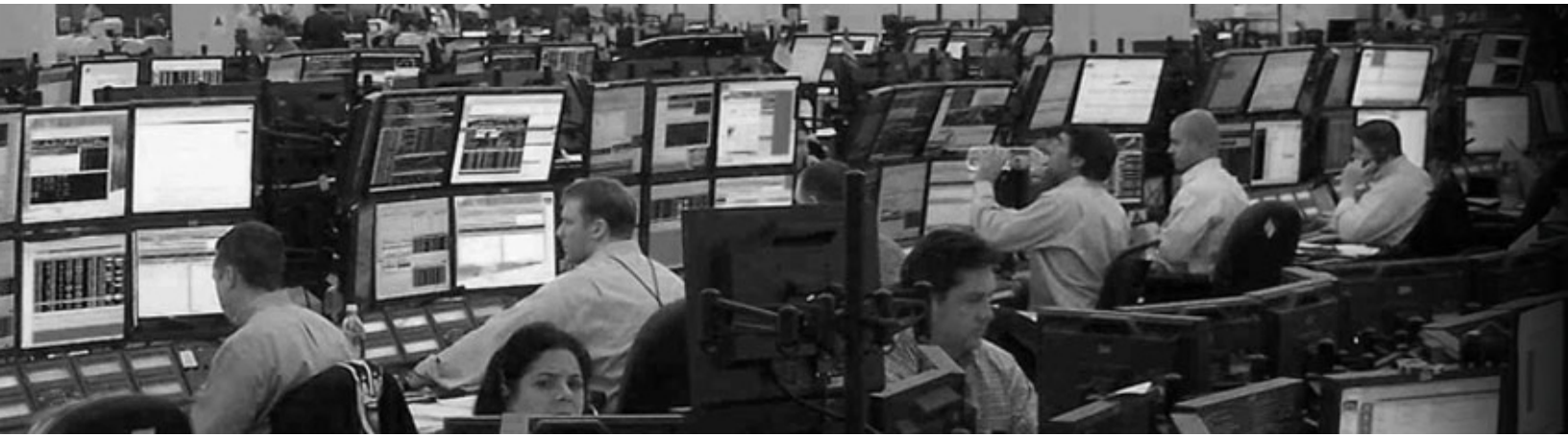

LATIN AMERICA FOREX MARKET OVERVIEW Q1 2012

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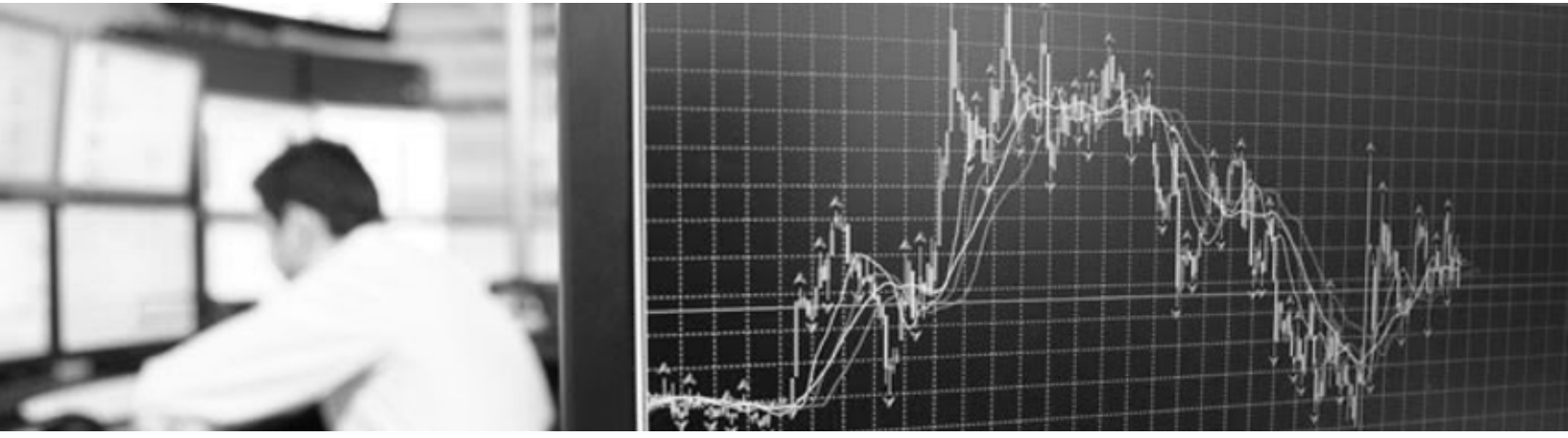

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Latin America has been the focal point of emerging market economies for the last few years, driving increasing focus and interest for most if not all business aspects and investments. This, naturally, has quickly effected the forex market mavens, causing tbrokers to set their eyes on the region.

This region is still quite a stranger to forex trading, other than institutional. However, as this report concludes per each country, some crucial factors have contributed in creating what is now an increasing stable base for spot forex, including new altered regulation, new payment methods and the penetration of mobile trading which exposed this market to a consumer share which would not be familiarized with this, otherwise. This mobilization trend is specifically interesting since it created unprecendented opportunities for online investment industry and the figures reported are already showing tremendous monthly increase. Althoughrequired to be fluent in Spanish and Portuguese, the fairly low costs are driving brokers to join the market and enjoy lucrative and ongoing volumes, with USD/EUR accounting for 50% of the volumes.

These penetrative factors result in the key characteristic of a successful broker market penetration to be based, in addition to superior service and quality content both professionally and marketing wise, on the client, through value-added offerings and low cost structures.The fact that recently, large banks have been making steps to enter this market, makes brokers even more focused on innovative processes and clear client-minded strategies. It might be concurred, in the following years, that the gradual entry of institutional players to this market gave the existing ones the necessary differentiation with the institutional customers weeding out the “less good” brokers.

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Latin American Forex Market Report: General Overview

In Latin America, foreign investment and the awakening of small economies in a globalized world have turned this western region west into a good platform for doing business. Cities are developing with quick growth, with increasingly high income populations resulting in increasingly high rates of consumption and demand. Multinational companies and various financial markets are changing their outlook on this region and have given a lot of force to Latin America in the world of business. Brokers from the first world have set their sights and great interest on these potential markets.

Latin America is the last region to enter the forex market, being an emerging market with big customer potential. Portuguese and Spanish are the most spoken languages with around 192 million speakers of each. Until a Few years ago, forex was completely unfamiliar to the crowds in Latin America and was primarily known to large institutional investors. However, over time, with good positioning strategies and the fact that online marketing and online brokers have opened the market to people who, although not traditionally associated with financial matters, still do have some resources and they decide to venture into the world of the currencies, indices and commodities. Exploring the Latin American market for a highly profitable business with guaranteed profits results in countries with a strong economy such as Brazil, Argentina, Chile, Colombia and Mexico. Sao Paulo has established itself as the strongest business center, particularly due to its large population – being one of the most populated cities in Latin America - and the diversity of opportunities that exist there for several years. Keep in mind that the main cities of each country are typically good platforms for business, although the tendencies and inclinations of some Latin American governments directly affect investor confidence resulting in crime centers such as Caracas, Managua, La Paz and Quito.

Active Brokers

The report lists, in detail, the active brokers operating in the region, and specifies which are the ones with an operating local office.

Latin America is a market which requires lot of work and maintenance and this requires professional staff fluent in Spanish and Portuguese with minimum experience of 3 years

working in the forex industry. Also required are Spanish and Portuguese websites with full account opening documents. One of the biggest advantages for brokers in Latin America are the low costs especially in Argentina. The Argentinean peso is undervalued and the exchange rate is very favorable for companies which have earnings in Dollars or Euros and expenses in Peso. The best modus operandi for companies operating in the region is establishment of an unofficial marketing and sales office. An overview of the most popular softwares provides a better understanding of the local preferences, and also highlights the growing demand for Managed Accounts. From mobile trading point of view the demand for smartphone trading (Android and iPhone platforms) platforms has risen by 90%.

Forex Volumes

The full overview of currencies and volumes provides a clearer understanding of the market, as well as demonstrates the differences from continuous worldwide trends. The most traded currency pair was EUR/USD while the local currencies, other than perhaps the Mexican Peso and the Chilean Peso, are low in demand. Latin America spot forex trading volume for the entire region in Q4 2011 is estimated to be 450 billion monthly (information sourced from several local and international brokers, banks and BIS report).

Regulation, Brand Promotion & Growth

In terms of regulations the situation is confusing at best and not very clear in some countries as no legislation for the Forex Market exists. This is why the report attempts to make way and sort things out, market wise, in order for the regulatory status in each country to be clearer. Most countries have strict controls for the local exchange market, varying accord ing to each country. Many banks restrict wire transfers to forex brokers. Most customers find it uneasy to receive their deposits and profits back into the country while high bank fees and taxes make it additionally unfavorable. Suggestions are made in terms of payment methods and other mechanisms. In terms of branding in Latin America, one must first start by promoting the online trading service and later through representative offices promote offline market in a given region and or city. The steps are given within the report, as well as a detailed outlook at marketing practices. Strategy should be to organize the team and account executives to create value directly for the clients and representatives of various 2.0 platforms, including Twitter, Facebook, forums, LinkedIn. There are also several ways to evaluate the return on investment, "return on involvement", "return on attention", "return trust", etc.. And finally there are several tools to measure it, which are detailed within this section.

Focus on Mobile Usage & PR

The report analyzes the various forms and methods to increase market share in this new era and how to adjust the go-to-market approach and client retention. We are on the bring of a new period of unprecedented opportunity for the online investment industry in Latin America. If the figures are correctly reported, daily operations on online forex are already more than double that of the New York Stock Exchange for this reason. In 2012 and for several years we will see an "organic" growth for the industry of online trading and especially in Latin America probably for this reason as well. Internet users will continue to run into online advertising banners and are found in almost all the major sites of finance, economy and news.

Bank Entry

The future will belong to the brokers who are focused on the client, looking to attract and retain their target customers through value-added offerings that enable sustainable development, scalability and low-cost structure.