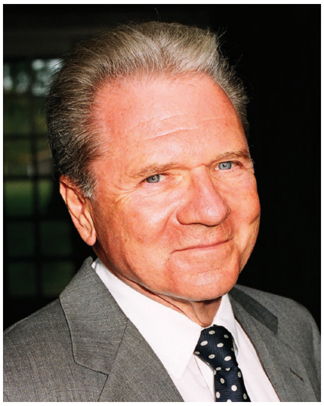

February 25, 2019

Dear Shareholders:

Since we started our business 42 years ago, we have focused on automation to be able to provide superior services at lower cost and better execution prices than our competitors.

This has served us well, as our 2018 results reflect. We hit new highs in client accounts, client equity and earnings in our brokerage business. While we are pleased with our success, we are concerned about an ongoing trend that will damage the U.S. equity markets if it continues.

Over the past two decades, high frequency trading and the buying of retail orders by HFTs have become ever more prevalent phenomena in our markets.

HFTs buy the retail orders and fill them internally by taking the other side of these orders. As a result, we see fewer and fewer retail orders come to the exchanges to trade with displayed limit orders. These limit orders end up trading with other institutional orders and with HFTs when they need to pass out of imbalanced positions they accumulated on one side of the market.

Trading against HFTs and institutions taking liquidity is generally not profitable, at least in the short run. As a consequence, market participants are reluctant to place limit orders and the NBBO (the National Best Bid or Offer, or the highest limit order to buy and the lowest limit order to sell) becomes wider.

HFTs are obligated to fill the orders they buy inside the NBBO to the extent of the size displayed. The wider the NBBO becomes, the more discretion an HFT has as to the price at which it fills the order and, therefore, the more profit it makes and the more it can then afford to pay for these orders.

The more HFTs pay for retail orders, the more brokers will sell their orders to HFTs and, consequently, even fewer orders will trade at the exchanges in a competitive market. Also, the more payment the brokers receive for their customers' orders, the more they can discount the commissions they charge their customers. Hence the newly emerging zero commission brokers. However, the customer is likely to lose more on the execution price than she saves on the commission.

This is a self-reinforcing feedback loop in which wider markets cause even wider markets, increasing payment for orders, moving more volume off the exchanges. Indeed, while in 2008 26.6% of the listed stock volume traded off the exchanges, by 2018 36.3% of the volume traded off exchange.

What is the predictable consequence?

Liquidity vanishes.

Momentum traders drive the markets to more extreme highs and extreme lows in shorter periods of time.

Investors holding margin accounts become less able to liquidate, adding to the price swings.

This is a disaster waiting to happen.

While all of us in the trading and investment community have in one way or another adapted, and would prefer to let things continue along the status quo, we cannot pretend that all is well the way it is.

We must implement structural changes to the markets before it is too late.

In this vein, we will draw our customers' attention to our newly introduced “Midprice Orders” that attempt to fill orders in the middle of the NBBO. More volume trading at the midpoint will attract more midpoint orders, thereby reducing the viability of the payment-for-order-flow model and counteracting the vicious spiral to disaster that I describe above.

With your participation, we are looking forward to a rewarding year.

Sincerely,

Thomas Peterffy
Founder and CEO