



FOREX BACKGROUNDER

GLOBAL FOREX TRADING, World Headquarters
4760 E. Fulton, Suite 201
Ada, MI 49301

phone 616.956.9273
toll free 800.465.4373
fax 616.974.3682

WWW.GFTFOREX.COM

INTRODUCTION

There are many advantages to trading forex (fx or currencies) over other markets, such as futures and stocks (a list of these can be found near the end of this book). However, one of the primary objections that is heard from futures and stock trading prospects is time – the time to learn, the time to research, and time to trade. It is quite clear that forex is the fastest growing market among retail investors in the world today. With a 24-hour-a-day liquid market, time is no longer a liability for those wishing to trade, especially as the growth-curve in forex continues.

The prospect list becomes exponential for a salesperson since forex trading allows for a greater probability to exceed overall sales goals. As we go forward through this book, you will see many advantages your customers will have in trading forex. More importantly, you will see the advantages of working with GFT, a worldwide leader in online currency trading.

We welcome you, and look forward to assisting you every step of the way by leveraging our experience, processes and our technology so that you can do what you do best - sell.

BASE AND COUNTER CURRENCY

Currencies are often quoted in terms of other currencies. For example, the per unit currency in the exchange rate is called the base currency. The other currency is called the counter currency, also referred to as a quoted or variable currency.

For example:

Currency Pair	Base Currency	Counter Currency
USD against JPY	USD	JPY
EUR against USD	EUR	USD
GBP against JPY	GBP	JPY

MARKET CONVENTIONS

In quoting major exchange rates, the market observes well-defined conventions. First of all, in writing a currency pair, participants in the market usually write the base currency first, then a colon, hyphen or stroke, then the counter currency. For example, USD/JPY stands for the exchange rate of USD against JPY quoted in terms of number of units of JPY per USD.

OTHER EXAMPLES

GBP/USD (called Cable or Sterling in market jargon) represents GBP against USD quoted in terms of US dollar per Sterling pound.

EUR/CHF (read as Euro Swiss) represents EUR against CHF quoted in terms of Swiss Franc per Euro.

In the international foreign exchange market, most market participants quote exchange rates in the same convention across all financial centers. Say for example, when a US dollar against Japanese yen exchange rate is being quoted, it is always expressed in terms of JPY per USD, and for Sterling pound against US dollar, it will be USD per GBP.

MARKET CONVENTIONS

Notation	Market Jargon	Market Convention
EUR/USD	Euro Dollar	USD per EUR
GBP/USD	Sterling Dollar	USD per GBP
USD/CHF	Dollar Swiss	CHF per USD
AUD/USD	Aussie Dollar	USD per AUD
NZD/USD	Kiwi Dollar	USD per NZD
USD/CAD	Dollar Cad	CAD per USD
EUR/JPY	Euro–Yen	JPY per EUR
EUR/GBP	Euro–Sterling	GBP per EUR
AUD/JPY	Aussie–Yen	JPY per AUD

NO PHYSICAL LOCATION

Except for those currency futures contracts traded over exchanges, the over-the-counter foreign exchange market has no physical location. Foreign exchange deals are transacted over telecommunication systems. Market participants in Europe may deal with their counterparts anywhere in the world provided that they are connected by certain systems.

TRADING HOURS

The global foreign exchange market operates 24 hours around the clock.

The trading day begins when market participants in Auckland, New Zealand start business. Then, Sydney joins in after a couple of hours. Tokyo, Singapore, Hong Kong and other Asian financial centers commence trading a few hours later. During Tokyo lunch-time, early birds from the Middle East, South Africa and Europe can be seen entering the market. When Asia is finishing, dealers across Europe are busy making trades among themselves. New York joins their European counterparts in the afternoon of European trading time. Finally, when North America dealers go home, players in New Zealand are about to start a new trading day. Therefore, at any time in a business day, there is always some center working.

There are, though, times during that 24-hour period when activity is higher than other timeframes. As mentioned previously, there are no centralized exchanges in forex. Every broker/dealer, market-maker, and bank is in essence their own exchange. There are three main epicenters of forex in the world, with London being the most active and greatest in terms of volume, followed by New York and Tokyo, respectively. Since forex is traded 24 hours a day and there are no centralized standards, opening and closing times do not exist. Trading never really begins or ends, it just becomes busier or lighter, but in general it follows the sun around the world.

Since liquid markets are possible around the clock in the foreign exchange market, GFT offers non-stop service starting at 5:00 p.m. EST, Sunday, until 5:00 p.m. EST, Friday.

HIGHLY LIQUID AND COMPETITIVE

With a huge number of participants in the foreign exchange market, it is highly liquid and competitive. Hundreds of million dollars change hands within seconds. The competition is so fierce in the market that the spread of quotations has become so fine that market players have to turn around large volume in order to generate meaningful revenue from foreign exchange trading.

SELF-REGULATED

The day-to-day operation of the global over-the-counter foreign exchange market is basically non-regulated. Although governments and central banks may be concerned about the orderliness of the exchange rate movement and intervene in the market occasionally, the foreign exchange market is free from any regulations that are common in other financial and capital markets. Players are free to enter and exit the market, trade whatever amount and whichever currencies they want to trade. The market is self-disciplined and many participants maintain high ethical and professional standards. The foreign exchange market is a showcase example that financial markets can operate effectively and efficiently with minimal supervision and regulation.

This doesn't mean, however, that the foreign exchange market is without regulation. In the U.S., the NFA and CFTC regulate FCMs and the SEC and NASD regulate broker/dealers. Banks though, are regulated under different guidelines set forth by the FED. Other firms around the world may or may not have any regulating authority, depending on country of origin.

THE SPOT FOREIGN EXCHANGE DEAL

A spot foreign exchange contract is an agreement between two parties to exchange one currency for another for delivery on the second business day after the transaction date. The delivery date is also known as the value or settlement date.

For example, today is 3 April 200X, Thursday, ABC Bank and XYZ Company entered into a spot deal where XYZ Company bought 2 million US dollar against Japanese yen at an exchange rate of 120.00 from ABC Bank.

Note that the value date of the transaction is Monday, 7 April 200X which is two business days after the transaction day 3 April 200X. Generally, major currencies may not be settled on Saturdays, Sundays or bank holidays, since these are not business days.

However, in leveraged foreign exchange trading, contracts are not intended to be settled with physical delivery of the two currencies involved. Rather, the contracts are settled by offsetting trades. For example, a client who bought USD100,000 against the JPY at 118.00 and sold back USD100,000 against JPY at 120.00 on the same day need not deliver the currencies involved in the deals, but receive the difference between the two deals calculated as:

USD 100,000 x 118.00 = JPY 11,800,000
USD 100,000 x 120.00 = JPY 12,000,000

Difference = 200,000 JPY at settlement or conversion rate of .008333 USD per 1 JPY
Client receives \$1,666.66 into their cash account at settlement

HOW CURRENCIES ARE QUOTED

An exchange rate is the price of one currency expressed in terms of another currency. It is commonly quoted as one unit of a currency against certain unit(s) of another currency, or certain unit(s) of another currency per one currency.

For example:

USD 1 = JPY 120.00
EUR 1 = USD 1.0800
GBP 1 = JPY 196.00

TWO-WAY PRICING

Foreign exchange deals are typically done in a direct fashion through GFT. When a customer wants to make a trade, he/she may call up GFT's 24-hour dealing desk to request a quote or view GFT's two-way real-time pricing via DealBook® FX 2. Normally, the party asking for the quote does not need to disclose his interest or intention to buy or sell. Not knowing what the caller wants to do, GFT will quote a two-way price that comprises the buying and selling prices.

ORDER TYPES

While there are similarities between all markets, trading forex with GFT does have its advantages, especially when it comes to order execution.

- Limit Orders are filled when touched rather than traded through. Time spent wondering if your limit was taken in will be better spent designing your next trade.
- Stop Orders are similarly filled when touched rather than traded through, which along with the immense liquidity, negates the possibility of slippage in a normal market. Throw in the ability to establish a trailing stop order that the customer can setup and cancel replace orders are history.
- Market Orders are initiated directly with the dealing desk hence the price you wanted to trade at will be the price you are filled at.
- Direct Deals allow a customer to see streamable two-way pricing at all times. When the customer chooses they can hit the bid or offer and be executed and verified immediately within seconds.
- OCO Orders offer all the benefits associated with the futures market, and managing the orders can be done from the customers fingers as many times as that customer desires, which also frees up the broker's time.
- Parent Contingent is an order that allows a customer to passively plan and manage the order instead of being tied down to their platform. They need only indicate the "entry" or "parent" order and then attach their contingent protection order that will lie dormant until parent order is executed. Once that happens the contingent orders become fully working orders automatically.
- All orders are good until cancelled (GTC) so there is no need to have to replace the same order day after day.

GFT places a premium on information, and in so doing, has allocated the resources to DealBook® FX 2 that allows it to immediately confirm executions and display the transaction information in real time on the customers platform and statements. The customers account is marked to market in real time, 24 hours a day. All open positions are reflected in FPL (Floating P/L) and its effect on equity and available margin are in real time as well.

SPREAD

The spread is the difference between the bid and offer. This can be seen as the potential source of profit for a market-maker who quotes the price, and transaction cost for the market-user who deals on the price quoted by the market-maker. Of course, the market-maker would prefer a wider spread and the market user a finer spread. With the competition in the

foreign exchange market, market-makers generally do not have much room to play with the spread but only to observe the market norm.

The spread a market-maker quotes depends much on many different factors:

Market condition:

- Stable or volatile market
- Transaction amount—standard price for marketable amount
- Market-maker’s own position
- Market-maker’s view on next movement of the exchange rate
- Relationship with the market-user
- Competition among market-makers
- Currency pair quoting

Market players usually talk about spreads in pips. A pip is one unit of the last digit of the usual quotation for a given currency pair.

Examples of GFT Spreads:

Cross	Spread	Spread Example	Depth
EUR/USD	3	1.3013— 16	20m
USD/JPY	3	102.50 —53	20m
GBP/USD	4	1.8900—04	20m
USD/CHF	4	1.1600—04	20m
AUD/USD	5	.8000—05	20m
USD/CAD	5	1.2000—05	20m
EUR/JPY	4	136.00—04	20m
EUR/GBP	4	.7000—04	20m
AUD/JPY	5	78.00—05	10m

SETTLEMENT

There are different ways to settle a foreign exchange transaction. Most of the deals done among banks involve physical delivery of foreign exchange. Typically, the currency is settled in the country of the currency through telegraphic transfer. For instance, USD payments are effected in the U.S., mainly in New York City, JPY in Tokyo, and EUR in the Euro-land.

As mentioned earlier, for leveraged foreign exchange trading, physical delivery is not intended and settlement is through an offsetting deal so only the difference between the original and the offsetting deal will be paid or received.

AMOUNT

When referring to amounts, market participants like to use abbreviations. For example in the USD/JPY cross “one dollar” would normally mean a million USD. For example, “I am long 3 dollar yen” would mean “I have a long position of 3 million USD against JPY”. Sometimes, it could even be abbreviated as “I am 3 long.” In a EUR/USD position, a trader would say I am long 1 Euro against the USD, meaning long 1 million euro dollar.

Also, one yard equals one billion.

PIP VALUE

Pip values are either static or dynamic depending on the base currency used. Since the counter currency is the P/L currency, base currency profit and loss amounts are determined by the conversion rate back into the base currency.

Therefore, the pip value is determined by the counter currency as well. For example, from a USD point of view, if a transaction is done in EUR/USD or GBP/USD then the P/L is already in the currency desired and no conversion is necessary. In these cases, if a customer is making a standard trade of 100,000 currency units, the pip value would be \$10 all of the time.

On the other hand, if a transaction is done in USD/JPY or USD/CHF then the P/L is held in a currency that will need to be converted back into the “home” or base currency the customer is using. In these cases, the pip value would change as the market or exchange rate of that currency fluctuates.

In DealBook® FX 2, the pip value is calculated for the customer through a feature called “Pip Calculator” no matter if the pip value is dynamic or static.

MARGIN SYSTEM

As the name of leveraged foreign exchange trading implies, such activity involves the use of leverage. Leverage is achieved through the mechanism of a margin system. A margin system involves three important elements:

- Initial Margin
- Maintenance Margin
- Margin Call

INITIAL MARGIN

Before making a trade, the customer is required to have a certain amount of funds in his margin account with GFT. This is known as the initial margin requirement. The initial margin usually represents a certain percentage (anywhere from 1 to 100 percent) of the value of a new open foreign exchange position a trader intends to take. In foreign exchange trading every FCM, broker/dealer and bank set its own margin requirements. At GFT, a customer is required to post at least 1 percent of the USD value of the position they are entering, and therefore can receive leverage of up to 100:1 on their position. A client, if desired, has the ability to set their margin requirement at any percentage they wish provided it is higher than the 1 percent of the minimum set by GFT.

A customer's margin requirement will also depend on what currency cross is being traded and also denomination of account. For a customer with a USD-based account, a trade being done for 1 lot (100,000) of USD/JPY would require initial margin of \$1,000 or 1 percent of the USD value of the trade being done ($\$100,000 \times 1\%$). If a customer with a USD-based account is making a trade for 1 lot (100,000) of EUR/USD, the initial margin requirement would depend on the current rate of exchange or how many USD could be bought with 100,000 Euros. If the market was quoting 122.00 for 1 EUR/USD, meaning 1 EURO can be exchanged for 122 USD, the margin requirement would be \$1,220 ($100,000 \text{ Euro} \times 122 = 122,000 \text{ USD} \times 1\% = \$1,220$). The margin requirement in this example would be constantly changing as the market fluctuates.

MAINTENANCE MARGIN

After the trader has taken an open foreign exchange position, changes in the exchange rate will result in a profit or loss. GFT's DealBook® FX 2 will continuously mark the customer position to the market in real-time (i.e., comparing the market price and the cost of the position to work out the profit or loss). As the customer's profit and loss from their open position fluctuates (this is called floating P/L in the customer's margin account) so does the trader's equity, in real-time.

In cases where the market moves against the client and his margin balance decreases dropping below the predetermined maintenance margin level of 25 percent of the initial margin requirement, GFT will liquidate all of the customer's positions. Currently, GFT requires traders to have a maintenance margin level of not less than 25 percent of the initial margin requirement. Should the customer incur a loss that exceeds their remaining balance after his position is closed, they are liable for the resulting deficit in the account. This means a customer's total account equity would have to fall below 25 percent of the positions' initial margin requirement to be liquidated.

MARGIN CALCULATIONS

Let's look at an example to illustrate how the margin system works. Suppose the initial and maintenance margin requirement of a customer is 1 percent and 25 percent of the initial margin requirement, respectively. The client wants to take a short position in EUR/USD for an amount of EUR 100,000 at the currency market rate of 1.2200. Client's total account equity is \$5,000.

First of all, the initial margin required would be $\text{EUR } 100,000 \times 1.2200 \times 1\% = \$1,220$. Next, we calculate the level of EUR/USD where the maintenance margin requirement level will be. We know that the initial margin requirement is \$1,200, 25 percent of which is \$300, meaning the client has a cushion of \$4,700 or 94 percent of the total equity before liquidation. The \$1,200 requirement is still maintained as equity in the customer's account. In order for a customer to lose \$4,700 on a 100,000 EUR/USD position the market would have to go 470 pips against the customer, or to a price of 1.1620, for liquidation to occur. ($\$4,700 / \$10 \text{ per pip} = 470 \text{ pips}$, $1.2200 + 470 = 1.1620$)

PROTECTION AGAINST

The margin system is created on the one hand to facilitate the ability for traders to make efficient use of their capital by means of leverage, and on the other hand to protect GFT from counterparty risk. In theory, the maintenance margin requirement is used as a cushion against adverse market movement. However, it is not unusual for movement in the foreign exchange market to be so substantial that customers' margins are wiped out totally before the customers may be called to replenish their margin.

Therefore, because market conditions can be volatile throughout the 24-hour day forex is traded, GFT continuously "mark" customer positions to the market in order to protect itself from, and to keep the client informed of, the possible risk arising from their inability to maintain the necessary margin in their account.

CONTRACT SIZE

Most broker/dealers and FCMs set a standard contract size for their leveraged foreign exchange contracts and trade in terms of number of Lots. It is not a common practice to follow the contract size of those currency futures contracts traded on the International Monetary Market (IMM) of the Chicago Mercantile Exchange (CME). In retail forex, the standard contract or lot size is 100,000 currency units worth of the base currency. With institutional trading, however, trades can be on a volume specified rather than set contract sizes.

CARRYING COST / GAIN

When a customer carries an open foreign exchange position overnight, it will incur a carrying gain or cost as a result of the interest rate differential between the long and short currency. For example, a trader who is short USD / long JPY would have to pay a higher USD interest rate but receive a lower JPY interest rate and thus results in a negative carrying cost.

GFT's Deal Book FX 2 is a net-based platform rather than a position-based trading program. This means that at the end of each trading day (approximately 15:00 EST), all open positions are closed out as a net amount of transactions done that day, then reestablished as that same net amount immediately on new day from the open price. This process takes less than a second to occur.

Even though the transactions are netted out at the end of the business day, they are itemized on the customer's statement for the day they were executed. The platform, however, will always present the net amount to a customer rather than individually.

CALCULATION OF CARRYING COST

A broker/dealer pays an interest rate of 0.125 percent p.a. for a long JPY position and charges a 2 percent p.a. interest rate for short USD position, so what will be the carrying cost for one day if a trader is long 100,000 USD / short 12,500,000 JPY?

Suppose the USD/JPY rate is 120.00, the carrying cost will be $12,500,000 / 120 \times (2\% - 0.125\%) \times 1 / 360 = \text{USD } 5.41$

On the other hand, if a client longs a higher interest rate currency against a lower interest rate currency, carrying the position overnight will generate an extra gain.

TOM NEXT ROLLOVER

IMM (International Monetary Market) Dates

Currency futures are priced to set settlement dates. The interest rate differential between the two currencies involved are taken into account and the buyer pays a premium or receives a discount on the transaction.

Spot currency transactions are priced trade date, plus two days. If a customer wishes to hold a position to the next value date, the position must be rolled to the next value date.

VALUE DATES

Each foreign exchange transaction has an assigned value date which is usually two business days after the execution of the transaction. The profits and losses will then settle into the cash account.

It is implied that when a trade is executed that delivery will occur on this value date. However, the majority of individuals are speculators and do not have any intention of taking delivery of a currency. Tomorrow Next Day (TOM NEXT) procedures are the way around taking delivery.

If a customer opens and closes a position with the same value dates the position will not have to be "rolled over" to the next value date. This is because payment for the purchase or receipt for the purchase has already been completed and will settle on the same business day.

If a customer holds a position to the next value date and does not wish to take delivery, the position must be closed out of the current value date and then reopened for the new value date. The TOM NEXT procedure allows traders to do this.

THE PROCEDURE

Everyday at 3 pm EST (new value) a swap procedure is performed on all current open positions. All of the open positions are closed at the determined closing rate and any profits or losses from the entry price to the closing price are

realized. The position is then reopened in the same direction and same volume at the new opening rate plus or minus an interest payment from the closing rate.

This swap happens instantly and will demand a small interest payment paid by the customer or a small interest payment paid to the customer depending upon which currency of the two in the currency pair the customer is holding. Remember, customers are holding the currency that they have bought and selling the opposite side, and the customer is borrowing the currency they have sold and buying the opposite side. For example, a customer is long USD/JPY. This means that the customer bought and is holding the USD and has sold and is borrowing the JPY. Generally, if the customer is holding the currency with the higher interest rate then they would receive an interest payment. If the customer is holding the currency with the lower interest rate the customer would pay an interest payment. These payments are paid or received during the establishment of the new opening rate in the form of a better or worse price after the swap has taken place.

WHY DO WE USE TOM NEXT?

Customer buys 100,000 USD/JPY at a rate of 109.46 on October 18. This means that the customer bought 100,000 USD and sold 100,000 US dollars worth of Japanese Yen, which at the price of 109.46 is 10,946,000 Japanese Yen. The value date of this transaction is October 20. The customer's account would receive or be credited 100,000 US dollars since he bought US dollars and sold or debited 10,946,000 Japanese Yen.

If the customer exits the position before the end of the day, both sides of the transaction would have occurred on the same value date and the customer would have 100,000 USD that was sold at a particular rate to pay for the buy transaction that took place earlier in the day.

If the customer does not exit before the end of the business day, he would not have any funds available in the account to pay for the 100,000 USD he bought.

TOM NEXT procedures allow customers to hold a position to the next business day by closing the position with the current value date so all of the debits and credits associated with the trade match up and all funds are available to meet these requirements and then the position is reopened for the new value date.

HOW TOM NEXT IS APPLIED

GFT takes all positions that are open at 3 pm EST and closes the position out at the closing rate. This will be displayed on the customer statements as RCL, or Roll Close. For our example the closing rate in the USD/JPY on October 18 was 109.40. Earlier in the day the customer bought 100,000 USD at a price of 109.46 and subsequently sold 10,946,000 JPY. As a part of the rollover process he has just sold 100,000 USD and subsequently bought 10,940,000 JPY, netting the customer a loss of 6,000 Yen.

This is not the end since the customer is still in the position. So after the current value is closed it is reopened with the new value date. The order that is placed to reenter the customer's position is displayed on the statements as ROP, or Roll Open, and the new value date would be October 21. The swap rate that determines the ROP order is called a TOM NEXT rate. These rates represent a small interest rate payment that the customer will either pay or receive for holding the transaction into the next business day.

The paying or receiving of interest is determined by which currency of the two in the cross the customer is holding, or bought. If the customer is holding the currency with the higher interest rate, the customer will receive a discount in the form of a certain number of pips. If the customer is holding the currency with the lower interest rate, the customer will pay a premium in the form of a certain number of pips. For our example, the customer is long USD and was holding the currency with the higher interest rate and, therefore, received a discount. The ROP price for the customer was 109.3950, which is a half-pip better than the RCL of 109.40.

The customer will have 100,000 USD credited to their account at a rate of 109.3950 (i.e., that he sold 10,939,500 JPY for the new value of October 21). This process will take place again if the customer continues to hold the position into the next business day or if the customer exits, the P/L (profit/loss) will be applied to the account accordingly.

TOM NEXT SUMMARY

All positions that are open at 3 pm EST are rolled over to the next business day or value date. The open positions are closed at the closing rate and realize any profits or losses from the entry price to the closing rate. The positions are then reopened either receiving a discount or paying a premium depending upon which currency of the two that the customer is holding and which has the higher rate of interest. The only difference in the account will be the swap rate applied to the position which is the difference between the RCL and ROP.

OUR AWARD-WINNING PLATFORM:

DealBook® FX 2

Bundled within DealBook® FX 2, we've included a world-class charting application in one, simple interface that allows traders to conduct trades directly from the chart - on live, tradable forex prices. Even the most active traders can track open positions, close out existing positions or protect current positions without the worry of common order-entry errors, including monitoring stop, limit, and OCO (order cancels order) orders visually from the charts.

Monitor forex market changes as they occur, tick-by-tick, minute-by-minute, hour-by-hour, daily, and monthly or specify the range of currency data to view. Traders can also view foreign currency data using six types of forex charts: lines, point-and-figure (PF), bars, Japanese candlesticks, Kagi or three-line break.

Historical data is also available - preload up to 1,000 periods of data for a given foreign currency pair. Traders can test their forex trading strategy or forex systems over a chosen historical period by either using existing indicators or tailored indicators they create.

Other features of DealBook® FX include:

- Free real-time news, quotes and charting all in one software package
- Design and build your own technical indicators with Chart Studio™
- Quickly trade directly from the charts or with our one-click interface.
- No slippage on stop-loss or limit orders — instant fills on orders**
- The most robust automatic trailing stops in the industry.

Base 10 Trading™

With Base 10 Trading™, you are not locked into large minimum lot sizes, giving you extreme flexibility when trading currency. You are no longer restricted to trade minimum lot sizes or deal with complex mini or fractional-based forex trading accounts.

With Base 10 Trading™, you can adjust your lot size either by using a minimum volume of 10 units or by forex trading with any multiple of 10. Not only does Base 10 Trading™ give you more freedom, it takes care of the inherent problems with forex mini accounts that can cause you to over-leverage when trading currency. By setting the lot size, you are setting your FX trading to match your level of risk tolerance.

Two unique platforms for money managers

With DealBook® FX 2, forex money managers of multiple accounts or multiple funds can create allocation schemes before the time of transaction to achieve maximum execution speed. DealBook® FX 2 offers custom block-trades based on percentage-splits or contract/lot splits. Managers can create unlimited numbers of allocation schemes to choose from allowing the manager to customize different allocations for different strategies or different customers with varying tolerances of risk.

Multiple modes: With Fund Manager Mode 1, orders can be placed in aggregate mode (fund manager places 1 trade for all accounts) or solo mode (trade each account separately). Fund Manager Mode 2 only allows for aggregate orders. With Fund Manager Mode 1, professional money managers, or other Global Forex Trading clients, can trade more than one account concurrently and fund managers can allocate the number of lots for each managed account to be traded.

With Fund Manager Mode 2, professional money managers, or other Global Forex Trading clients, can trade more than one account concurrently using a percentage-based allocation. Clients can log into the account and see transactions in their detailed transaction report that were made by the fund manager as if they were made by the user himself.

About DealBook® FX Mobile

With DealBook® FX Mobile, we deliver the power of DealBook® FX 2 to traders who are using wireless technology. In fact, we've created software in a wireless platform that's comparable to most broker's PC-based applications. The Enhanced version for pocket PC users includes standard features, such as live streaming quotes, full-color charting, complete access to

real-time transaction history, account statements and position, margin and risk-analysis.

PRIVATE-LABEL PROGRAM

GFT's Private Label program for referring parties offers other firms or financial services organizations the opportunity to get their own version of DealBook® FX 2. Our team of technology specialists will develop a made-to-order version of DealBook® FX 2 (also called white label deals) these types of organizations. Not unlike the exclusive private label programs in other industries, we can seamlessly deliver the same cutting-edge forex trading software to your clients.

We provide the highest levels of service and support to our referring parties, too. Many referring parties choose to customize GFT's proprietary online forex trading platform with their own look, feel and brand. Referring parties can also implement their own custom indicators or technical studies, broadcast their own analytics and services to their clients, directly from within their forex trading applications (GFT can handle all of the billing).

GFT's Back-office operator:

GFT has developed a sophisticated, yet simple-to-use, virtual back-office program called Referring Parties Systems. GFT's RP Systems gives you the ability to train your clients on the various features of DealBook® FX 2, customize or limit what clients can use, or manage various user groups and accounts. In addition, the RP Systems also contains tools for user and account management as well as full reporting services.

- No back-office concerns, complete back-office solutions are maintained by Global Forex Trading.
- Real-time online monitoring and reporting for all of your clients and you.
- No month-end reports; get real-time reports from your own customized referring party interface. Chat with your clients, monitor their online currency trading activity, check on fills, orders, and order history.
- Diagnose customer issues in real-time without having to wait.
- Increase your client-base and profit margins while focusing your efforts on acquiring and retaining new clients.
- Create a customized compensation package with our competitive pricing system to make DealBook® FX 2 unique to your business.
- We handle all administrative details, such as accepting and approving account applications, funds transfers, account queries and customer service.
- DealBook® FX 2 eliminates individual trade overhead costs, including trade confirmation, account statement, and margin control. Clients can login to their own trading account and view all account details at any time.

DealBook® FX 2 Supports Multiple-base Currencies.

GFT's trading platform also supports multiple-base currencies, including Euro and Japanese yen. The Australian dollar. Great Britain pound and Swiss franc are expected in the first quarter of 2005

POINTS OF DIFFERENCE BETWEEN FOREIGN EXCHANGE AND OTHER MARKETS

FOREX VS. FUTURES

Highly Trending markets

Because the foreign exchange market gaps are very limited (the market is closed briefly on weekends), it's not dramatically affected by buying programs that allow it to be easily manipulated. The forex market offers some of the smoothest trends available in any market. No other market can come close to the amount of monetary volume and participation as the forex market making it a haven for traders not having to deal with gaps and price movements, erratic spikes and other choppy market conditions more commonly experienced in the lower volume markets, like futures or options.

No Commissions* or Hidden Fees

Though some speculators are unaware, all financial markets have a spread (the difference between the bid and ask price). In the futures market you are not only paying the spread, but you are also paying commission charges, clearing and exchange fees on top of the spread. Ticker prices in the futures market typically signify the last traded

price, not the spread. Global Forex Trading offers you commission-free* trading on tradable prices. In a sense, what you see is what you get, allowing you to make quick decisions on your forex trades without having to account for fees that may affect your profit/loss or slippage between the price you have just seen on the ticker and the price upon which the order will be filled.

Better Leverage

Trading in the spot currency markets provides advantages over trading currency futures contracts. One of the main advantages for traders trading spot currencies is the margin rate or leverage that clients are given. In spot currency trading, customers receive one low margin rate for trades done 24 hours a day. In currency futures trading, the client has one margin rate for "day" trades and one margin rate for "overnight" positions. This can become a hassle for traders and decreases the overall tradability of the currency futures markets. Margin rates in spot currency trading vary from around 1 to 5 percent depending on the size of transactions a particular trader initiates. Global Forex Trading's spot currency trading gives the customer one rate all the time, no hassles and no margin calls. One rate so that the trader can manage their own risk efficiently and simply.

24-hour Trading

Since the forex market, in a sense, follows the sun around the globe, it rarely experiences periods of illiquidity. What this means is that any trader in any time zone can trade forex at any time during the day or night. You no longer have to wait for the market to open when news has already hit the streets or have to stop trading because the CME, CBOT or other American futures pits have closed for the day. This gives the forex trader added flexibility and continuous market opportunities that just aren't available in futures.

To explain the global effect on the forex market, there are three main economic zones that are linked throughout the world. For instance, when the Pacific Rim markets such as Japan and Singapore begin to slow, the European markets of England, Switzerland and Germany begin. These forex markets are followed by the North American markets of the United States, Canada and Mexico. As the North American markets begin to slow down for the evening, the Pacific Rim starts their trading day again. This example shows that you are no longer limited to trading using a comparatively short, trading day offered by U.S. markets only.

Foreign exchange is one of the few true 24-hour markets. When trading forex, clients enjoy unparalleled liquidity 24 hours a day. In many futures markets, however, the overnight access available to traders is simply window dressing. The lack of liquidity and restrictions on what types of orders a client can place make trading and protecting positions a nightmare.

A good example is the Globex market. While the Globex market is only closed for a 15 minute period each day, the liquidity available after the open outcry market is closed in Chicago is normally very low. Spreads are wider and the ability to place larger orders is non-existent. Because of this, most volume traders are forced into trading the exchange for physical market overnight. The EFP market is the spot market priced in futures pricing. EFP's, however, come with additional fees and are not available from an electronic interface. Electronic access, speed, no fees and unmatched liquidity, 24-hours-a-day makes spot forex the choice for the foreign currency trader.

Forex Methodology

Foreign exchange is the principal market of the world. If you study any market trading through the civilized world everything is valued in money, the root of all pricing. Global finance is the distribution and redistribution of money throughout different channels and different financial derivatives. Trading spot currencies can be done with many different methods and you will find many types of traders. From fundamental traders speculating on mid-to-long term positions based on worldwide cash flow analysis and fixed income formulas, to the technical trader watching for breakout patterns in consolidating markets or the Gann fanatic looking to duplicate the techniques of W.D. Gann, the methods for trading foreign exchange are many. Spot currencies are a great market for the "trader." It is where "big boys" trade and can provide both large profit potential as well as commensurate risk for the speculator.

* GFT is compensated by revenues from its activities as a currency dealer, including proceeds from buying, selling, converting as well as holding currencies and interest on deposited funds and rollover fees.

FOREX VS. STOCKS

Historically, the majority of the general public has viewed the securities markets as an investment vehicle. In the last ten years securities have taken on a more speculative nature. This was perhaps due to the downfall of the overall stock market as many security issues experienced extreme volatility because of the irrational exuberance displayed in the marketplace. The implied return associated with an investment was no longer true. (If indeed it ever was.) Many traders engaged in the daytrader rush of the late 90's only to realize that, from a leverage standpoint, it took quite a bit of capital to day trade, and the return while potentially higher than long-term investing was not exponential. After the onset of the daytrader rush, many traders moved into the futures stock index markets where they found they could leverage their capital greater and not have their capital tied up when it could be earning interest or making money somewhere else. Like the futures markets, spot currency trading is an excellent vehicle for pattern daytraders who desire to leverage their

current capital to trade. Spot currency or forex trading provides more options, greater volatility and stronger trends than currently available in stock futures indexes. Former securities daytraders have an excellent home in spot foreign exchange (forex).

No Middlemen

Centralized exchanges provide many advantages to the trader. However, one of the problems with any centralized exchange is the involvement of middlemen. Any party located in between the trader and the buyer or seller of the security or instrument traded will cost them money. The cost can be either in time or in fees. Spot currency trading does away with the middlemen and allows clients to interact directly with the market-maker responsible for the pricing on a particular currency pair. Forex traders get quicker access and cheaper costs.

Buy/Sell programs do not control the market

How many times have you heard that "fund A" was selling "X" or buying "Z"? Rumor had it that the funds were taking profits because of the end of the financial year or because today is "triple witching day," all as an explanation of why this stock is up or the market in general is down or positive on the session. No matter what your broker says the stock market is very susceptible to large fund buying and selling, and it is not uncommon for a fund to run a particular issue for a few days. In spot currency trading, the liquidity of the forex market makes the likelihood of any one fund or bank to control a particular currency very slim. Banks, hedge funds, FCM's, governments, retail currency conversion houses and large net-worth individuals are just some of the participants in the spot currency markets where the liquidity is unprecedented.

Analysts and brokerage firms are less likely to influence the market

Have you watched TV lately? Heard about a certain Telecomm stock and an analyst of a prestigious brokerage firm accused of keeping its recommendations, such as "buy" when the stock was rapidly declining? It is the nature of these relationships. No matter what the government does to step in and discourage this type of activity, we have not heard the last of it. IPO's are big business for both the companies going public and the brokerage houses. Relationships are mutually beneficial and analysts work for the brokerage houses that need the companies as clients. That catch-22 will never disappear. Foreign exchange, as the prime market, generates billions in revenue for the world's banks and is a necessity of the global markets. Analysts in foreign exchange don't drive the deal flow, they just analyze the forex market.

8000 stocks vs 4 major currency pairs

There are approximately 4,500 stocks listed on the New York Stock exchange. Another 3,500 are listed on the NASDAQ. Which one will you trade? Got the software? Got the time? In spot currency trading, you have 4 major markets, 24 hours a day 5.5 days a week. You have approximately 34 second-tier currencies to look at in your spare time (if you are so inclined). Concentrate on the majors, find your trade. Spend your afternoon on the golf course or with your kids (instead of with your eye doctor trying to diagnose why you are seeing double).

Commission free*

Simply put: no commissions*, no clearing fees, no exchange fees, no government fees, and no brokerage fees. Sure there may be different names for different fees at different places, but in spot currencies no commissions* means just that—NO COMMISSIONS*.

Same price for broker assisted trades

No premium for calling in orders, whether or not you trade forex via the phone, use market orders, stop orders, limit orders or even contingent orders. In spot currency trading you do not have to worry about extra charges. Ever wonder why a securities brokerage house charges you more if they have to guarantee you a price than if you give them a market order with no price qualifier? Well you don't have to worry about it if you trade the currency markets.

Trade off of your profits

Ever been up on a stock and wished you could leverage that profit and get in a little more of the issue? In spot currency trading you can. Use your open profits to add to your positions. As you gain experience, experiment with pyramid trading strategies. The options are endless because the market is cutting edge.

* GFT is compensated by revenues from its activities as a currency dealer, including proceeds from buying, selling, converting as well as holding currencies and interest on deposited funds and rollover fees.