



Gain Gets Cash Injection

US-based Gain Capital has received an equity investment of \$10 million at the completion of its most recent round of investment, money that it intends to use as a building block to create a global presence. The currency trading firm has also made a white label agreement with London Capital Group (LCG), a UK-based broker which specialises in electronic exchange-based markets, enabling the broker to make its first foray into the FX market.

The new investment in Gain was made by Tudor Ventures, the venture capital and private equity arm of Tudor Investment, which focuses on providing capital to mid and late stage technology and growth companies. "In addition to a growing, high margin revenue stream, Gain possesses many of the characteristics we look for in an investment opportunity, including a strong management team, a capital efficient business model, and a strong competitive position," says Bob Forlenza, managing partner at Tudor Ventures. "Gain's demonstrated ability to serve sophisticated foreign exchange investors and attract new participants to this market should create significant value over the next several years."

The financing is intended to support the company's ambitious global plans, rather than simply keep the company moving forward. "Management's primary objective for additional investment was not as a financing tool, but rather to affirm our accomplishments to date, jumpstart our international expansion plans, and provide liquidity to existing shareholders," says Mark Galant, CEO and founder of Gain.

Galant adds that the company has identified several key regions with large retail FX potential, and has already expanded its customer support team with the addition of Chinese, French, German, Japanese, Spanish and Russian speakers. It is also preparing further non-English versions of

the website, in addition to the six it currently offers. He expects the company to announce more detailed expansion plans at a later date.

Gain has had ambitions beyond its local retail market for some time, finessing its system at the end of 2002 to attract larger trades from CTAs and money managers. Competition in the space is increasingly fierce, and organisations that have got by and survived in their local markets over the past couple of years have all begun to eye each other's national or regional fiefdoms, perhaps a sign that the global economy is picking up. An advantage that Gain has, however, is that it is already established in the thin soil of US retail FX trading and as such, may find Europe in particular ripe for the picking, particularly if it makes its push against a backdrop of increasingly brisk trade at home.

GROWTH

Gain's campaign into the global market has already achieved momentum prior to the announcement of the new funding. "To date, we have implemented white label partnerships with more than 30 firms," comments Galant. "We actively seek new partnerships with firms who have an established local presence and, ideally, an existing client base. This offers end users the best of both worlds, access to a professional calibre trading platform together with local support services."

The company sees this approach as being exemplified by the agreement with LCG. "LCG is an excellent fit for Gain's white label programme," says Glenn Stevens, managing director at Gain. "They have a complementary business in futures, options and equities, an existing customer base of professional and individual traders, and a strong presence in the UK and Europe."

LCG now offers round the clock trading services through LC Forex, a newly creat-

ed division, using Gain's liquidity, execution and back office services in addition to the white label platform.

"By partnering with an established firm such as Gain, we are able to offer UK and European investors a professional calibre trading platform, as well as excellent liquidity and pricing," says Tim Finch, managing director of LC Forex. "Another important factor in our decision to work with Gain was their ability to quickly add support for Scandinavian currencies on the platform. This will be an important addition for our European customer base."

As part of the agreement, Gain is adding Swedish krona and Norwegian kroner against the euro and US dollar at the request of LCG. "97-98% of volume on the Gain platform is in the majors," says Stevens, "but where clients have a specific request to add a block of currencies, we can accommodate their demands. Our first goal is to be customer responsive, but within that, because the margin we operate on is very small, we have to be very careful about where we invest."

LCG is particularly interested in being able to trade Scandies because the company has a number of good client relationships in the region, says Finch. The company is also thinking of opening an office in Sweden to provide local support for its clients.

This is a deepening of the relationship between Gain and LCG. "LCG came in as a customer in January and were happy with using the Gain platform for their internal FX needs," says Stevens. "They then came to us and said that they wanted to extend the agreement and offer the platform to their external clients on a white label basis."

From Finch's point of view, offering FX externally through a link with Gain is a logical development for LCG. "LCG has historically been involved in futures and derivatives, and when we started to look

at FX, we wanted to look for the best trading platform. Gain's streaming rate platform offers instant execution with the full risk management tools we would expect to have as a user. Our initial requirement was our own platform to hedge our cross border equity positions, but from there it was a short step to give access to external clients, and from there we realised that we could deepen the relationship with Gain."

LONG TERM FORECAST

As noted earlier, the agreement with LCG means that Gain now has white

label agreements with more than 30 organisations, which Stevens sees as a reflection of the company's ability to respond to client requests. "Because Gain's trading platform is developed and managed in-house, we are able to customise many aspects of the platform to meet the needs of our white label partners," he says. "This is a major advantage for many firms as they have specific needs that will enable them to more effectively market the service to their local customer base. For example, by working cooperatively with their white label partners, the trading platform is now avail-

able in six foreign languages and we also support both US dollar-based and yen-based margin trading."

Stevens suspects that many people in the market expect the current focus on FX to wane, but he believes that there is likely to be more long term interest. "Fortunately or unfortunately, if equity markets go back to their former lofty levels, some people expect investors to back out of FX, but this is unlikely to be the case," he comments. "There is a new generation of people who are comfortable trading FX online and that learning curve will be sticky." ■