopt and enforce written procedures reasonably designed to maintain adequate personnel and facilities for the timely and efficient execution of customer orders. The procedures must be reasonably designed to handle customer complaints about order delivery, execution (if applicable), and reporting and to handle those complaints in a timely manner.

II. **Capacity Review:** Forex Brokerage's should adopt and enforce written procedures to regularly evaluate the capacity of each electronic trading system and to increase capacity when needed. The procedures should also provide that each system will be subjected to an initial stress test. Such test may be conducted through simulation or other available means. Capacity reviews should be conducted whenever major changes are made to the system or when the Brokerage projects a significant increase in volume which should occur at least annually.

III. **Disaster recovery and Redundancies:** A Forex Brokerage should have contingency plans reasonably designed to service customers if either the system goes down or activity exceeds reasonably expected peak volume needs. The Brokerage should use redundant systems or be able to quickly convert to other systems if the need arises. These backup systems can include facilities for accepting orders by telephone.

IV. **Advance Disclosure:** A Forex Brokerage should disclose, in advance, the factors that could reasonably be expected to materially affect the system's performance (e.g., periods of stress) and the means available for contacting the customer during a system outage or slow-down. This disclosure should be provided to each customer at the time the customer opens an account using a method reasonably calculated to ensure that the customer becomes aware of it.

V. **Difficulty Precautionary:** When operational obstruction occurs, A Forex Brokerage should provide prompt and effective notification to any customers affected by the operational difficulties. Notification can be made by a number of methods, including:

1. Message on the Brokerage website.
2. e-mails or instant messages.

3. Recorded telephone message for customers on hold.
4. Recorded telephone message on a line dedicated to providing system bulletins to existing customers.

3. Credit and Risk-Management Controls:

I. **General Standards:** A Forex Brokerage who handle customer orders must adopt and enforce written procedures reasonably designed to prevent client's from entering into trades that create undue financial risks for the Brokerage or the Brokerage's client's. Regardless of its business model: (dealer or straight through processor), a Forex Brokerage must also have policies and procedures in place to monitor its own proprietary trading, including open positions, and the impact those positions and any potential market movement or adjustments may have on the Brokerage's ability to meet its capital requirement.

II. **Account Controls:** An electronic trading system should be designed to allow the Brokerage to set limits for each customer based on the amount of equity in the account or the currency, quantity, and type of order, and the Brokerage should utilize these controls. The system should automatically block any orders that exceed the pre-set limits.

III. **System Control:** An electronic trading system should also be designed to identify trading anomalies or patterns that indicate a system malfunction, especially a malfunction that could result in undue risk to the Forex Brokerage.

4. Recordkeeping:

I. **General Standard:** A Forex Brokerage who handle orders must adopt and enforce written procedures reasonably designed to record and maintain essential information regarding customer orders and account activity.

II. **Profit and Loss Reports:** Electronic trading platforms should be able to produce upon request a report showing monthly and yearly realized and unrealized profits and losses by customer. The report should be sortable by the person soliciting, introducing, or managing the account.

III. **Daily Trade Records:** Each Forex Brokerage should examine daily electronic report of trades, the report must contain the following data:

1. All order transaction records on a daily basis.
2. A list of executed trades on a daily basis.
3. A list of all money managers on the first day of reporting, with any changes being reported daily.
4. A list of all price adjustments made by the Forex Brokerage on a daily basis.
5. A list of any unusual events, such as a system outage or "fast market" on a daily basis as applicable.

IV. **Assessment Fee Reports:** Electronic trading platforms (Ex: Metatrader 4) should generate month-end assessment fee reports for a Forex Brokerage. The report should summarize the number of forex transactions executed during the month and the size of those transactions.

6. Trade Integrity:

I. **General Standard:** Forex Brokerage's must adopt and enforce written procedures reasonably designed to ensure the integrity of trades placed on their trading platforms.

II. **Pricing:** Trading platforms must be designed to provide bids and offers that are reasonably related to current market prices and conditions. For example, bids and offers should increase as prices increase, and spreads should remain relatively constant unless the market is volatile. Furthermore, if an Forex Brokerage advertises a particular spread (e.g., 1 pip) for certain currency pairs or provides a particular spread in its customer agreement, the system should be designed to provide that spread.

III. **Slippage:** An electronic trading platform should be designed to ensure that any slippage is based on real market conditions. For example, slippage should be less frequent in stable currencies than in volatile ones, and prices should move in customers support as often as they move against it.

IV. **Settlement:** An electronic trading platform should be designed to calculate uniform settlement prices. A Forex Brokerage must have written procedures describing how settlement prices will be set using objective criteria.

V. **Rollovers:** If an electronic trading platform automatically rolls over open positions, the trading platform should be designed to ensure that the rollover

complies with the terms disclosed in the customer agreement, including those provisions dictating how the rollover price is determined. A Forex Brokerage should adopt and enforce a written policy detailing the procedures it follows to calculate rollover or interest charges and payments. The policy must include the factors that are considered as well as the names of any sources for these factors.

7. Periodic Reviews:

I. **Review:** Forex Brokerage's should conduct periodic reviews (at least annually, but more frequently if the circumstances warrant a more frequent review) of any electronic trading system it utilizes. This review should be designed to:

1. Assess the security of the electronic trading system.
2. Assess the reliability of the electronic trading system's credit and risk-management controls.
3. Ensure that the electronic trading system maintains required data and is capable of generating the reports required by this Notice.
4. Ensure that the electronic system protects the integrity of the trades placed on it and executes customer forex orders in a fair manner.
5. The Brokerage must prepare a report of the periodic review, noting the scope of the review, any findings and corrective action and maintain a copy of the review for future purposes. The results of this review should be reported to the firm's senior management, including the Forex Brokerage Chief Compliance Officer (CCO), and any follow up should be recorded and signed by senior management.

1.3 Finance:

Capital Requirements:

A Forex Brokerage needs to understand and priorities his finance's, a Brokerage must securitize their timeframe for 1 to 2 months in order to operate and reach their Break-Even Point (BEP), in order to do so a Forex Brokerage must implement different procedures such as separating their financials into operating expenses and trading expenses, these expenses must be subjected to financial procedure's and reporting to higher managerial personal in a daily manner.

Capital: Must be sufficient in order to establish a Brokerage Firm.

Assets: Must be provided to employee use.

Operational Expenses: Must be revised in order to forecast and maintain a Brokerage Stability.

Technology Lease: Must be revised and researched in order to maintain operational expenses.

Revenue: Must be forecasted and studied in order to maintain Brokerage stability.

Profit: Must be revised in order to sustain and develop company based on profit percentage going to Brokerage development.

Apexum has provided a Financial Plan for public use in order to provide each individual seeking to establish a Forex Brokerage an advantage of elevating a Brokerage with a high understandability of their financial procurements:

Apexum Financial Business Plan Click or Follow http://businessplan.apexum.com

1.4 Marketing:

A Forex Brokerage needs to establish a brand presence and value in order to achieve stability in the Forex Market, A Brokerage must perform certain strategies for increasing efficiency and effectiveness, a Brokerage needs to be aware of the economic and social entities to which gives a competitive edge to the brokerage of market acquisition, below we shall explain the main points of marketing precisely needed for Forex Brokerage's to acquire and maintain:

I. AUDIENCE:

1. **Location:** Target location of audience to be acquired as clients.

2. **Buyer Persona:** Customer Information regarding willing to become a client (Audience – Lead – Buyer – Customer)

3. **Occupation:** (e.g. Professional Forex Trader and Technical Analyst)

4. **Demographics:** (e.g. male, 40-55 years old, British, English as a first language, lives in Liverpool)

5. **Interests:** (e.g. Expert Advisors, Auto Trading, VPS, Indicators, Football, London Stock Exchange, Blogging)

6. **Behavior:** (e.g. Trades with several forex brokers, occasionally does hedging, trades high volume positions, reads forex blogs, leaves reviews on Forex Peace Army, participates in discussions on Forex Factory, active on Twitter)

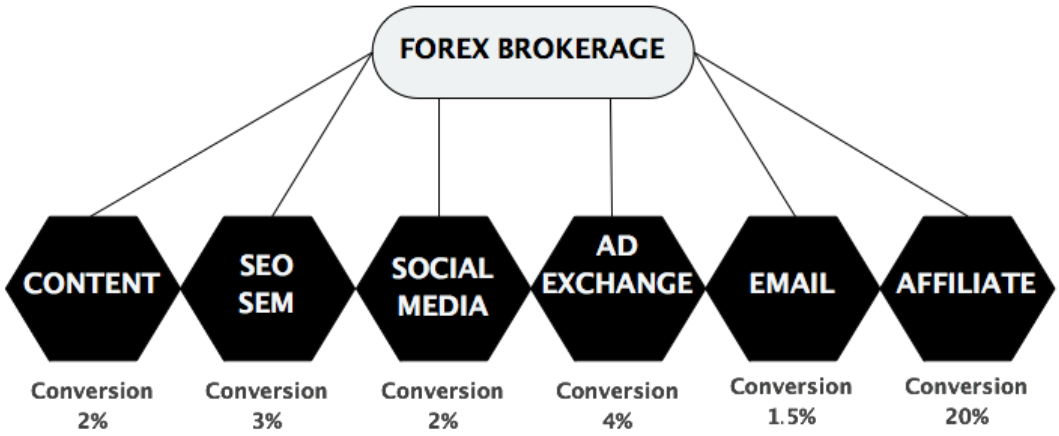
7. **Challenges:** (e.g. losing trust in forex brokerage due to regulator warnings, negative balance protection security concerns)

II. ANALYZE TARGET:

- Provide Offers depending upon major customer interests.
- Provide Learning and advisory library as well as consultation.
- Provide Security in order to in-length Customer Lifetime Value (LTV).
- Participate in Forum Discussions.

III. CAMPAIGN STRATEGY (Digital Channel's):

The diagram below explains the multiple channel's needed to be focused on by the Forex Brokerage in order to Acquire customers with high Conversion Rate as well as in-length the Client's Life Time Value (LTV):



- **CONTENT:**
  3-5 articles published on website or partner sites targeting website keyword and linking call to action (CTA) to the landing page or Website.

- **SEO & SEM:**
  Compose 10-20 text ad variations for search engine marketing (SEM) campaign to test and optimize for best results. SEM campaigns are shown to be one of the most efficient among all the other ads for forex industry. (Hint: Choose Keywords and Bids Wisely).

- **SOCIAL MEDIA:**
  Engage readers, build a social media following, cross promote between social channels such as Facebook and Twitter accounts and then market to followers.

- **AD EXCHANGE:**
  Compose 3-5 variations of the banners to run across Google Display, AdRoll retargeting, social media channels, media buying and programmatic media buying.

- **EMAIL:**
  Set up a marketing newsletter to be sent to non-converted leads, arrange external blasts through partners, affiliates, introducers and set up a workflow for those completing the forms on landing page(s).

- **AFFILIATE:**
  1. **Commission**: Affiliates send the majority of traffic to the highest bidder. Create an average payout (CPA, CPL).

  2. **Invest in conversion optimization:**

  Advantage: offering a $300 CPA with a 5% conversion rate.

  Disadvantage: $600 CPA with a 2% conversion rate.

  (HINT: Acquire professional UX designers and constantly test landing page variations (**A/B Testing**) to maximize conversion rates.)

  3. **Offer sub-affiliate/IB program**: enable affiliate program to grow exponentially (affiliates attract new affiliates).

- **SALES:**

  Lead Attraction:

- **Special offers and deals:** Offer Double leverage during a timeframe to sign up new accounts.
- **Special Commission**: Offer Commission during a timeframe.
- **Smaller Spreads:** Offer Small spreads during a timeframe or on a given currency**.**

  Lead Acquisition:

- **Quality of Product:** Better Spreads, lower commission, faster execution, bigger liquidity of Forex Products.
- **Broad array of Products Available:** Number of Symbols provided to be traded.
- **Capacity and Capability of Sales Department:** Conversion skills, sales-client bonding, self-suggestion, consultation, conversion directing.
- **Customer Support:** Monitor Trade activities, respond to questions, solve Technology issues.

1.5 Licensing & Incorporation:

A Forex Brokerage must acquire licensing in order to establish transparency and insure credibility than non-regulated Brokerage's as these Brokerage's do not operate under strict regulations, depending on the jurisdiction, laws and regulations differ regarding the licensing of Forex and Binary Options Brokerage's. The regulations that are in play though are mainly to ensure proper conduct by the company and to ensure they follow all legislation and regulation set by these licenses. Many Forex Brokerage's decide to go through the licensing process as it assures their clients of proper conduct and instils trust in their online activities.

Advantages of Licensing:

Transparency: The regulators in any jurisdiction keep records of all formal proceedings against the Forex Brokerage. A trader can find out if the firm has had serious problems with clients or regulators.

Safety: A regulated forex brokerage must keep its clients' funds in segregated accounts that are completely separate from the company corporate bank account. This is important for the following main reasons:

- It ensures that customer funds are protected and prevents companies from closing their offices, moving their clients' funds away, and absconding with the money.

- It means that a company cannot use the money in one trader account to pay-out another winning trader.

Higher Credibility: Regulation and licensing increase the credibility of the company both by the clients/traders and the employees/staff of the company.

Dispute Center: Unregulated brokers can act as judge whenever a dispute is filed against them, where regulated brokers have to answer to the regulator where their license was issued. The regulator investigates each dispute or complaint against the company and determine whether the broker acted lawfully or unlawfully in the given instance. Their decision can affect the Forex Brokerage's license holding and in extreme cases the brokerage can lose its license, can get huge fines and can limit the brokerage to operate.

Established Forex Center's:

I. First-Level Jurisdiction:

USA (CFTC, NFA):

- **Time Frame:** 1-2 Years.
- **Free Capital:** $20 Million (Client deposit's not included).
- **Reporting Requirements:** Difficult.
- **Service Provided Requirements:** High Quality.
- **Membership Fee's:** Starting at $125,000 per Annually (Compulsory).
- **Website:** https://www.nfa.futures.org/

Japan (FSA Japan):

- **Time Frame:** 1-2 Years.
- **Free Capital:** $20 Million (Client deposit's not included).
- **Reporting Requirements:** Difficult.
- **Service Provided Requirements:** High Quality.
- **Membership Fee's:** Starting at $125,000 per Annually (Compulsory).
- **Website:** http://www.fsa.go.jp/en/

II. Second-Level Jurisdiction:

Great Britain (FCA):

- **Time Frame:** 1 Year.
- **Free Capital:** $100,000 (Client deposit's not included).
- **Reporting Requirements:** Standard.
- **Service Provided Requirements:** Standard Quality.
- **Membership Fee's:** Ranging from $35,000 - $50,000 one-time Fee (Compulsory).
- **Website:** https://www.fca.org.uk/

Australia (ASIC):

- **Time Frame:** 1 Year.
- **Free Capital:** $100,000 (Client deposit's not included).
- **Reporting Requirements:** Standard.
- **Service Provided Requirements:** Standard Quality.
- **Membership Fee's:** Ranging from $35,000 - $50,000 one-time Fee (Compulsory).
- **Website:** http://asic.gov.au/

III. Third-Level Jurisdiction:

(Hint: important feature of legal registration of the company in these countries is dealing with the European clients and a simplified process of opening a corporate bank account.)

Cyprus (CySec):

- **Assets:** Office Required
- **Time Frame:** 6 Month's.
- **Free Capital:** Starting at $30,000.
- **Reporting Requirements:** Simplified.
- **Service Provided Requirements:** Standard Quality.
- **Membership Fee's:** Ranging from $35,000 - $50,000 one-time Fee for Legal Services (Compulsory).
- **Website:** http://www.cysec.gov.cy/en-GB/home/

Malta (MFSA):

- **Assets:** Office Required
- **Time Frame:** 6 Month's.
- **Free Capital:** Starting at $30,000.
- **Reporting Requirements:** Simplified.
- **Service Provided Requirements:** Standard Quality.
- **Membership Fee's:** Ranging from $35,000 - $50,000 one-time Fee for Legal Services (Compulsory).
- **Website:** http://www.mfsa.com.mt/

New Zealand (FSP):

- **Assets:** Office Required
- **Time Frame:** 6 Month's.
- **Free Capital:** Starting at $30,000.
- **Reporting Requirements:** Simplified.
- **Service Provided Requirements:** Standard Quality.
- **Membership Fee's:** Ranging from $35,000 - $50,000 one-time Fee for Legal Services (Compulsory).
- **Website:** https://www.companiesoffice.govt.nz/fsp/

IV. Fourth-Level Jurisdiction:

OFFSHORE:

British Virgin Islands (FSC):

- **Assets:** Physical or Virtual Office Required.
- **Time Frame:** 3-4 Month's.
- **Free Capital:** Ranging from $20,000 - $30,000.
- **Reporting Requirements:** Simplified.
- **Service Provided Requirements:** Standard Quality.
- **Membership Fee's:** Ranging from $20,000 - $30,000 one-time Fee (Compulsory).
- **Website:** http://www.bvifsc.vg/

Belize (IFSC):

- **Assets:** Physical or Virtual Office Required.
- **Time Frame:** 3-4 Month's.
- **Free Capital:** Starting at $30,000.
- **Reporting Requirements:** Simplified.
- **Service Provided Requirements:** Standard Quality.
- **Membership Fee's:** Ranging from $20,000 - $30,000 one-time (Compulsory).
- **Website:** http://www.ifsc.gov.bz/

V. Fifth-Level Jurisdiction:

(Hint: Forex license is not compulsory)

Seychelles (CBS):

- **Assets:** Physical or Virtual Office Required.
- **Time Frame:** 2-3 Month's.
- **Free Capital:** Starting at $30,000.
- **Reporting Requirements:** Simplified.
- **Service Provided Requirements:** Standard Quality.
- **Membership Fee's:** Ranging from $20,000 - $30,000 one-time (Compulsory).
- **Website:** http://www.cbs.sc/index.jsp

St Vincent (FSA):

- **Assets:** Physical or Virtual Office Required.
- **Time Frame:** 2-3 Month's.
- **Free Capital:** Starting at $30,000.
- **Reporting Requirements:** Simplified.
- **Service Provided Requirements:** Standard Quality.
- **Membership Fee's:** Ranging from $20,000 - $30,000 one-time (Compulsory).
- **Website:** http://svgfsa.com/warn.html

Summery: Essentially, regulation means that there is an independent body between the trader and the Forex Brokerage that is looking out for the brokerage's interests, making sure that everything is always above board and that Fair treatment is exercised.

2. Company Procedure's (Company Structure)

This section will provide individuals seeking a Forex Brokerage thorough information regarding roles of formalization, centralization, levels in the flat and hierarchy structures, and departmentalization in employee attitudes and behaviors, as well as Describe how the elements of organizational structure can be centralized to reach effectiveness and efficiency, Furthermore, it will provide an Understanding of structures for organizations.

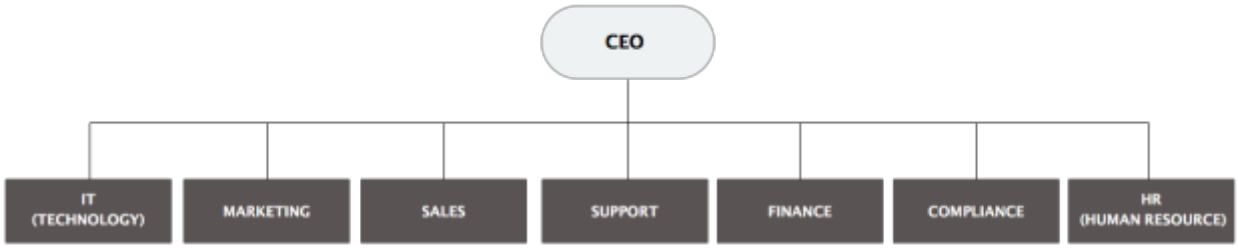


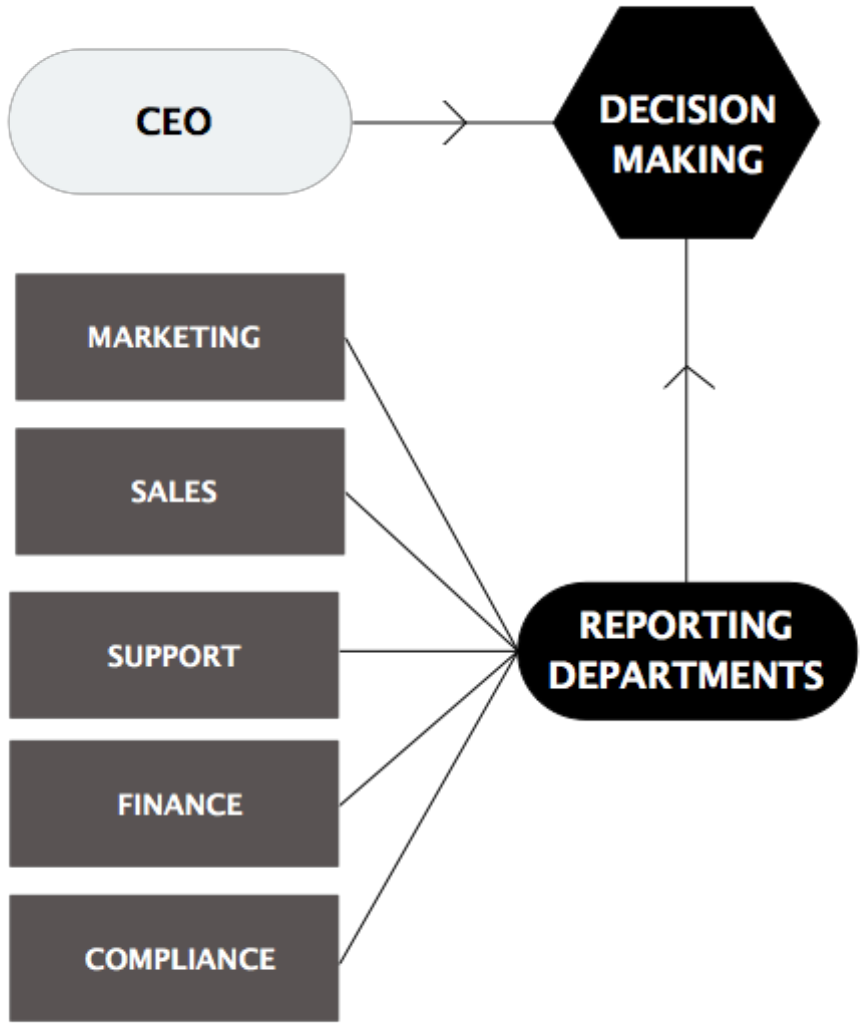
Diagram:

Each department shown in the diagram is a company asset and capability, these departments are complied to CEO decisions, these departments are stakeholders to each other, the model above demonstrates an organizational flat structure, the flat structure has been favoured to specific points leading an organization to better coordination, efficiency, centralization and effectiveness in a Forex Brokerage day to day procedures. Furthermore, a Forex Brokerage assembling a flat structure will have a competitive advantage of expanding each department into multi-levels without any future complications such as decentralization, the Structure above is displayed to further develop awareness to any intending individual seeking a Forex Brokerage.

Department Responsibilities:

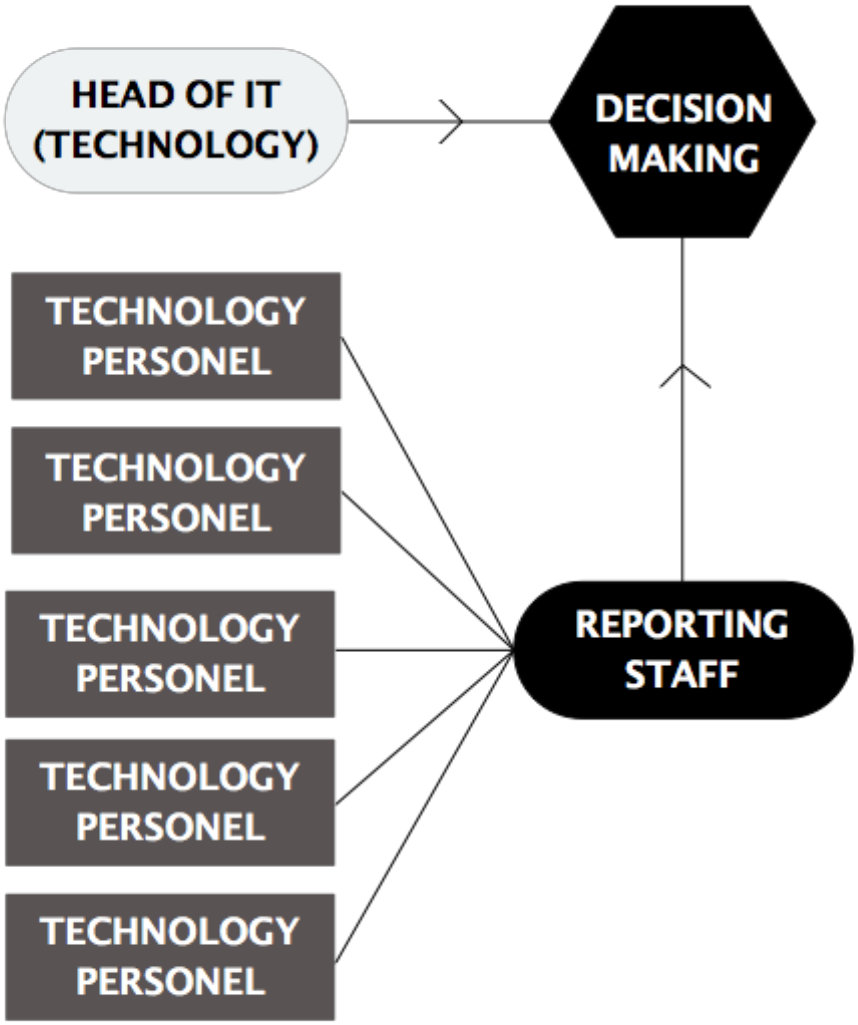
2.1 CEO:

Responsible for driving overall growth of the Forex Brokerage. The CEO relies on Stakeholders (Marketing, Sales, Support, Finance, Compliance) in to achieve a decision with least impact that might conflict the Brokerage, a CEO circle of managers and department heads to focus on specific parts of the company.



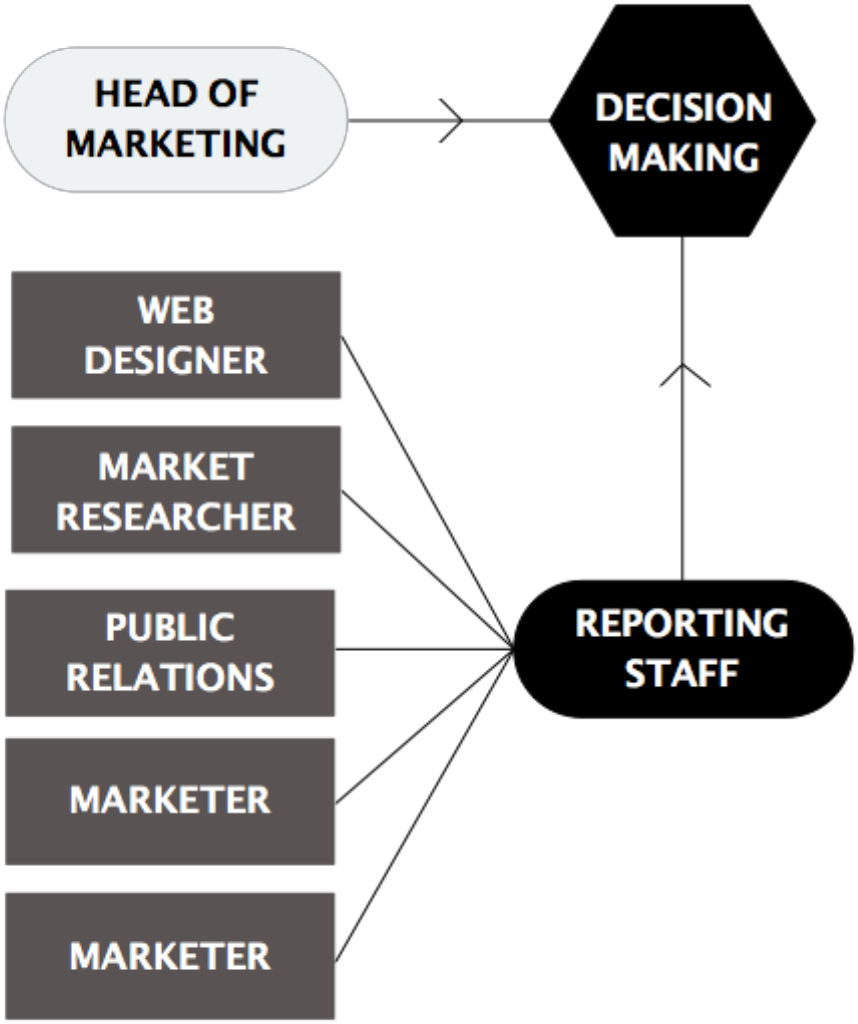
2.2 IT (Technology)

Responsible for the overall maintenance of the firm's servers, network, telephones and individual PCs. Additionally, the IT department must backup all sensitive data as well as have an emergency plan in place for unforeseen outages. This final point is crucial for a Forex Brokerage since stability in online-trading is a must.



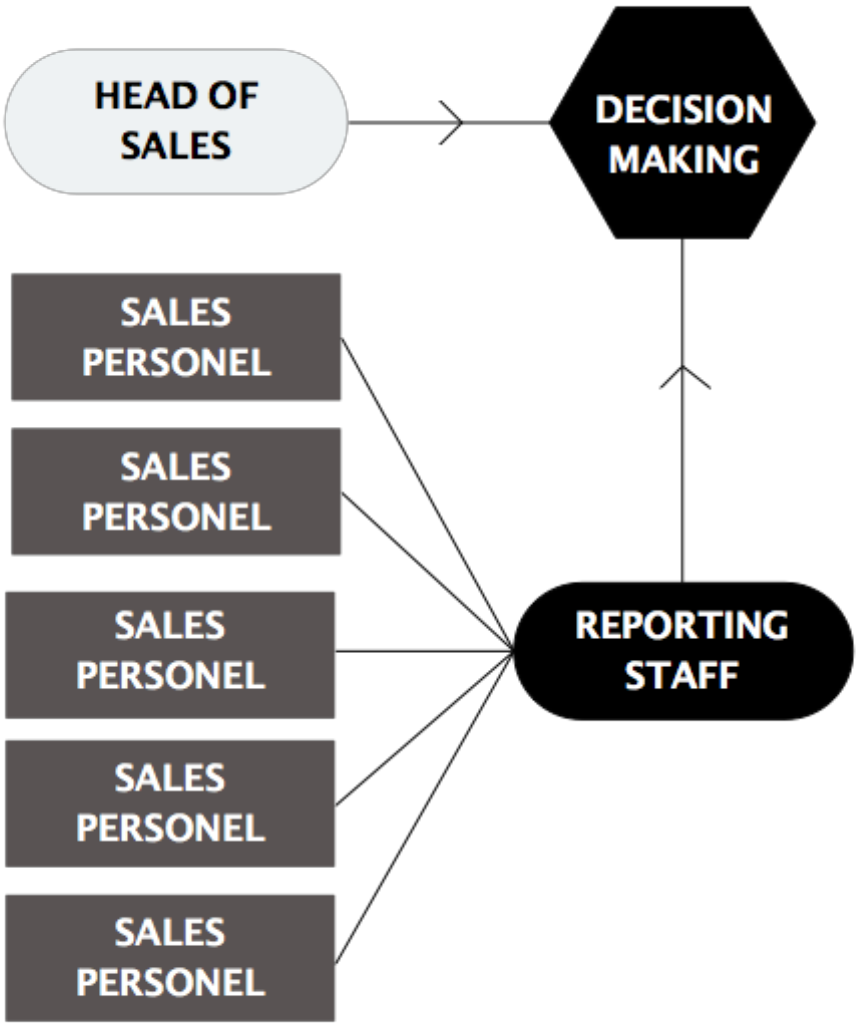
2.3 Marketing

The content of the website, advertisements, promotions, emails newsletters, SEO (Search Engine Optimization), Social Media Presence, planning seminars/expos, and data gathering are all responsibilities of the marketing department. An effective marketing department will adapt to new mediums of promotion, and trend changes regarding the marketing industry.



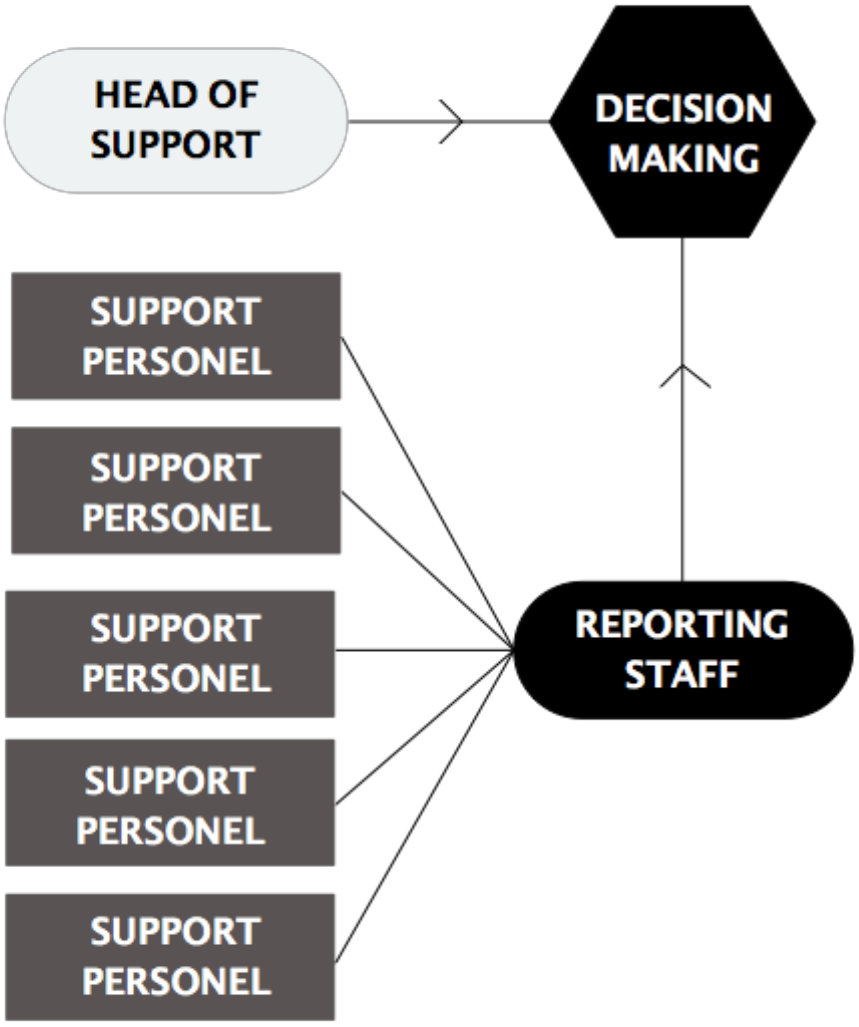
2.4 Sales

Responsibility to attract and convert new clients, but also maintaining relationships with existing customers to ensure a satisfactory experience, a large portion of a broker's revenue is generated from traders who are pleased with their broker. Business development as well as IB (Introducing Broker) relationships also placed under this category. Due to the world-wide appeal of Forex Market, the sales department should have triple shift of staff (8 hours per shift or according to the agreement between the employer and employee (around the clock shifts)).



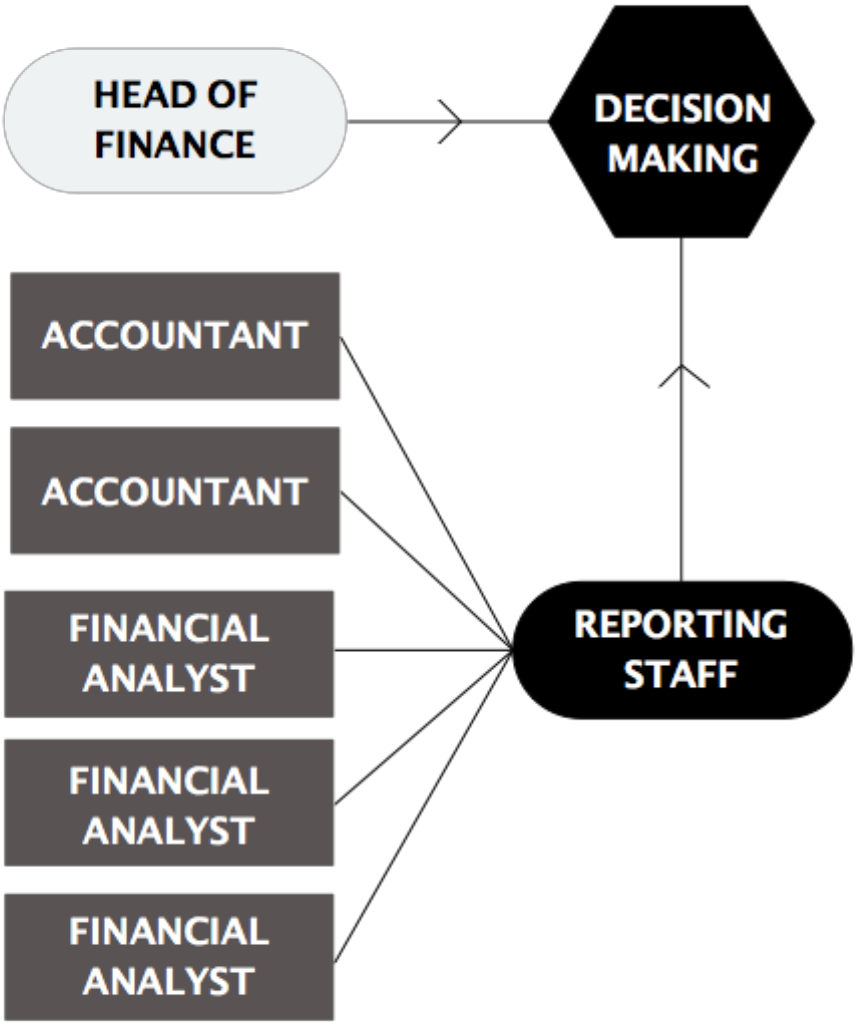
2.5 Support

Responsibility of this department is to provide real-time support to customers. This includes answering inquires as well as performing specific account related request such as deposits, withdrawals, and closing accounts. To stay competitive, a support staff should also have triple shift of staff (8 hours per shift or according to the agreement between the employer and employee (around the clock shifts)).



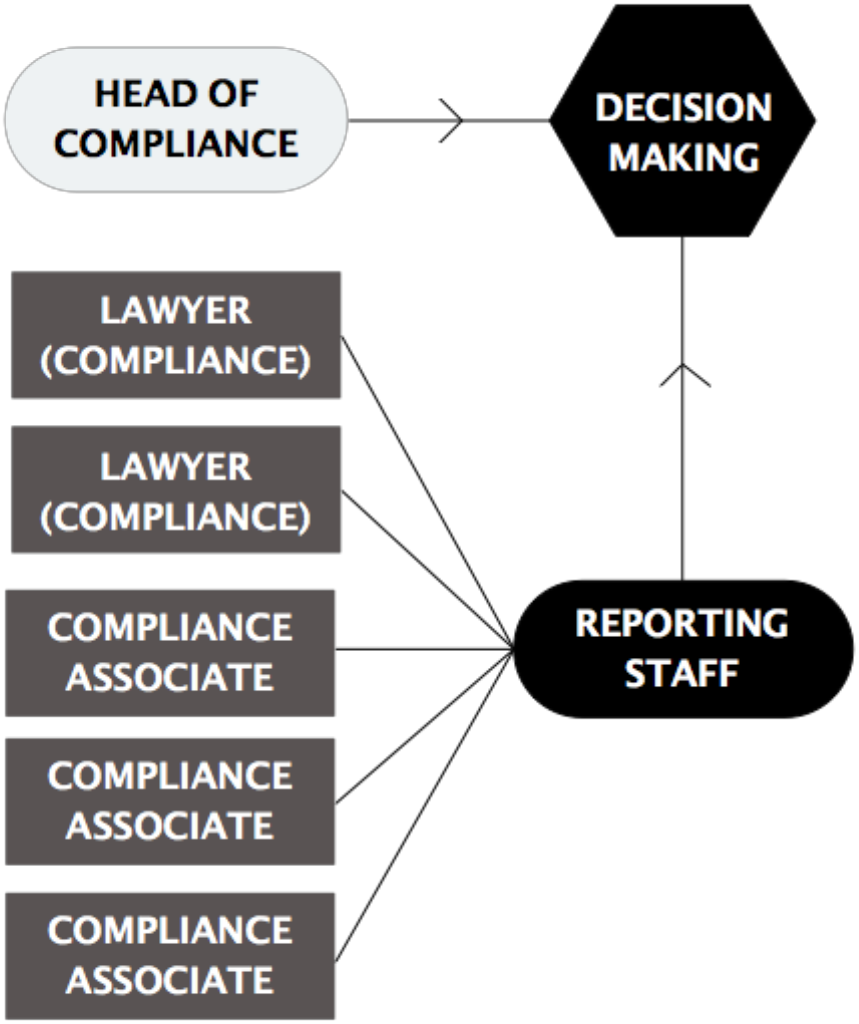
2.6 Finance

Naturally all monetary decisions fall under the umbrella of the finance department. The execution model of the Forex Brokerage, for example, an STP set up, will make it easier or more difficult to predict revenue. Many departments will work closely with the finance department so it is important that the staff is well versed in all facets of the business.



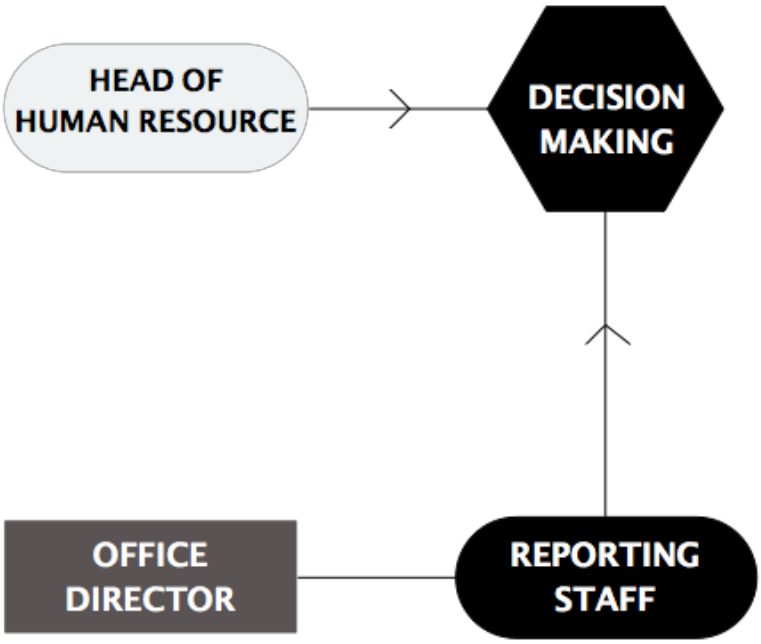
2.7 Compliance

All legal aspects of a Forex Brokerage are handled by the compliance department. This includes accounting, settling disputes such as trade audits as well as lawsuits. Since large amounts of money are transacted by a Forex brokerage, it is essential to have a compliance department.



2.8 Human Resource

The human resources department has the same responsibilities as any other department in any business. They are responsible for finding qualified candidates for a Forex Brokerage and should work closely with all department heads in job description creation to ensure that it clearly represents the desired skills for a Forex Brokerage team member that may be outside of the human resource department's area of expertise. Human Resource (HR) is also responsible for creating an employee handbook and managing internal personnel issues such as vacations, conflicts, etc. Office management should be responsible for supplies and infrastructure vendors and fall under the preview of Human Resources.

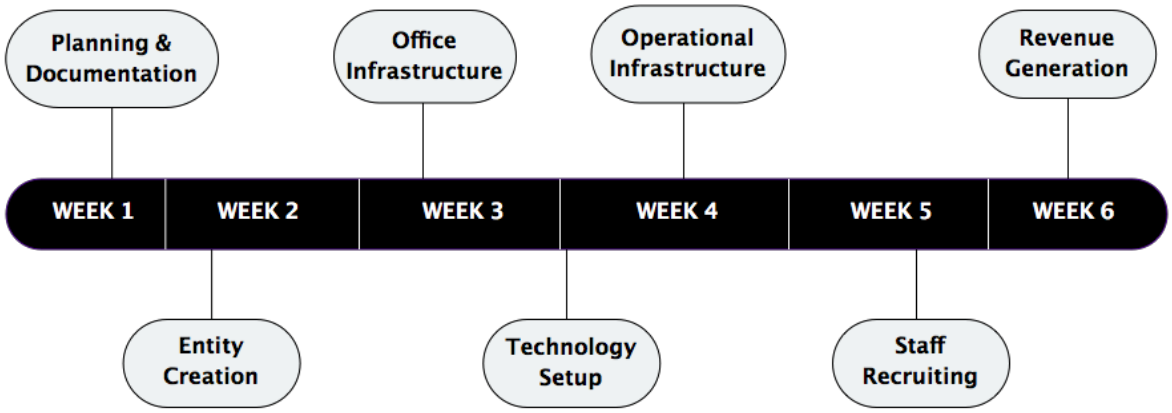


CONCLUSION:

As seen above, each department was categorized and structured depending upon the forex market needs, a Forex Brokerage deals with a market that is 24/5 to which each department has been placed with careful consideration and thorough analysis based on experience, the I.T (technology department has not been included as this structure assumes the technology used is outsources and depended on second party providers as it

is a time consuming and costly investment to develop in-house technology that suite's a brokerage needs.

3. Implementation & Timeline



Below are details displayed to aware on steps and processes to be followed in order to plan and execute effectively the requirements on establishing a Forex Brokerage:

3.1 Planning and Documentation

1. Business Plan Creation.
2. Company Procedure, Policies and Strategy.
3. Create and sign Partnership Agreement.
4. Choose Company name.

4.2 Entity Creation

5. Company Incorporation and registration.
6. Open Bank Account and Fund it.

4.3 Office Infrastructure

7. Select Office Location (Physical or Virtual)
8. Setup Phone Number.

4.4 Technology Setup

9. Office Network (Server, Workstations, Printers)
10. Internet, Telephone system, Fax.
11. Selecting and Registering Domain.
12. Website, Emails, Hubs, CRM.
13. Online Payment Integration

4.5 Operational Infrastructure

14. Trading Platform Setup
15. Testing Platform Setup
16. Liquidity & Coverage Agreements.

4.6 Staff Recruiting

17. Hiring Employees
18. Training Employees

4.7 Revenue Generation

19. Marketing Plan
20. Marketing Target
21. Customer Acquisition

Appendix - Definitions

For the purposes of this document, and for an understanding of general industry terms, we have put together a list of terminology definitions:

1. Brokerage = legal entity allowed to open customer accounts and collect customer money.
2. Broker = an employee of the brokerage that is working with a customer.
3. Introducing broker = independent company that is bringing customer to the broker in- exchange of remuneration. (usually 1 PIP).
4. Prime Broker = an entity that is willing to represent the brokerage in all its trading transactions and settle the trades in your name. Usually requires a security deposit. Could be automatic or manual. Examples: Barclays, FC Stone, JP Morgan, etc.
5. ECN = electronic trading system which pairs offer and demand without a middle man (in this Case Forex).
6. Forex = foreign currency exchange.
7. Customer or client or end user = a private or commercial entity that opens an account with the brokerage.
8. Wire = electronic money transfer.
9. Self-traders = customers that direct the trading of their own money.
10. Managed accounts = customers that open an account, deposit money but who give power of attorney to 3rd party to initiate trades in their account.
11. Dealer = a human or computer software that will monitor the risk taken by the brokerage.
12. Trading platform = a computer software that gives access via the internet to humans or other computer programs to the information they need to monitor trading information.
13. Trades = (Forex context) the action of buying or selling one currency in exchange of for another.
14. P&L = profit and loss.
15. Deposit currency = currency of the money deposited in his account held at the brokerage by the client.
16. Margin trading = allowing the customer to borrow money automatically when he is placing a trade.
17. Margin currency = currency used for the margin.

18. Pair = (Forex context) a symbol one can trade.
19. Front end = the part of the trading platform that seen by the brokerage client.
20. Back end = part of the trading platform only seen by the brokerage employees.
21. Rates = exchange rates.
22. Counterparty = entity that will take somebody's account, money and will allow the account opened to trade against the deposit.
23. Rates and Quotes = (for Forex purposes) exchange rates.

24. Symbols and Instruments = the different exchange rates a counterparty is monitoring and could offer to its customer for trading.
25. Marketing = the action of attracting interest from people and collecting their contact information for commercial purposes.
26. Product = (Forex context) a type of service the broker can offer.
27. Sales = the action of selling a product to a customer.
28. Base currency = in a pair like EURUSD the 1st currency (in this case Euro).
29. Lot = (Currency context) usually 100 000 or 10 000 of the base currency.
30. Open P&L = the potential P&L of a trade if the trade was to be closed IMMEDIATELY but which is still open.
31. Balance = total amount in the client account NOT including the open P&L.
32. Equity = total amount of a client has IF the trades were closed IMMEDIATELY.

33. Pip = the smallest amount a currency will move by. Either 0.0001 or 0.01 if a pair involves Japanese Yen.
34. Margin call = when a customer equity is not enough to cover the margin he used to borrow money to trade. typically, all Brokerages close the customer position automatically.
35. Bid = price at which one can SELL.
36. Ask = price at which one can BUY.
37. Spread = difference between bid and ask (spread = ASK-BID), calculated in pips.