

A NEW ERA FOR FOREX



The US\$5.3 trillion-a-day foreign exchange market is undergoing rapid change as a result of technology and new regulation. While high profit-making opportunities in the world's largest financial market attract many traders, they demand to do business with sound financial institutions that offer transparency across each transaction.

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Foreign Exchange trading, also referred to as FX or forex, has grown rapidly over the last years. The mass-entry of retail investors has significantly transformed market activity and has helped develop a competitive brokerage landscape. While changing market conditions promise traders great returns, brokers are rethinking their business models to differentiate their offering and to improve the image of the industry. The sector's leading companies believe that increased transparency, high volatility

and client-specific tools and services will characterise the next phase in FX trading.

Moving Mainstream

The forex industry and its followers can still be called pioneers given the age of the industry. FX was traditionally the exclusive preserve of the high-flying financial elite. The proliferation of retail-oriented platforms with easy-to-use technology has opened the market to more users than ever before. "The democratisation of informa-

tion, which began with the internet revolution, also means that retail investors today have on-demand access to analysis and financial data," Charalambos Psimolophitis, CEO of FxPro, explains. Individuals and small businesses that once would have left forex to large banks and institutional users are now participating and trading directly. The growing interest in forex went hand in hand with a rise in online trading, which now accounts for more than 70 per cent of all trading in FX globally.



Trading Volumes Up

Currency trading has developed into one of the world's largest and most liquid financial markets. US\$ 5.3 trillion changes hands every day, according to the 2013 survey of the Bank for International Settlements. Volumes have shown exceptional growth in recent years, as trading activity has risen from US\$ 4 trillion in 2010 and US\$ 3.3 trillion in 2007. One of the drivers of this turn-over growth was increased interest in FX as an asset class. Traditionally, FX was used as a hedging mechanism, but the desire for portfolio diversification has strengthened its role as a primary investment tool. The US dollar and the Euro are by far the most traded currencies globally, followed by the Japanese Yen and the British Pound. The Mexican Peso and the Chinese Yuan Renminbi also entered the top ten list of most traded currencies in 2013.

Different Types of Brokers

There are two main types of retail forex brokers. The first, the dealing desk brokers, are also called market makers as they often take the other side of their client's trade. The second, the no dealing desk brokers, can be further subdivided into Straight Through Processing (STP) and Electronic Communication Network + Straight Through Processing (ECN+STP) brokers. An ECN forex broker provides an electronic trading platform in which professional market makers at banks, as well as traders and other forex market participants can enter bids and offers through their system. Brokers that have an STP system route the orders of their clients directly to their liquidity providers, who have access to the interbank market.

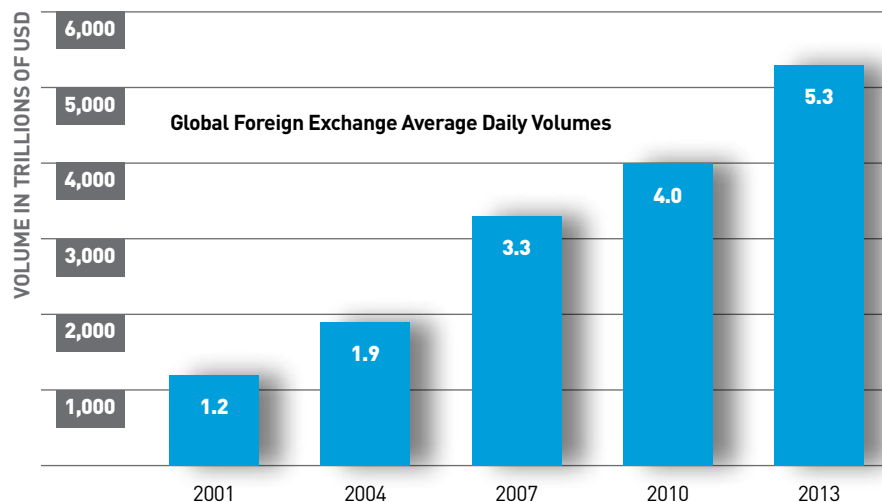
Raising the Standard

Regulation in forex markets was virtually non-existent until a few years ago. Until the retail forex market's explosive expansion, regulators generally assumed the sophisticated institutional investors, who dominated the currency market, could look after themselves without extra regulatory checks and balances. However, the rapid growth of forex trading among retail investors, in addition to trading irregularities as well as the failure of large institutions as a result of the financial crisis, have seen many supervisory bodies respond with dedicated regulatory frameworks. They include the Australian Securities

"Most operators view the new regulatory realities as an opportunity to enhance the reputation of the industry, highlighting that regulation leads to more due diligence, accountability and increased transparency."

and Investments Commission (ASIC), the Financial Conduct Authority (FCA) in the UK, the Cyprus Securities and Exchange Commission in Cyprus (CySEC) and the Federal Financial Supervisory Authority (BaFin) in Germany to name a few. Brokers that are licensed in an EU member state can also offer their products and services in all countries of the European Economic Area (EEA), without the need to obtain authorisation from the regulator in each country, through a process referred to as passporting.

Most operators view the new regulatory realities as an opportunity to enhance the reputation of the industry,



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highlighting that regulation leads to more due diligence, accountability and increased transparency. “Transparency is the core engine of this industry, and it is essential to build client trust,” Iman Mutlaq, Director of Ingot Brokers, says. Yasin Qureshi, CEO of Varegold Bank AG, agrees: “Regulation also drives financial services firms to think more carefully about processes, risks, client quality and interaction models – something which in some cases was overdue.”

The Return of Volatility

The forex market has recently seen the return of volatility and increased economic confidence, with exchange rates experiencing greater fluctuations. While higher volatility usually makes forex trading more attractive to traders as it promises higher profits, traders need to be aware that a single event can significantly influence the currency markets. One event that sent shockwaves through foreign exchange markets was the Swiss National Bank’s decision to abandon attempts to peg the Swiss Franc to the Euro in January 2015. This led to heavy losses for traders and brokers, with one broker even filing for insolvency, as the Franc soared 30 per cent against the Euro. Events such as these have placed renewed focus on issues such as the financial standing of brokers and the safety of client assets. “Transparency”, says Jabra Serieh, Head of Marketing at Windsor Brokers, “should enable investors to evaluate the broker they are working with, based on facts

and not just marketing material. One of the most important things to know before working with any financial institution is their capital adequacy ratio.” Today’s traders also expect that their funds are held in segregated accounts in countries with robust regulatory frameworks to ensure that they are protected in the case of default. In fact, the first brokers began introducing measures that exceed regulatory requirements. “We insure client funds up to £500,000. This is far above the £50,000 threshold currently provided by the UK’s Financial Service Compensation Scheme,” says Alex Pusco, CEO of UK-company ActivTrades.

Cutting-Edge Technology

Running a successful forex enterprise in a competitive market is also about understanding the need to remain on the cutting-edge of technology. “Ease of access to the market, excellent back-office data and reports, as well as the speed of execution of deals, are essential competitive advantages,” says Viktor Virszta, CEO of PriorFX. Traders expect a trading environment that is as efficient as possible, Olga Rybalkina, CEO of ForexTime (FXTM), agrees: “We have made use of technology to provide time-efficient solutions, including prompt Know Your Client (KYC) identification processes and the instant processing of payments and withdrawals.” While MetaTrader has established itself as the leading trading platform, a number of mobile trading apps have been designed to offer traders the opportunity to trade at any time, no matter where they are. In addition, the emergence of social trading can shorten the learning curve for investors, allowing traders to share information and opinions or ‘copy’ the strategies of the more experienced traders.

Managing Risk

“There is always an element of risk involved when it comes to investments. Forex trading is no exception. The key is to understand the risks and learn how to manage them.”

Despite regulatory oversight and access to financial information, there is always an element of risk involved when it comes to investments. Forex trading is no exception. The key is to understand risks and learn how to manage them, industry professionals agree. The main risk is carried through leverage. Usually, the amount of leverage provided is either 50:1, 100:1, 200:1 or 500:1, depending on the broker and its location, as well as the size of the position the investor is trading. Although the ability to

earn significant profits by using leverage is substantial, leverage can also amplify the potential losses if the currency moves into the opposite direction of what the trader expected to happen. Therefore, education is seen as the key to more successful trading. Retail brokers emphasise that a good understanding of the market is more important than ever. “We decided to invest great resources in developing training packages and one-on-one mentoring for each and every client, but ultimately, the responsibility to learn the fundamentals also lies on the consumer,” Or Kapelinsky, General Manager of iForex (Cyprus) says.

Emerging Segments

The appetite for forex is expected to increase in the coming years, but there are also other forms of trading beginning to rival the traditional FX market. Binary options, for instance, are becoming increasingly popular. With only two investment possibilities to choose from – up or down – a profitable trade only requires the minimal increment in price movement in the selected direction. High frequency and algorithmic trading have also entered the market and are being highlighted as future growth sectors. Contracts for Difference (CFDs) are also expected to grow and enter new markets in the coming years. They are agreements between two parties to exchange the opening price and the closing price of a contract. The main difference between CFD trading and forex trading is that CFD trading involves different types of contracts covering a diverse set of markets, such as indices, energy, and metals, whereas forex offers pure currency trading.

Future Outlook

Although the foreign exchange market is booming, a period of consolidation is expected. Jonathan Frankenstein, CEO of SkyFX, highlights healthy competition as being the biggest challenge for the industry. “Smaller brokerages or firms have more work ahead of them to compete in the same ‘trading field’ as some of the bigger brokerages. I also believe that there will be ripples throughout every market that deals with finance when the international banking organisations will increase their requirements for solvency and Basel IV takes effect.” While additional regulation and compliance costs are driving up expenses and reducing brokers’ margins, they are widely seen as an added advantage in winning the confidence of retail clients in times when the protection of investors’ money is as important as returns. ■



Creating a Culture Change

The CEO of FxPro, one of the largest players in the online FX industry, pushes for a change of industry practices. Spurred by the Swiss Franc shock, Charalambos Psimolophitis believes that it is time to come up with new rules and models to rebuild the reputation of the global FX industry.



FxPro
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As CEOs go, FxPro's Charalambos Psimolophitis cuts an intriguing figure. The outspoken industry critic is to be found in the office at all hours, often sporting a pair of jeans, loafers and a polo shirt rather than the sharp suit that has become an industry uniform. Psimolophitis has sought to differentiate FxPro from its competitors – not just by changing the marketing message but the company's business model.

When asked what his first moves were when he was promoted to CEO in 2012, he says: "It is a well-known fact that retail traders have a very hard time staying profitable, and I am not just talking about FX. All markets do a great job of putting the smaller investor at a disadvantage, without brokers having to manipulate the odds in their favour. At FxPro we have taken the long view, we believe that the only sustainable business model in this industry is to help your clients increase their odds of success, rather than 'helping' them burn through their accounts and then hounding your sales team to keep new deposits coming. We do not even run a sales desk in the traditional sense. Our people are far more client-oriented and

act as relationship managers rather than being bonus driven. This is because our clients do not need to be sold on the idea of trading with us, they come to FxPro because they recognise the brand and know us as a reputable company that is here to stay. Brokers who have their sights set squarely on their clients' deposits, and there are plenty of them in this business, do not seem to realise that traders are not an infinitely renewable resource. Treat them unfairly and not only will they start turning to other brokers, but eventually they will start turning away from FX altogether."

When asked how FxPro can compete in an environment where certain parties may be playing by different rules, Psimolophitis says: "FxPro is more profitable per million traded than many of its close competitors. This is why volume comparisons can be misleading. What really matters is how much of that volume counts towards a broker's

profits. Over the years, we have built strong relationships with a large number of liquidity providers and implemented technologies that allow us to consume this liquidity in a far more efficient manner. The very structure of our company is geared towards identifying the strengths of our people and having them work together in the most effective combinations. Everything from our execution technologies to our online advertising campaign has been honed over time to maximise their efficiency."

"While regulators can do a lot more to ensure that brokers are treating their clients fairly and that we are all observing the same rules; it is the culture of the industry as a whole that is due for a change."

Regulatory Challenge

When it comes to the thorny topic of regulation, Psimolophitis is open and willing to explore the issue from a number of angles: "One of the problems we face is that no brokerage model is entirely devoid of – at least the possibility of – conflicts of interest. Even if you are not a market maker and act purely as an agent, a potential conflict still remains in that your profits stem from the trading activity of your clients. It is in your best interest for them to trade larger and more often, while it may not be in theirs. While regulators can

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do a lot more to ensure that brokers are treating their clients fairly and that we are all observing the same rules, it is the culture of the whole industry that is due for change. This is what we have been campaigning for on a number of fronts. Firstly, we take our regulatory obligations seriously and go over and above what is required of us. For instance, when the Swiss National Bank removed its EURCHF floor and sent the pair crashing, many clients’ accounts dropped into negative territory. We honoured our negative balance protection policy, even though this was not a regulatory requirement and took the hit ourselves. We also recently started publishing our slippage statistics in order to let the industry know that slippage is not just a one-way street. Many traders have never had the experience of being slipped negatively, whereas in February 53.8 per cent of FxPro clients, who were slipped, had the price go in their favour. In March, this figure dropped to 36 per cent, but only because 36 per cent of all orders were filled at the price quoted. What I am trying to illustrate is that a certain amount of responsibility falls squarely on the shoulders of each broker, and no

amount of regulatory oversight can change this, especially considering that not all regulatory jurisdictions are created equal.”

Trading Psychology

The rise of retail trading has also led to the growth in a great deal of material on the topic of trading psychology. “Trading psychology is a fascinating subject. It is

also a subject in which it is very easy to say a lot of basic things without ever having traded yourself. While most of the material you will find on the subject is good common sense stuff, ultimately it will not be of very much help to the novice trader. Most human beings are hard-wired in such a way that the market will quickly take everything they have. People have repeatedly been shown to be willing to take on more risk to avoid a loss than to make a gain. While you can see the logic of this asymmetry from an evolutionary standpoint, it is pretty much the opposite of what you should be doing when trading. Couple this with the ubiquitous fear of missing out and you have a recipe for disaster. It is the reason that most beginners end up buying high and selling low, then holding on to these positions as they steadily eat into their margin and gradually wipe them out.”

Growth Ahead

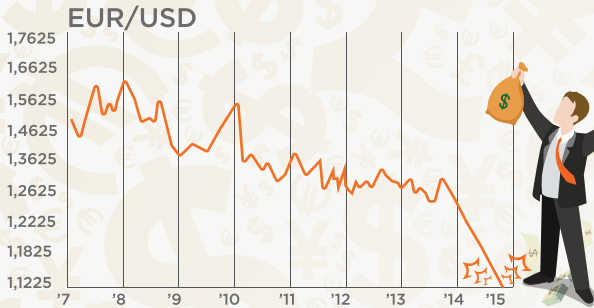
On the enormous and ever-growing popularity of FX trading, Psimolophitis takes a more balanced view of the circumstances that have led to the industry’s growth. “The explosion of high-bandwidth connectivity and the revolutions in computing hardware over the past few decades have led to the exponential growth of FX trading. However, and I cannot stress this enough, this by no means guarantees that FX will continue to be the most accessible and most popular instrument for retail traders. The continued popularity of FX is entirely contingent on the industry itself being able to foster an environment of fairness and transparency. This is why we are so adamant about this issue at FxPro, we do not want to look back to the mid-to-late 2000s as the boom period of FX, but like to think that the real boom in retail FX is yet to come.” ■



A Window of Opportunity

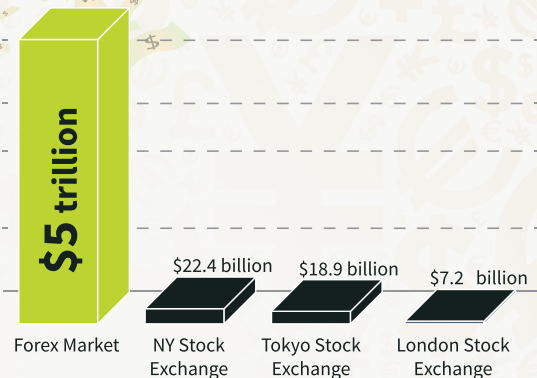
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Trading Evolution

As the global FX market has moved from the trading desks of big banks into the homes of retail traders, Alex Pusco of ActivTrades talks about developments in the world's most liquid market.

UK-based company ActivTrades was founded 14 years ago by its innovative chief executive Alex Pusco, who has built the company from a small brokerage into an investment powerhouse. Growing its profit margin year after year, increasing its client base and laying out a solid technological infrastructure, ActivTrades provides first-rate trading services to investors worldwide.

You founded ActivTrades in 2001, at a time when FX was mostly traded by professional investors. Could you tell us about your company and how FX trading became mainstream?

I had already worked in the brokerage industry when I saw that trading platforms were taking off in the US, but were still in their infancy in the UK. I felt that this niche had huge expansion potential, but the market needed a company that puts its clients and their needs at the centre of the business. That is why I set up ActivTrades. FX trading quickly became popular. It is a flexible and fast-moving environment. FX allows private investors to spread their investments, providing an alternative to traditional forms of investment.

High profit-making opportunities attract investors to the FX industry, but the market is always changing and it may be hard for traders to keep up. How is ActivTrades helping

its clients to become successful traders?

ActivTrades provides a comprehensive collection of learning resources and opportunities – including definitions of key terms, quick guides, individual training sessions and on-going free webinars led by top traders. These conferences typically cover in-demand topics and provide valuable insight for traders. We have created an all-in-one educational hub, where visitors can find all our educational resources in one place. We understand that knowledge is the key for most traders, and that is why we will keep investing in free education.

The market recently experienced extreme volatility after the Swiss National Bank (SNB) discontinued the 'CHF peg'.

How did this affect your company?

Back in November 2014, ActivTrades anticipated the possibility of a shake in the CHF scene, which was later confirmed by the SNB announcement. Consequently, we decided at that time to increase the margin required on our CHF pairs by a multiple of 16 to be able to protect our clients by

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ALEX PUSCO



substantially limiting their exposure. So, we did not suffer any negative impact. We have robust risk management systems that will keep protecting our clients' interests and safeguard the interests of the company as a whole.

How do you view the increased regulation across capital markets?

ActivTrades is regulated by the UK's Financial Conduct Authority (FCA) and is required to follow detailed rules and regulations. Increased regulation is good for all players in the industry. Overall, we need to ensure client protection remains the main goal because we protect our company by protecting our clients every day. It is a win-win scenario. Traders are wise, and they see the real benefits of operating with a trustworthy broker, even more after the events of the SNB and its impact on well-established brokers.

What are the hottest trends for ActivTrades going forward?

One of the biggest trends is mobile trading – no doubt about it. More than 50 per cent of trading is made on a mobile device. We are more and more attached to our mobile devices, and we want the experience to be as good as when using a desktop platform. ■



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 The ECB & FED are dominating the EUR/USD scene

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The Golden Rules of FX Trading

OctaFX has elevated itself into an enviable position as a respected FX broker. The company highlights that investing in forex offers great opportunities and gives novice traders some valuable advice to get over the learning curve.

Forex is not a way to get rich quickly; it requires time and patience to learn. Once the basics are mastered, it can, however, turn into a profitable investment. This is the message of OctaFX. Financial literacy, says company representative Joanna Archer, is crucial. While traders need to develop an understanding of market fundamentals, the reliability of the broker traders choose to work with is also essential.

Philosophy of Transparency

"We run a transparent business. We believe this creates a better trading environment. Traders see the difference between a reliable broker and a pretty picture almost instantly," Archer says. Founded in 2011, the firm's client base is rapidly growing, and OctaFX has just received its licence from the UK's Financial Conduct Authority (FCA). "We keep clients' funds segregated, and our IT Department is in

charge of providing top-level security for every financial operation our clients perform. Our specialists work to maintain this stability even in times of turmoil and uncertainty in the market. Our top priority remains ensuring that all is secure and stable. By doing everything possible, we also raise the bar for the whole industry."

Fast-Changing Market

OctaFX has been known as a 'micro-broker', particularly appealing to beginner traders. The firm values its European presence and seeks to expand it by creating tailor-made products and promotions for their clients. "We have an individual approach towards every trader, and are tweaking our offers to their needs," Archer explains. Traders highlight that forex can be an intense and stressful undertaking that requires discipline and a strong control of your emotions. Almost every major eco-

OctaFX Awards

2015

Best STP Broker (FX Report)
Outstanding Contribution
to the FX Industry
(FX Report)

2014

Most Reliable Broker
(FX Empire)
Best Broker Eastern Europe
(Forex Report Magazine)
Best Broker Central Asia
(Forex Report Magazine)
Best ECN Broker Asia
(Global Banking and Finance Review)

2013

Best Customer Service Broker
(FX Empire)
Best Broker Central Asia
(World Finance Magazine)
Best Broker Central & Eastern Europe
(World Finance Magazine)
Best Customer Service Broker Asia
(Global Banking and Finance Review)

2012

Fastest Growing Micro Forex Broker
(Global Banking and Finance Review)

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conomic event could affect a currency. "The FX market is fast moving and unpredictable, so the main challenge is to keep track on every significant event on the horizon, as events bring new waves to the market." In order to succeed in trading, one should also be backed up by the latest technologies. "Five to eight years ago, no one could have imagined earning money while being away from the trading station. Then trading stations were replaced by one computer, and now you can be anywhere and take your trading with you in your pocket."

User-Friendly Platform

While changes in FX markets are difficult to forecast, OctaFX is focusing on creating a better user experience in order to make trading more efficient. "Our execution is instant, and the range of trading instruments is wide. In addition, our personal area is designed to traders' needs: all the processes run smoothly and all the necessary notifications arrive on time." OctaFX

also provides its traders with the most efficient trading platforms. MetaTrader 4 and cTrader platforms are available in various modes: a person can choose to trade from their PC, along with all modern devices – tablets, mobile phones, even the web-browser, without having to install any software at all. In the competitive forex landscape, excellent customer support is also key to adding value. "Traders will always find help if needed: all questions are answered by qualified operators, assisting traders in terms of verification, deposits and withdrawal processes and other general requests. Our team is a highly motivated group of specialists who enjoy solving even the most complicated issues." And while forex is a highly gripping sector itself, OctaFX is constantly working on

"The FX market is fast moving and unpredictable, so the main challenge is to keep track on every significant event on the horizon, as events bring new waves to the market."

JOANNA ARCHER

new promotions and contests. "Our competitions run on a newly redesigned contest platform – traders can communicate with each other, earn achievements to add to their profile and have fun winning prizes," Archer explains.

Reputation Matters

Nevertheless, FX is a serious business, OctaFX emphasises, not just a form of entertainment. Traders must be aware that they are investing their own money and should avoid getting caught up in the moment, Archer says. Forex brokers range widely from the highly reputable firms handling traders' accounts honourably to those engaging in questionable pricing and order execution practices. "I can say that OctaFX company ethos is about building a strong reputation and a team to be trusted." ■

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Forex Innovation

The arrival of faster and more efficient trading systems has reshaped the FX landscape. Yasin Qureshi of Varengold Bank explains how financial technology (fintech) is driving the forex space today.



Founded more than 20 years ago as a small investment bank, then transforming the business via an Initial Public Offering to a fully-fledged commercial bank covering global markets – the history of German Varengold Bank is one of growth. Its FX and Contracts for Difference (CFDs) divisions have been registered with the German Federal Financial Supervisory Authority (BaFin) since 2007. Yasin Qureshi, CEO of Varengold Bank AG, says that rapid advances in technology continuously change the forex marketplace and that the demand for safe and secure eFinancial services has intensified in recent years. “We are seeing an increasing desire by our clients to operate through mobile devices. However, our global client base shows a highly diversified affinity with and willingness to use such devices for executing capital market trades. For example, in the Middle East, it is perfectly normal to see people trading while sipping tea on a terrace. In Northern Europe, our clients tend to find their way to us via a desktop computer.”

Leading Technology

Technology has become a crucial factor for many clients when trading. Varengold has been with MetaTrader since 2007, and it is still their platform of choice. “I have not seen any other company

successfully challenging MetaTrader’s market-leading position,” Yasin Qureshi says, adding that Varengold also provides some clients with access to platforms such as Currenex. “Our philosophy has always been to keep investing in back-end efficiency and improved order routing while maintaining flexibility with regard to the client interface.” For the bank to grow and develop, he says, “it is crucial to invest further in technology and seek new fintech solutions in areas such as customer service, reporting and data availability.”

Social Trading

The rise of social media has also left its mark on the trading industry. Varengold Bank AG has partnerships with several social trading platforms, allowing traders to communicate with and follow each other. “We maintain a flexible structure that allows us to collaborate with social trading providers with a view to quickly adapt to market demands,” Yasin Qureshi says.

Institutional FX

While there is no doubt that retail traders have reshaped the forex industry in recent years, he highlights that top-notch technology is the key to attracting institutional investors. “The common denominator on the institutional side of our business

is that clients typically need to have trust and confidence in our organisation. In particular, the IT trading platforms need to be stable with adequate risk metrics in place.” The increasingly complex needs of clients also mean “you need to have the flexibility and ability to entertain individual configurations. While we will never forego on process loyalty, we do take time to review requests and genuinely seek ways to make things work in favour of all parties.”

Driving Business Growth

With the implementation of a new IT landscape and dedicated servers, Varengold is currently seeking to improve its performance and acquire new clients. The bank has a very strong retail business covering CFD products in Germany and Spain. “We plan to expand this business into new regions, where we strongly believe that we can create a solid base of potential clients ready to trade, as well as of those who require some training before entering the trading arena.” On the FX and institutional side, Varengold has already expanded strongly into the Middle East and North African region as well as into Eastern Europe and Russia. “However,” Yasin Qureshi says, “we are continually seeking new relationships with Tier 1 clients interested in our solutions – wherever they might be.” ■

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The new MetaTrader app guarantees traders 100% control over their trading accounts from anywhere and at any time. Varengold Bank - Your Reliable Partner for Intelligent Investments.

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A white commercial airplane is positioned on a runway, viewed from a low angle. The scene is bathed in the warm, golden light of a sunset or sunrise. In the foreground, a computer keyboard is visible, slightly out of focus, suggesting a connection between technology and aviation. The overall mood is one of innovation and breaking traditional boundaries.

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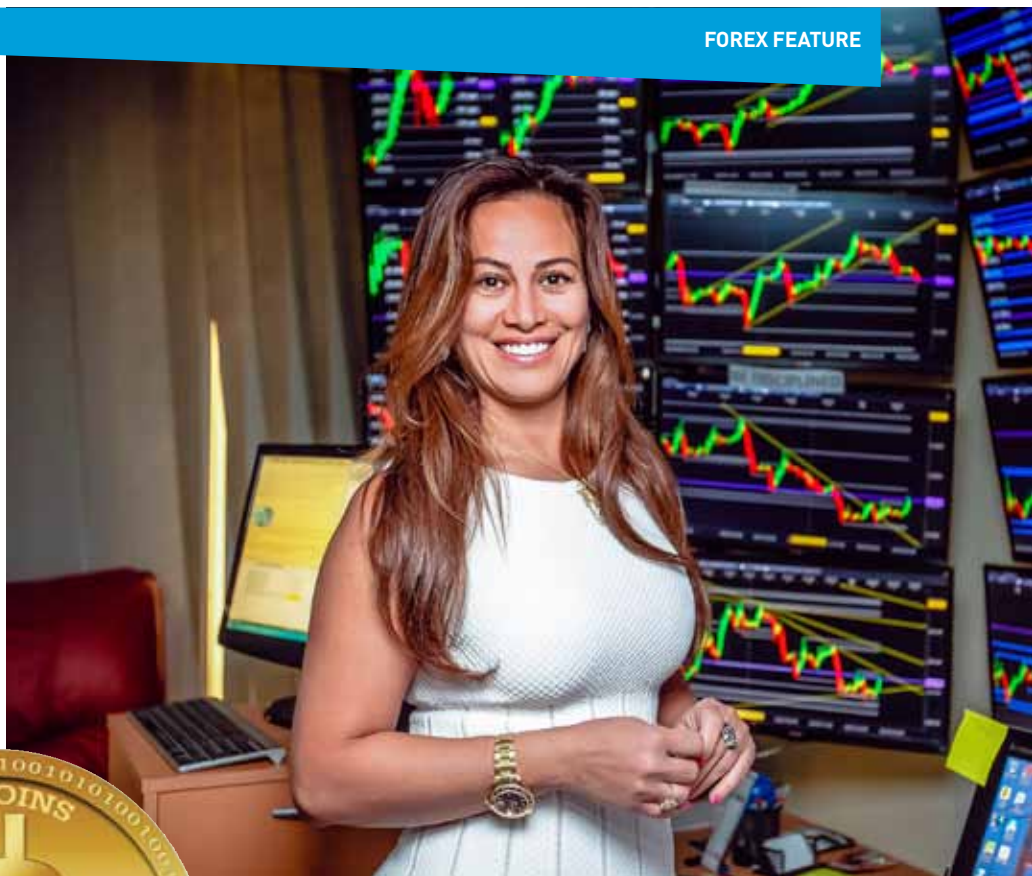
Departing from convention

Risk Warning: Trading CFDs involves significant risk of loss.

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Bitcoin Trading: The Next Big Thing

With the world gradually warming to Bitcoin, Ingot Brokers' Director Iman Mutlaq believes the cryptocurrency will become a key growth area for her company.



Set up in 2007 and with offices in Australia, New Zealand and Switzerland, Ingot Brokers offers its clients the possibility to trade Contracts for Difference (CFDs), currencies, stock indices, as well as precious metals, futures and other commodities. The entrepreneur shares her view on the key trends, challenges and opportunities in the global trading industry.

Innovation is a must in the financial trading industry. How has your company developed, and what steps are you taking to attract new traders and open new markets? From the very beginning, we focused our efforts on the Middle East and North Africa (MENA) region. We are leading the market through the financial engineering of unique CFDs. We introduced CFDs especially designed for the MENA region

“Bitcoin is a radically new kind of money that operates without governments or banks. This means no one can control or manipulate it. I think Bitcoin has the potential to become more important than any other currency.”

IMAN MUTLAQ

and are now offering clients the opportunity to trade more than 200 stock CFDs for the main MENA countries, such as Egypt, Saudi Arabia, Dubai, Qatar, Abu Dhabi, Oman, Kuwait and Lebanon. Thus far, CFDs are our main business in addition to commodity trading. Our commodity contracts include agricultural products such as wheat, coffee, cocoa and sugar in addition to energy and metals. Commodities also play a key role in the future growth of Ingot Brokers, as this sector still has great potential. In fact, we offer forex trading only as a complementary service to our clients, and forex trading volumes represent less than 10 per cent of our total trades. From June 2015 onwards, we will also be offering our clients the opportunity of trading Bitcoin and indices priced by gold.

What are the main advantages of Bitcoin trading, and do you believe it will become central to the world of commerce? Bitcoin is a radically new kind of money that operates without governments or banks. This means no one can control or manipulate it. I think Bitcoin has the potential to become more important than any other currency. The fact that a number of countries, for instance Australia, are looking into Bitcoin legislation is setting the stage for wider adoption.

Increased market volatility and the failure of some prominent firms mean clients today are also more focused on the financial standing of a broker. Could you comment on your risk management strategy? It is all about transparency and security in this industry. We are a regulated entity, holding a licence from the Australian Securities and Investments Commission (ASIC). Naturally, we also follow our own policies and procedures that help us navigate in troubled waters and stay solvent. For instance, Ingot Brokers did not experience significant losses after the discontinuation of the CHF peg by the Swiss National Bank in January 2015. There were many indicators for unpegging the Swiss Franc to the Euro. From August 2014 onwards,



FOREX FEATURE

when the Euro hit the strongest levels in 20 months, it was just a matter of time before the decision of unpegging the Swiss Franc to the Euro was taken. We expected this move, and our risk management department took all necessary precautionary measures.

Financial trading is very exciting and can be very profitable when sticking to a certain strategy. What guidelines and tips would you give to any individual trading currencies?

It is essential that traders choose the right broker and account type. Ingot Brokers advises all traders to define their risk tolerance clearly, to have clear targets, focus on one pair even if they see other opportunities, restrain their emotions and bias, and most importantly, not to go against the market trend. I would also suggest that those who are new to trading should stay on a demo account for one year to fully understand the market.

Latency and slippage are key concerns for traders. Could you elaborate on your technology set-up and the reliability of your platform? Ingot Brokers is powered by the latest technology to provide our clients updated real-time data around the clock. In addition to the main server, three backup servers in different locations support us. Our clients can trade from anywhere and at any time by accessing our platforms via PCs, tablets and mobile devices.

“I believe that a higher level of regulation would instil more confidence in financial markets and ultimately lead to faster growth in this sector.”

IMAN MUTLAQ

What would you highlight as major FX challenges, and what issues should traders have on their radar? Not all countries regulate the same way, so one of the main challenges for brokerage firms are the different regulatory standards and authorities. The need to comply with various regulations could lead to some conflict. Nonetheless, I believe that a higher level of regulation would instil more confidence in financial markets and ultimately lead

to faster growth in this sector. Traders definitely need to keep an eye on political instability in the euro area, as political conflicts between European countries could lead to separation in the eurozone.

What are your main objectives and ambitions for the company in the next two to three years? Our ultimate objective is to lead the market by offering differentiated services and financial instruments. We have high expectations about the market growth of CFDs in the MENA region, and are currently opening new offices in Dubai and Bahrain. Our long-term plans include becoming a public corporation and establishing our own chain of agricultural banks.

Finance is still a male-dominated sector. Do you believe women face greater obstacles than men in the FX industry? I would love to see more women in our field. While some people continue to think that it is a challenge to be a woman in the financial brokerage field, I do not see why it would be any different to be a successful entrepreneur as a woman. I do encourage all women who are in finance not to quit, but to stay in our field. ■

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Brokering Diverse Solutions

Along with the general trend of capital shifting from the west to the east, FX players are attaching more importance to trading flows in Asia, Africa and the Middle East. ForexTime's CEO, Olga Rybalkina, highlights that her company does not believe in a one-size-fits-all-approach when expanding into new markets.



The FX marketplace has undergone unprecedented changes in recent years, with trading becoming more popular and increasing rapidly in volume. But despite its global nature, forex cannot be seen as a single market. Traders in different countries have varied demands and follow different strategies, Olga Rybalkina, CEO of ForexTime (FXTM) Limited explains. Driven by a desire for differentiation, the Cyprus-based company was founded in 2012 and since then has focused its efforts on ensuring its offering can be tailored to meet the preferences of clients in Africa, Asia and Europe.

Regional Orientation

"What differentiates FXTM from other brokers is the innovative approach we take in providing our clients with services and solutions specifically designed for their region of the world," Olga Rybalkina says, adding that the company goes "one step further to make sure that services are diverse enough to meet the needs of traders of all trading styles and levels. This means that regardless of the industry experience and strategy they pursue, through FXTM, clients can find an account that provides exactly

the features they need in order to trade the markets effectively." She highlights that traders in Asia are very different from traders in Europe or Africa. "Asian traders are more prone to speculation while African traders tend to be more cautious. European investors are generally more interested in small spreads, and Russian traders love to have expert advisors, also known as robots, that trade with pre-set rules."

Regulatory Measures

In a decentralised market, such as forex, regulation plays a key role in gaining the trust of clients and can serve as a means to safeguard the interests of both parties. FXTM is a regulated broker, regulated by the Cyprus Securities and Exchange Commission (CySEC - CIF licence 185/12) and registered with the UK's Financial Conduct Authority (FCA). "We strive to ensure the highest standards in our business. We offer fair and transparent services and employ top-tier auditors and advisors with expertise in various compliance matters to ensure that all company operations are in accordance with the regulations," Olga Rybalkina says. "As a company, we welcome regulation and the order it provides

"Asia has gone through significant economic changes that have transformed the dynamics of the global economy. It has emerged as an engine of progress, resilient to the destabilising effects of the global economic crisis."

OLGA RYBALKINA

FOREX FEATURE



in the forex domain. The industry has been repeatedly associated with dubious personalities and entities that tarnish its good name, and therefore I do see increased regulatory measures as a benefit, especially to reputable companies such as FXTM.”

FXTM also places a great emphasis on education. “By placing our clients’ education at the forefront of our mission, we are striving to provide an environment where retail traders and investors from around the world can easily access the benefits of forex and attain their goals. We hold regular seminar events, workshops and webinars hosted by industry experts at key locations around the world.”

Expansion Mode

FXTM has long had a focus on fast-growing, emerging markets. “The company has managed to gain a strong foothold in both Africa and Asia, and we remain committed to continuing the development of our offering in these two regions. Asia in particular has gone through significant economic changes that have transformed the dynamics of the global economy. It has emerged as an engine of progress, resilient to the destabilising effects of the global economic crisis. I believe that there is great potential for the expansion of FXTM in Asia. For the next few years, our plan is also to expand and establish our presence in the Middle

East, where we are seeing a great need for diversification and also a great encouragement for the development of the private sector. We are also seeking to expand into Europe, a market that currently accounts for only 10 per cent of our business.”

Increased M&A Activity

Although the global FX landscape has become very competitive, opportunities to win additional market share are good, Olga Rybalkina thinks. “The real consequences of the fact that the Swiss National Bank discontinued the ‘CHF peg’ are just beginning to be revealed, and I can foresee a trend of mergers and acquisitions building up. Smaller companies, struggling with their finances, will be the target of larger players,” she explains, adding that the removal of the exchange rate cap on the Swiss franc and the events that followed did not have an adverse effect on FXTM itself. “We are constantly making sure that we are properly capitalised and always in line with the guidelines imposed by our regulators. Whatever negative balances were incurred by our clients’ positions in the

CHF pairs have been fully absorbed by the company,” she highlights. Nonetheless, a lot of volatility was injected in the global economy this year, and “I believe it is safe to assume that these unpredictable movements will continue well into 2015.”

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OLGA RYBALKINA

Towards the Future

Given these market conditions, Rybalkina says, that in the fast-paced world of forex it is crucial to be equipped with the latest trading technology. “For example, when trading through an online platform, traders need to know that their orders will be executed on time. Low latency between a broker’s server and the market is undeniably vital, and it can make or break the trust and consequently the relationship between client and broker.” Technology can also help companies identify new ways to drive business and the industry forward. “The astonishing rate of adoption of mobile trading is a perfect example of how technology can affect the industry. The advent of mobile internet technology has driven the adoption rate of forex trading since it perfectly complements its decentralised nature,” Olga Rybalkina says. ■

Making a Mark in Asia

China is one of the world's largest economies, and Cyprus-based company PriorFX is gearing up to cater to the ever-increasing appetite of clients in the Asian republic.

China's currency, the Yuan Renminbi, has soared in global FX trading and has become the ninth most actively traded currency in the world. Viktor Virszta, CEO of PriorFX, says that his firm caught on to the large opportunities China offers in order to drive growth and gain market share for the newly set up brokerage firm.

PriorFX is a relative newcomer on the FX scene. What would you highlight as the main achievements of the company thus far? PriorFX started its operations in 2014, after receiving our licence from the Cyprus Securities and Exchange Commission (CySEC). From the beginning, our shareholders backed the company through regular injections of fresh capital to maintain the necessary cash reserves and healthy capital adequacy ratios. In July 2014, we made a substantial break-through in the Chinese market. Demonstrating outstanding growth rates, the company reached a trade volume of US\$ 2 billion within the first six months of its activity, and we tripled this by the end of the year.

PriorFX is a Straight Through Processing (STP) broker. What are the main benefits for clients? An STP broker assures that the client's order goes directly to the FX market, without an intermediary. We provide a mixture of real time quotes for a broad range of

currency pairs from different liquidity providers, and the client can choose the best available one and make a deal.

Do you think most traders see forex as an entertainment or as a money-making tool?

Most of our clients are coming to us with the firm intention to make some money. We constantly stress that gains on forex are not pure luck. To be successful, you should constantly educate yourself and have a strong commitment and patience to follow a strategy, while managing all associated risks. To assist our clients, we give them access to educational materials and a system of non-live training accounts, where they can sharpen their skills and get the necessary practical experience.

Do you view increased regulation across the capital markets as a burden that has to be managed or as an opportunity for fast-growing, regulated trading venues like PriorFX? Actually both.



We understand the current trend for more regulation and the underlying reasons, such as the financial crisis and bankruptcies of institutions, which initiated these developments. While we support these developments, we noticed that FX trade regulations were implemented by squeezing them artificially into the existing Investment Markets regulatory framework, and not taking sufficiently into account FX's peculiarities and business practices.

With China as one of your core markets, which other countries are you seeking to place a greater strategic focus on?

We feel quite strong in China. We have a developed network of introducing brokers in a number of major cities and have built up a reputation for the fast and accurate repayment of funds to clients, as well as the quick and reliable execution of orders. We also feel comfortable in certain EU countries, such as Germany, Hungary, the Netherlands and the UK. In the next few years, we are planning to move seriously into Spain and later into some Spanish-speaking Latin American countries. We are also looking at Russia, the Emirates, Greece and Vietnam as potential strategic markets for PriorFX. ■



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