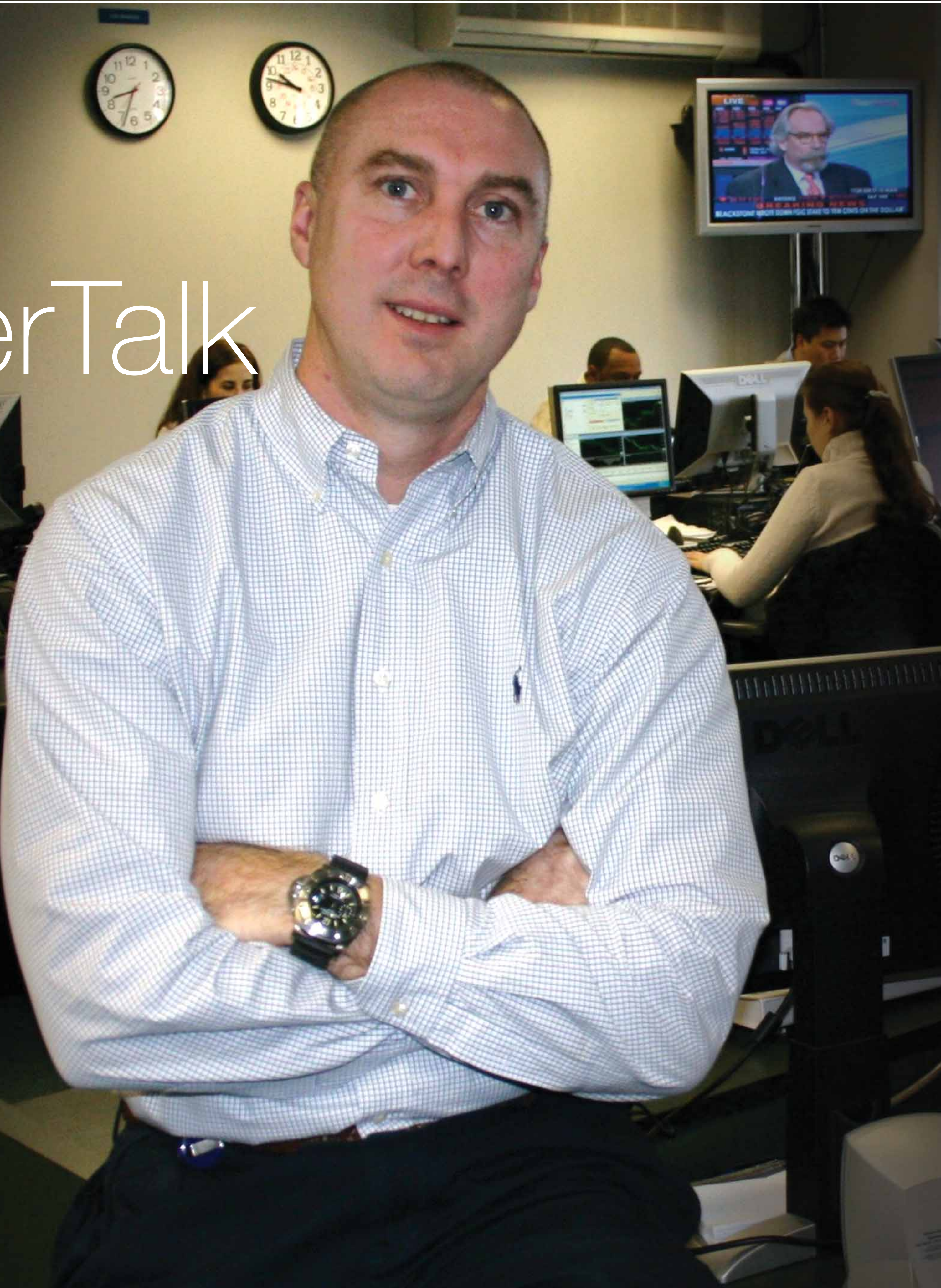
TraderTalk



With Tim O'Sullivan, Chief Dealer at GAIN Capital Group

Tim, how long have you been trading in the currency markets and what do you particularly like about your occupation?

2008 will mark my 21st year in foreign exchange. During my tenure, I have witnessed the migration of trade execution from the telephone to the Internet. The technological advances over the past 20 years have truly changed both the dynamics of the FX market, as well as opening up this market to a new set of participants namely retail investors. In addition to gaining access to the FX market, retail investors are provided with a full suite of products & services – everything from institutional quality trading platforms to advanced charting packages, news, research and more. In my opinion, the retail FX providers have developed quite a robust offering in a relatively short amount of time.

In terms of my role at GAIN, perhaps the most satisfying aspect of my job is that I help shape our product & service offerings, everything from functionality of our trading platform to the type of research we make available to our customers. I enjoy the entrepreneurial aspect of working at GAIN, as it affords me the unique opportunity to work closely with many different groups within the firm - not just the trading desk- which is atypical of someone in my role at a large financial institution.

You manage the day to day operations of GAIN's trading desk, which handles over $100 billion in trade volume each month, which is a significant increase from a few years ago. How has the firm improved your trading technology infrastructure to cope?

We have made significant investments in our infrastructure in order to stay ahead of our growth in transactions and overall trading volume. We continually improve our software to be more efficient and, as a result, our trade executions times (on average) are faster every year, even as our transaction volume has increased. Likewise, our trading infrastructure has moved towards a more decentralized model to support the global nature of our client base – which now includes clients in over 140 countries. We have client-facing servers spread out over the globe, which allows us closer proximity to our clients and improves latency and overall system performance.

What major currencies and markets do you trade and are you currently focusing on any exciting new areas to expand these?

We currently focus on G-10 currencies because that's where the vast majority of trading activity is occurring today. Retail clients tend to migrate to the best spreads and the most fluid execution. Also, very liquid markets enable clients to express themselves without fear of extraneous shocks that could act as a short term negative. Point being, if a trader believes the dollar is going to weaken, the ride is likely to be smoother in a "major" currency.

That said, some of the emerging markets currencies can provide ample opportunity for those investors who have a greater tolerance for risk. As the global marketplace is increasingly defined by countries outside the G10, the risks inherent to trading local currencies are becoming more palatable. We also know that our retail clients desire the ability to trade their domestic currency. This trend is not likely to diminish anytime soon, and so we are planning to add several of the more accepted emergent currency pairs in the near future.

Over the last 5 years there has been remarkable innovation in FX trading technology. Where do think this has had the greatest impact on how you carry out your job? Is it really about improving operational efficiencies or has technology allowed you to diversify more and use methods/techniques not possible in a manual environment?

I would say that we consider ourselves as much a technology company as we do a trading company. Technology has definitely changed how we manage the trading desk. Over the years, we've developed a full suite of tools that help streamline desk operations, improve trader productivity, manage risk, and maximize desk profitability. Case in point: we have basically the same number of traders today that we had the first year of operations.

Back row left to right: Tim Radigan- Director, Back Office Operations, Anthony Piccolo-Senior Dealer, Scott MacGregor - Assistant Dealer, Ugur Arslan - Quantitative Analyst. Bottom row left to right: Stephen G. Reilly-Senior Dealer, Timothy O'Sullivan-Chief Dealer, Darren Zhang- Quantitative Analyst

Trading volume has increased exponentially during that time period, but we're able to manage and scale our volume with same number of traders because we've leveraged technology.

What particular advantages does working with a firm like GAIN, which has a proven trading platform and superior trading technology, given you?

Without question, I believe the employees at GAIN Capital have been a prime factor in our success. When assembling the management team in 1999, it was our dedication to the ideal that GAIN would become the premier operator in retail FX that drove founder Mark Galant to hire the team he did. All decisions from that point forward were conceived under the auspices that offering the best possible service, in all possible forms, would be the overriding goal. That culture remains very strong here almost 10 years later.

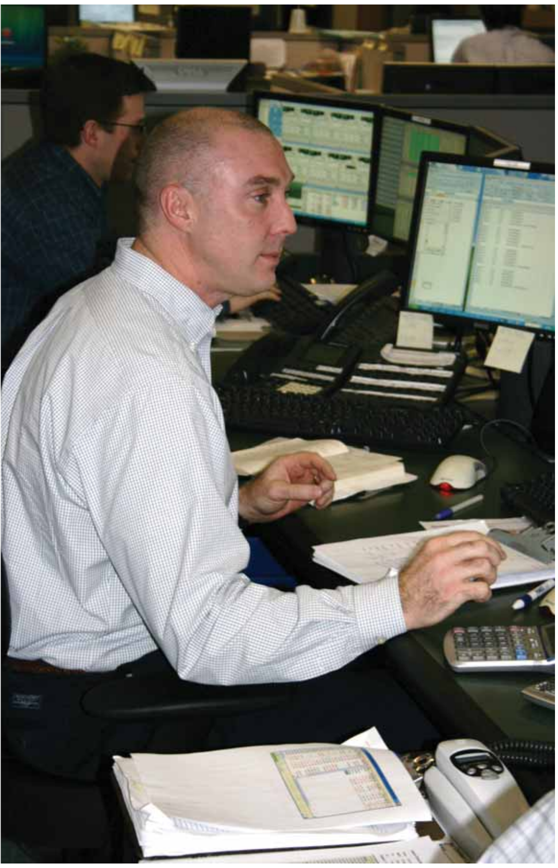
GAIN is regularly applauded for the quality of its currency predictions, which we have recently seen with your bearish and accurate position on the USD. How important are advanced techniques such as quantitative analysis becoming in helping you maintain your position on the currency forecast rankings leader-board?

There are many facets of our forecasting models but, to be honest, it is our fundamental analysis of the dollar that dictates the majority of our forecasts. Global interest rates have continually proven to be the best indicator of what is driving the major currency pairs. The recent drop in the USD Federal Funds rate has turned the USD into a funding currency. The key factor in this analysis is to determine to what degree lower yields in the United States have been factored in by currency traders. That is where the artistry of currency forecasting come into play – and watching our own customer flows also provides us with a strong indication of sentiment.

Volatility has returned to the markets. In the current environment, do you expect to be monitoring and measuring Risk more aggressively this year?

We have always managed risk very aggressively and consider it one of our competitive strengths. We utilize a combination of proprietary technology and an expert 24/6 trading team to monitor trading risk. Historically, we have proven that our proprietary risk management policies have worked extremely well in all types of markets and periods of volatility. Although we constantly review our proprietary models and make minor tweaks as we deem appropriate, we do not anticipate significant changes to our risk management strategy this year.

Do you feel that retail currency traders are becoming much more sophisticated in terms of the decision support and trade execution tools they are seeking and could that impact on how you manage the trading desk?



In my opinion, the evolution of the retail investor is really nothing short of incredible. Today, the most successful firms in the FX space are offering far more than just pricing and execution services. Tight spreads are still important, but increasingly clients are looking for more -- trading tools, automated trading capabilities, research, education & training, etc. I think that retail clients will continue to demand the very highest level of service.

The last few years has seen explosive growth in the overnight and electronic markets with systems needing to run 24 hours a day. Do you expect to experience substantial growth in automated and API-based FX trading?

Over the past year, there has been a lot of media coverage of algorithmic trading, with speculation that up to 25% of daily FX volumes are being generated by users of algorithmic models. Institutional investors, and hedge funds in particular, have dominated this area, but retail clients are increasingly sophisticated in this area as well. Savvy retail traders are developing algorithmic models and we've supported this trend by making our API available to clients who wish to automate their trading strategies. Currently, GAIN offers two APIs for automated trading - FIX and soap-based web services. Looking ahead, we anticipate that a larger percentage of retail forex volume will come from algorithmic trading models, as firms make it easier to implement systems-based models and more retail traders embrace them.

Many more investors are now looking at FX as an asset class, so one would anticipate seeing the volumes of your business continue to rise. What impact could the arrival of new players such as the big market making

banks have on your trading activities?

Generally speaking, having the banks arrive on the retail FX scene further validates FX as an asset class and is a positive for the industry. Over the past year, several banks have entered the retail FX market by white-labeling the technology of retail brokers. This strategy allows the banks to tap into the market expertise of their retail partner and leverage their experience acquiring and supporting retail traders. We expect to see more banks partnering with leading retail firms in 2008.

Looking to the future, where do you see increasing use of the electronic channel opening up and creating the most significant trading opportunities in the currency markets?

We expect to see more speculative trading activity in some of the emerging market currencies, including Mexico, South Africa, Singapore and others. Retail traders in these markets are now coming online and with the additional volume we should see improved liquidity. Liquidity begets liquidity, which will generate more interest & activity from FX traders.