



Finsa Counterparty Risk – Hedging Policy

Finsa has produced this policy document to outline the procedures that it adopts to manage its exposure to market risk and to reveal the counterparties with which it transacts to hedge that risk. The purpose of the document is to provide clients with an insight to our hedging procedures so that they are better informed to assess the counterparty risk in dealing with us.

The term 'hedging' refers to the process where a financial service provider, such as Finsa, reduces financial exposure by entering into a corresponding transaction with another entity. Finsa hedges client exposures on a net basis. Each and every trade entered into by the client represents market exposure for Finsa. When one client trades in one direction and another one trades in an equal and opposite direction the market exposure is offset. Finsa follows a model that gives client business the opportunity to offset itself before being hedged in the underlying market. When clients trade in the same direction however, market risk builds up for Finsa, which is then reduced by hedging in the underlying market. Risk limits, governed and assessed by the board of directors dictate the maximum market risk that Finsa can undertake.

Finsa hedges its market exposure in the Underlying equity, FX and Derivatives markets. To make these hedges Finsa holds margin with counterparties. In selecting the counterparties, Finsa considers competitive rates, credit rating, efficiency of service, reliability of technology, reputation and financial standing. It is important to note that Finsa's hedging practice may not eliminate risk to clients.

For FX products, Finsa's main counterparty is FXCM.

For non FX products, Finsa's main counterparty (prime broker) is Gain Capital.

We have a back up agreements with other institutions in the event of losing connectivity with either of our main counterparties such as with LMAX and Velocity.