An introduction to trading foreign currencies

Our company and mission

Our company is a foreign currency investment consulting firm, specializing in trading foreign currency options. We're here to help you understand and potentially earn money in the lucrative International Foreign Exchange Market.

Currency trading entails significant risk of loss and is not suited for all investors.

Our mission is to provide our clients with the finest personalized service, up-to-the-minute quotes, fast and accurate order execution and the latest market news and information. Our high quality of service combined with the ability, integrity and experience of our foreign currency customer service representatives makes us the preferred choice for investors interested in trading on the international foreign currency exchanges.

We would like to introduce you to new opportunities now available in foreign currency trading - and help you to determine if foreign currency trading is right for you.

We hope this brochure and the material enclosed will enable you to understand this financial opportunity. If you have any questions or concerns, please feel free to call one of our customer service specialists. Your Customer Service Specialist will be happy to answer your questions and customize a currency portfolio to your personal needs, and although we cannot guarantee your profits, we do promise you unmatched customer care and service.

"OUR MISSION IS TO PROVIDE OUR CLIENTS WITH THE FINEST PERSONALIZED SERVICE"

Customer Service Representatives

What is the Forex market?

The foreign exchange market is commonly called the FOREX market. The FOREX market is not a physical place; rather, it is an electronically linked global market of currency traders dispersed throughout the leading financial centres of the world. It has an average daily turnover that exceeds one trillion US dollars, making it the world's largest financial market. In fact, the daily volume of trades on the FOREX market is equivalent to over two month's worth of trading on the New York Stock Exchange!

The basic function of the FOREX market is to provide a service to people and businesses who want to exchange currencies. Exporters, for example, have to convert foreign earnings into domestic currency, tourists need their Euros and investment managers buy and sell currencies as they move assets around the globe.

This, however, is just the tip of the iceberg: international trade and mainstream investment transfers account for only 10% of FOREX market activity. The balance, all 90%, is purely speculative. Investment banks, brokers, hedge funds, and others all invest billions of dollars a day in a bid to profit from currency exchange rate fluctuations.

Until recently, the world's currency market was the exclusive domain of the central and commercial banks, large investment funds and extremely wealthy individuals. The individual investor had no gateway to the exciting world of foreign currency trading.

Today, all that has changed. As a result of the unanimous Supreme Court decisions, CFTC vs. Dunn, February 1997, it is now possible for individuals with as little as $5000 to invest in the OTC FOREX spot market through a self-regulated firm. This means that the opportunity now exists for the individual to potentially realize profits in this area.

There are certainly some respects in which private individuals have a trading edge over larger financial institutions. Unlike market professionals who have to justify their hefty bonuses, private investors have the freedom to develop much longer-term positions. They can easily sit tight for weeks or even months waiting for the right opportunity to come along.

It's certainly been possible for smaller investors to potentially make some profits over the past few years. The Dollar / Yen exchange rate, for example, has been extremely volatile of late. The Euro / Dollar exchange rate has exhibited similar volatility. Currency trading entails significant risk of loss and is not suited for all investors.

What affects currency exchange rates?

A foreign exchange or current rate is simply the price of one country's currency in terms of another country's currency. Although exchange rates are affected by many factors, ultimately currency prices are a direct result of supply and demand.

Supply and demand for any currency is the result of several different factors. These factors generally fall into three categories: economic factors, political considerations and market psychology.

Economic Factors

1.) Government budget deficit or surplus balance of trade level trends - these illustrate the demand for goods and services and reflect the competitiveness of a nation's economy.

2.) Inflation levels and trends - because inflation erodes purchasing power, and thus, demand for a particular currency.

3.) Interest rates - because the higher the prevailing rate, the higher the demand for the currency.

4.) Economic growth and indicators of economic health such as gross national product, employment levels and retail sales figures - these all reflect the strength or weakness of a country's currency.

Political Considerations

1.) Instability can have a negative impact on a nation's economy.

2.) A fiscally responsible political faction can have a positive effect on the economy.

3.) One nation's political climate may have an impact on its neighboring country's economic health.

Market Psychology

1.) A greater demand for currencies that are perceived as stronger is known as 'flight to quality'.

2.) Long-term business cycles and the longer-term price trends that may arise from economic and political considerations.

3.) A market that has been 'oversold' or 'overbought' may reflect the impact of a particular action before it occurs, and when the anticipated event comes to pass, react in exactly the opposite direction.

Highlights of the FOREX market

- Largest marketplace in the world, over $1 trillion traded daily.
- International currency trading, trades 24 hours a day.
- Supply and demand rules, impacts everyone.
- Large and small investors welcome.
- Electronically-linked worldwide network.
- Use of proven techinical and analytical tools.
- Global link between world's largest banks.

OUR COMPANY SPECIALIZES IN PROVIDING SERVICES TO ORGANIZATIONS AND INDIVIDUALS WHICH PRIMARILY CONCERN THE TRADE OF OPTIONS.

The benefits of trading options

Options are used by investors to take a position in the foreign currency market in an effort to capitalize on an upward or downward exchange rate move. Options provide the investor with the benefits of both leverage and predetermined risk. The 'Power of Leverage' in currency options stems from the fact that for a relatively small investment (option premium costs plus commissions and fees) an investor can control a large amount of currency. For example: instead of placing $5000 directly into a foreign currency by actually buying it at the current exchange rate you can leverage in excess of 100 times this amount (over $500,000) by using the cash to purchase an option for a set period of time. When dealing with contract leverage keep in mind, options expire on a predetermined date, after which they have no value. Many investors can incur losses on all or part of their original investment. Risk of loss cannot be eliminated, the hope is to manage or control risk so that the invested amount is risk capital and the balance of risk and reward might be tilted in your favor.

When you buy an option, you are actually buying the right to buy (call option) or sell (put option) the currency at a predetermined price (Strike Price) by a certain time in the future (expiration date), the risks of this contract are two fold. First, the underlying market must move in your favor. Second, it must do so before the expiration date of your contact.

As an option buyer, your potential losses are limited to the cost of the option. In other words, the most you can lose is all, or a part, of your original investment. With our help you can use options as a financial tool that contains risk to a limited amount of risk capital, while allowing the potential for unlimited profits.

Intrinsic value and time value

The exact price, or premium, that buyers and sellers are willing to accept at a particular time has two primary components: the intrinsic value of the option and the time value of the option. The intrinsic value of an option will not decrease as long as the price of the underlying currency remains stable. The time value of the option will decline as time passes since there is less and less time remaining for the option to develop additional intrinsic value. In addition, an option that is a long way out-of-the-money (i.e. there is a substantial difference between the strike and spot prices) will have less time value than an option that is only slightly out-of-the-money, since it is less likely to ever become profitable to exercise.

At any time prior to its expiration, an option's value will be influenced by the following:

1) The price of the underlying currency.
2) The option strike price.
3) The time remaining until expiration.

Thus, the intrinsic value of an option is the difference between the exercise price (commonly called the strike price) of an option and the market value of the underlying currency.

Leverage and risks

Option trading gives the investor the potential for enormous rewards while maintaining a limited risk. Why? Because when you buy an option you know ahead of time that your maximum risk is limited to the amount you paid for the option plus commission and fees. Having a predetermined risk with unlimited profit potential is what can make option trading attractive. When buying options, you can lose the premium, commissions and fees that you pay, but not more.

However, trading foreign currencies and options is far from risk-free. Many investors can incur losses on all or part of their original investment. Options can expire worthless. Always remember, no company can guarantee you profits, and timing is crucial. Successful investing is not about eliminating risk. It can't be done. It's about managing or controlling risk, in the hope that eventually the fine balance between risk and reward tilts in your favor.

Staying power

One of the advantages of option trading is known as 'Staying Power' - individuals who purchase options have the ability to withstand temporary adverse price movements without having to sell out their positions. With options, unlike futures contracts, there is no such thing as a margin call no matter how far out-of-the-money your option goes; your downside or loss is still limited to the amount you paid for the option plus commission and fees. With an option, what matters is where the price is the day you buy the option and where the price is the day you sell your option. The ability to withstand market swings, 'Staying Power' may offer the investor some peace of mind. Staying power is determined by the amount of time you purchase with your contract. Options expire on a predetermined date, after which they have no value.

Possible returns

Options not only give you staying power and limited risk, but they can also bring profits greater than most types of financial opportunities. They are 'high potential' reward vehicles. Risk of loss is considerable, and currency investing is not suited to all investors.

The leverage factor inherent in options trading exceeds that of almost every other type of financial opportunity.

The currency options we recommend are usually priced at approximately 1% of the leveraged amount. There are not many financial opportunities where as little as $5000 can leverage as much as $500,000 worth of a nation's currency.

What is an option?

The difference between a commodity, a futures contract and an options contract is summarized in the following three paragraphs.

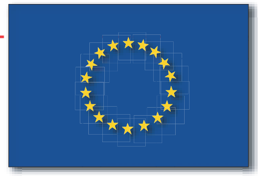
Suppose you want to purchase an oriental rug. You find the rug of your choice at a local shop, you pay the shopkeeper $500 and he gives the rug to you. You have just traded a commodity.

Suppose instead you wish to own the rug, but you'd prefer to purchase it in one week's time. You may be on your way to the airport, or maybe you have a more pressing short-term cash requirement. You and the shopkeeper agree, verbally or in writing, to exchange the rug for $500 one week from now. You have just traded a futures contract.

Alternatively, you may like the rug on offer, but you may want to shop around before making a final decision. You ask the shopkeeper if he will hold the rug in reserve for you for one week. He replies that your proposal will deny him the opportunity of selling the rug during that period of time, so as compensation he asks you to pay him $10. You and the shopkeeper agree, verbally or in writing, that for a fee of $10 he will hold the rug in reserve for you for one week, and that during the week you may purchase the same rug for a cost of $500, excluding the $10 cost of your agreement. You, on the other hand, are under no obligation to buy the rug. You have just traded an options contract.

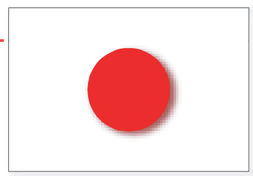
Currency investing involves a significant level of risk, and is not suitable for all investors.

Euro



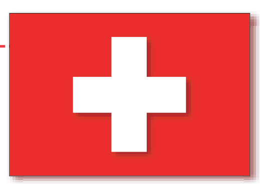
European Monetary Union (EMU) is the unification of currencies of the members of the European Union (EU) under a central bank. The EU's goal was to fix monetary exchange rates at the beginning of 1999 and replace national currencies such as the French Franc and German Mark with single currency known as the Euro in January 2002. The countries that make up the 'Euro Zone' are currently Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. The union of currencies is backed by a higher value of goods and services than the US Dollar. For that reason it is thought that the Euro will take over from the US dollar as the benchmark currency for world trade.

Japanese Yen



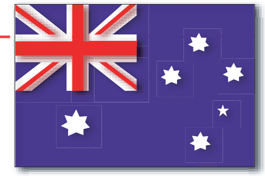
The leading industrial state of Eastern Asia and of the non-Western world, Japan rivals the most advanced economic powers of the West. It rose rapidly from a crushing military defeat in World War II to achieve the fastest-growing economy of any major country in the postwar period. Today only the US and Europe out-produce Japan. Although it has a much smaller international presence than the US Dollar and the Euro, the Japanese Yen is still the third most traded currency in the world. Japan tops the list of the world's leading exporters of research-intensive goods, with a world market share of 19.5%. The United States takes a close second with nearly 18%, followed by Germany with 17% and Great Britain and France each with 7.5% share of the global high-tech market. The Yen is a particularly liquid currency. Many speculators enjoy trading the Yen due to its enormous volatility.

Swiss Franc



Switzerland, the 'Garden of Europe', has an industrialized economy and its citizens enjoy one of the highest standards of living in the world. The dominant sector of the Swiss economy is the service sector, accounting for 50% of all employment. This includes its prosperous tourism industry and the famous Swiss banking system. Manufacturing is the second largest sector in Switzerland, employing 34% of the population, and includes machine tool production and metal working, watch making and the textile industry. In the areas of investment, Switzerland is one of the United States' most important partners. With direct Swiss investment of more than $35 billion, Switzerland is the 7th largest investor in the United States accounting for 300,000 US jobs.

Australian Dollar



Australia has a prosperous western-style capitalist economy, with a per capita gross domestic product above that of many industrialized European states. In recent years, the economy of Australia has expanded at a reasonably steady rate. Rich in natural resources, Australia is a major exporter of agricultural products, minerals, metals, and fossil fuels. Major exports include commodities such as coal, gold, meat, wool, iron ore and wheat. Approximately 20% of Australian exports are sent to Asia, and more specifically to Japan. Consequently, a stronger Japanese Yen will purchase more Australian goods, thereby strengthening the Australian economy.

British Pound

The United Kingdom of Great Britain and Northern Ireland is the political union of England, Scotland, Wales and Northern Ireland. It is not a federation, but a unitary state, and its inhabitants elect members to represent them in a parliament that meets in London, Scotland, Wales and Northern Ireland retain a degree of autonomy in running their own affairs. Following the industrial revolution of the 19th century, the UK developed into the world's leading industrial and trading nation. During this time the country became urbanized and today more than 70% of the total population occupies 10% of the available land area. The market in the UK is based on a commitment to the principle of free enterprise and open competition. International trade is vital to its economy. The absence of major trade barriers and the relative ease of doing business ensure that the UK remains an attractive marketplace.

Canadian Dollar

Canada is the most trade-oriented of all the G7 countries. One out of every three Canadian jobs depends on trade. It is estimated that every $1 billion increase in Canada's exports generates between 6000 and 8000 new jobs. Canada's prosperity and ability to create jobs are directly linked to how well Canada capitalizes on international opportunites. Canada's economy is market / free enterprise based, and made up of everything from small sole partnership operations to multi-national giants. Over 70% of Canadians live in urban centres giving Canadians one of the highest per capita incomes in the world. Canada's economy is in better shape now than it has been for years; growth is accelerating and inflation and interest rates remain low.

Options

Options can be defined as an agreement between a buyer and a seller that gives the buyer the right, through exercise, to require the seller to perform certain specific obligations. If the buyer decides to exercise an option to purchase, the seller is obliged to turn over the sale item at the agreed price. An option is exercised at the sole discretion of its holder. The option holder will tend to exercise an option only when it is in their best interest to do so. An unexercised option expires valueless after the stated period of time. An option's cost or value is known as the 'Options Premium'. Option premiums are arrived at through supply and demand factors.

Foreign Currency Options are contracts based on the value of foreign currencies, the five most traded currencies are the Euro, American Dollar, Japanese Yen, British Pound and Swiss Franc.

Calls or puts

The buyer of a foreign currency 'Call' option contract acquires the right to buy a particular amount of that currency by a specific date at a fixed rate. So if an option investor believed the value of a particular currency was about to rise (become more valuable) he would buy Call Options.

The buyer of a foreign currency 'Put' option contract acquires the right to sell a particular amount of that currency by a specific date at a fixed rate. So if an option investor believed the value of a particular currency was about to decline (become less valuable) he would buy a Put option.

Call options give the buyer the right, but not the obligation, to buy an underlying currency at a particular price (the 'strike' price) by a particular date (the 'expiration' date). For option buyers who think a currency's value will strengthen dramatically, call options permit a profit to be taken from a much smaller dollar amount than would be possible from actually purchasing the underlying currency outright.

Remember: the call option holder makes a profit if the underlying asset increases significantly in price, but any loss is limited to the cost of taking out the option if the underlying asset loses value.

Put options give the buyer the right to sell an underlying currency at a specific price (the 'strike' price) by a particular date (the 'expiration' date). For option buyers who think a currency will weaken dramatically, put options permit a profit to be taken for a much smaller dollar amount than would be possible from actually purchasing the underlying currency outright.

Remember: the put option holder makes a profit if the underlying asset declines significantly in price, but any loss is limited to the cost of taking out the option if the underlying asset loses value.

Most buyers and sellers of foreign currency options do not exercise their rights to buy or sell, but trade out by selling the foreign currency option contract before the expiration date.

All movements must take place prior to the expiration date and be great enough to make up the costs including commission, fees, premium, and the amount the option is out-of-the-money before the option can show a profit.

Components of options

Strike price - an option's strike price is the price at which the underlying currency can be acted upon.

Expiration date - an option's expiration date is the last day on which it can be exercised or offset.

Straddle - a 'straddle' is a combination trading strategy in which both puts and calls are purchased in the expectation that a very significant change will occur in either direction. In a straddle investment scenario, as long as a country's currency makes enough of a move in either direction, the profit from that side of the straddle scenario can more than compensate for the loss on the other side, showing an overall profit on the trade.

In-the-money - on option is said to be in-the-money when its strike price has been surpassed by the current price of the underlying currency. It is then understood to have 'Intrinsic Value'.

Out-of-the-money - an option is said to be out-of-the-money before its strike price has been surpassed by the current price of the underlying currency.

At-the-money - when an option's strike price has been met but not surpassed by the value of the underlying currency, the option is said to be at-the-money.

Premium - an option's premium is the price a put or call buyer must pay to purchase the option contract. The premium is the means by which the buyer compensates the seller for his willingness to grant the option. This premium, or price, is predetermined by many factors which include market supply and demand.

How do I start trading foreign currencies?

1.) Read through the paperwork and write down any questions that may occur to you. Be sure to read the Risk Disclosure carefully.

2.) Once all your questions and concerns have been answered, go through the paperwork with your Customer Service Specialist.

3.) Once we receive your paperwork, a Compliance Officer will walk you through a review of your account agreement and, providing you qualify, our Customer Service Specialist will then accept you as a client.

4.) Once your trading account with our Customer Service Specialist is set up, your Consultant will start providing you with regular reports from our research department appraising you of current global situations and possible positioning strategies.

5.) Your Customer Service Specialist will notify you of his or her particular recommendations for investment. However, the final decision is solely yours. You may follow our recommendations, or go with your own.

6.) At this time your personal Customer Service Specialist may further explain the different trading pros and cons to you for this particular opportunity.

7.) When a trading strategy has been chosen, you will be put through to the trading department for trade compliance execution.

8.) Only then is money debited from your trading account to cover the cost of the trade. The cost of the trade is the option premium, commission and fees.

9.) Commission for both buying and selling is charged when all options are purchased. There are never fees or commissions debited from your account resulting from the liquidation of a position.

10.) Your Customer Service Specialist urges you to call and check periodically on your current position.

11.) A Customer Service Specialist will send you a trade confirmation after every trade as well as a monthly statement.

12.) A Customer Service Specialist works on your behalf and assists you in handling all your needs in respect of your trading accounts.

13.) Each Customer Service Specialist is proud to service your account. You may receive two or more calls per week from your Customer Service Specialist to update you on your account or as market conditions arise.

Remember: trading in options on foreign currency can involve a risk of loss of your capital. Every potential client should carefully review the Client Account Agreement they must sign to open an account, especially the section entitled 'Risk Disclosure'. In opening your account, your Customer Service Specialist is relying on your representation that you have read and carefully reviewed the agreement and these risk factors and will not accept or rely on any representation or statements that contradict these risk factors in any way.