
Monex Securities, Inc.
("Monex")

**Business Continuity and
Contingency Plan**

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TABLE OF CONTENTS

PREFACE	1
REGULATORY BACKGROUND	2
General Overview	2
Plan Elements	2
PLAN OVERVIEW	3
Firm Policy	3
Significant Business Disruptions (“SBDs”)	3
BCP Designated Principal - Approval and Execution Authority	3
Plan Location and Access	3
Updates and Annual Review	3
Emergency Contact Persons	4
Business Description	4
Clearing Firm Information	5
Office Locations	5
Alternative Physical Location(s) of Employees	5
DATA BACK-UP AND RECOVERY	6
Back-up Procedures	6
Clearing Firm Records	7
FINANCIAL AND OPERATIONAL ASSESSMENTS	7
Operational Risk	7
Financial and Credit Risk	7
MISSION CRITICAL SYSTEMS	8
Mission Critical Systems - Definition	8
Identify Business Systems	8
Mission Critical Systems - Assessment	8
Pershing	8
Monex’s Mission Critical Systems	9
Order Taking	9
Order Entry	9
Order Execution	9
Mission Critical Systems Provided by Clearing Firm	10
ALTERNATIVE COMMUNICATIONS BETWEEN THE FIRM AND CUSTOMERS, EMPLOYEES AND REGULATORS	10
Customers	10
Employees	10
Regulators & Regulatory Reporting	10
CRITICAL BUSINESS CONSTITUENTS, BANKS, AND COUNTER-PARTIES	11
Business Constituents	11
Banks	11
Counter-Parties	11
SIGNIFICANT BUSINESS DISRUPTIONS	12
Internal SBD – Facilities Emergency Evacuation Procedures	12

Fire Emergency Evacuation Procedures	12
Evacuation for Bombs or Other Threats.....	12
Emergency During Business Hours.....	13
Emergency Outside of Business Hours.....	13
EMPLOYEE AWARENESS OF PLAN.....	14
NOTIFICATION.....	14
DISCLOSURE OF BUSINESS CONTINUITY PLAN.....	14
SENIOR MANAGER APPROVAL.....	14
GLOSSARY.....	15
Attachment A: Office Locations.....	A-1
Attachment B: Client Disclosure Statement.....	B-1
Attachment C: Executive Summary of the BCP for Pershing, LLC	C-1
Attachment D: Corporate Telephone Directory	D-1
Attachment E: Regulator Contact Information	E-1
Attachment F: Critical Business Constituents	F-1

PREFACE

Despite the efforts of each business, state and local government and federal agency to renovate, validate, and implement their mission-critical information systems, the financial industry remains vulnerable to the disruption of its business processes. Because most companies in the financial industry are highly dependent on information technology to carry out their business, a business disruption induced failure of one or more mission critical system(s) may have a severe impact on a financial services firm's ability to deliver core business services.

Because of these risks, the United States Securities and Exchange Commission ("SEC") and the National Association of Securities Dealers, Inc. ("NASD") have implemented programs to attempt to mitigate the risks associated with business failures in the financial industry which would be caused by an event causing a failure to deliver financial services as a result of a significant business disruption. Specifically, the SEC has required that each NASD member to create and maintain business continuity plans and supply NASD with emergency contact information.

Ultimately, the business continuity planning process focuses on reducing the risk of business failures resulting from business disruptions. It safeguards a company's ability to produce a minimum acceptable level of outputs and services in the event of failures of internal or external mission-critical information systems and services. While it does not offer a long-term solution to all situations which create a significant business disruption, it is directed at assisting Monex Securities, Inc. to prepare for a potential crisis.

REGULATORY BACKGROUND

General Overview.

Based upon discussions with the SEC and the United States General Accounting Office, the experiences of September 11, 2001 and comment letters received in response to *Notice to Members 02-23* (April 2002) ("NM 02-23"), the NASD implemented NASD Rule 3510 (the "Rule"). The Rule recognizes that business continuity plans should reflect the particular operations and activities of a member firm and given the diverse nature of the NASD membership, the Rule allows member firms to tailor plans to suit their size, business, and structure.

Plan Elements.

The Business Continuity Plan (the "Plan") for Monex Securities, Inc. (referred to herein as "Monex" and or "Firm") addresses the elements set forth in the Rule. The Rule requires that a member's business continuity plan, at a minimum, address 10 critical elements, they being:

1. Data back-up and recovery (hard copy and electronic);
2. All mission critical systems;
3. Financial and operational assessments;
4. Alternate communications between customers and the member;
5. Alternate communications between the member and its employees;
6. Alternate physical location of employees;
7. Critical business constituents, banks, and counter-party impact;
8. Regulatory reporting;
9. Communications with regulators; and
10. How the member will assure customers' prompt access to their funds and securities in the event that the member determines that it is unable to continue its business.

PLAN OVERVIEW

Firm Policy.

The policy of Monex is to respond to a Significant Business Disruption (“SBD”) by safeguarding employees’ lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm’s books and records, and to the extent practicable, allowing our customers to transact business as soon as possible following such SBD. In the event that Monex determines that it is unable to continue its business, the Firm will take steps to assure customers prompt access to their funds and securities.

Significant Business Disruptions (“SBDs”)

The Plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only the ability of Monex to communicate and do business, such as a fire in its building. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a city flood, or a wide-scale, regional disruption. The response of Monex to an external SBD relies more heavily on other organizations and systems, especially on the capabilities of Pershing, LLC, the clearing firm utilized by the Firm.

BCP Designated Principal - Approval and Execution Authority.

Jesus Heiras (the “BCP Designated Principal”) is the registered and designated principal responsible for approving the Plan on behalf of the Firm, and for conducting the required annual review. The BCP Designated Principal, or his designee, has the authority to execute this Plan.

Plan Location and Access.

Monex will maintain copies of the Plan and the annual reviews, and the changes that have been made to it. The Firm will make such records available for inspection by the NASD and SEC. An electronic copy of the Plan is located on Monex’s main server drive labeled C in the folder named “Business Continuity Plan”.

Updates and Annual Review.

Monex will update the Plan whenever there is a material change to the operations, structure, business or location of the Firm, or to those of the clearing firm. In addition, Monex will review this Plan annually, on or before December 31 of each respective year, to modify it for any changes in the operations, structure, business, or location of the Firm, its branch offices or those of the clearing firm.

Emergency Contact Persons.

Executive management is aware of the potentially devastating financial, organizational, and political consequences of the failure of one or more mission-critical information systems. The two emergency contact persons for Monex are:

Jesus Heiras: Registered Principal; office phone no.: (713) 877-8234; facsimile no.: (713) 877-8381; e-mail address: icobos@monexusa.com

Jorge Ramos Landero: Designated Principal; office phone no.: (713) 877-8234; facsimile no.: (713) 877-8381; e-mail address: jramos@monexusa.com

The Emergency Contact Persons will be reported to NASD through NASD's Contact System at www.nasdr.com/ncs.asp, and they will be updated in the event of a material change, and Jorge Ramos Landero (the "Executive Representative") for Monex will review them within 17 business days of the end of each quarter.

Business Description.

Monex is registered as a broker/dealer with the SEC, various other state regulatory jurisdictions, and is a member of the NASD. Monex is organized in the state of Delaware as a Corporation.

Its primary business is the retail marketing of corporate equity and debt, mutual funds, and variable annuity insurance products to its customers. Additionally, the Firm provides investment banking services to certain corporate customers, and participates in the public distribution of corporate debt and equity. With respect to DPP programs, the Firm is generally engaged in the secondary trading of 144A transactions only. The options transactions are unsolicited and generally executed as an accommodation for those customers that engage in options transactions.

Monex maintains a \$100,000 minimum net capital requirement in accordance with SEC Rule 15c3-1(a)(2)(ii). Monex clears all transactions on a fully disclosed basis through Pershing, LLC (referred to hereinafter as "Pershing") pursuant to the terms of a Fully Disclosed Clearing Agreement with Pershing. Under the terms of said Fully Disclosed Clearing Agreement, the Firm does not perform any type of clearing function for itself or others. The Firm accepts and enters orders. All transactions are sent to Pershing, which executes our orders, compares them, allocates them, clears and settles them. Pershing also maintains our customers' accounts, can grant customers access to them, and delivers funds and securities. In no event does the firm obtain and maintain custody or possession of customer funds or securities.

With respect to the daily trade volume of Monex, the Firm introduces approximately 150 trades per month through to Pershing. The client base of Monex is estimated to be comprised of approximately 450 customer accounts, of which approximately 405 are cash accounts and 45 accounts utilize margin with respect to their daily trading activity. Finally, 100% of the business activity of Monex is retail based in nature.

As of July 12, 2006 the Firm has no branch offices.

Clearing Firm Information.

Pershing is the clearing firm for the Firm. It can be contacted at: (i) One Pershing Plaza, Jersey City, New 07399, (ii) by phone at (201) 413-2390 or (iii) by facsimile at (201) 413-5368. Its Web site is located at <http://www.pershing.com>.

Contact Person.

The contact person at Pershing is Elizabeth Vasconez. She can be contacted at: (i) One Pershing Plaza, Jersey City, New 07399, (ii) by phone at (800) 443-4342; or (iii) by facsimile at (201) 413-5368; or (iv) by e-mail at evasconez@pershing.com.

Alternative Contact.

In the event our contact person cannot be reached, Pershing has designated any available customer service representative as the alternative contact. He or she can be contacted at: (i) One Pershing Plaza, Jersey City, New 07399 by phone at (201) 413-2390 or (iii) by facsimile at (201) 413-5368.

Office Locations.

Monex has set forth all offices, both registered and unregistered on Attachment A, which is attached hereto and incorporated herein for all purposes. The Firm has additionally set forth on Attachment A the phone number for each respective location, the means of transportation that employees may use to reach each respective facility, and which mission critical systems, as defined herein, take place at each location.

Alternative Physical Location(s) of Employees

In the event of an SBD, we will move our staff from affected offices to the closest of our unaffected office locations. If none of our other office locations is available to receive those staff, we will move them to Varsovia 36, Col. Juarez 06600 Mexico, D.F.. Its main telephone number is 011-52-525-55-231-0126.

CUSTOMERS' ACCESS TO FUNDS AND SECURITIES.

Monex does not maintain custody of customers' funds or securities. Both customer funds and securities are maintained at our clearing firm, Pershing. In the event of an internal or external SBD, if telephone service is available, our registered persons will take customer orders or instructions and contact Pershing on their behalf. In the event that customers of the Monex are unable to access the Firm, either at its primary phone number, the Firm emergency number, or through the Firm's Web site, customers will be able to contact Pershing directly for instructions on how they may obtain prompt access to funds and securities, order entry and process other trade-related, cash, and security transfer transactions for the Firm's customers. The Firm will make this information available to its customers through its disclosure policy, a copy of which is attached hereto as Attachment B.

In the event SIPC determines that the Firm is unable to meet its obligations to the customers or if the liabilities of the Firm exceed its assets in violation of Securities Exchange Act Rule 15c3-1, SIPC may seek to appoint a trustee to disburse the assets of the Firm to customers. Monex will assist SIPC and the trustee by providing its books and records identifying customer accounts subject to SIPC regulation.

DATA BACK-UP AND RECOVERY.

Electronic and Hard Copy Books and Records.

Monex maintains its primary hard copy books and records and electronic records at Sage Plaza, 5151 San Felipe, Suite 1350, Houston, Texas 77056, Rolando Ginyovszky, Financial and Operations Principal, (713) 877-8234 is responsible for the maintenance of these books and records. The Firm maintains the following document types and forms that are not transmitted to the clearing firm and or not maintained electronically on WebCRD: (i) New account documentation and forms; (ii) financial records, including supporting documentation; (iii) corporate records for the Firm; (iv) client application documentation for mutual funds and variable insurance products; (v) any documentation related to private placements; and (vi) electronically generated documents. Additionally, our accountants, attorneys and compliance consultants maintain duplicate file copies of documents related to those matters that they handle for us, and they have agreed to allow us access to all such duplicate records that they maintain in the event of a loss of our records.

Back-up Procedures.

To the extent the Firm does not have electronic copies of hard-copy books and records, the Firm maintains a back-up hard copy of all operational and client critical documents, contracts and other books and records off site. We back up our critical paper records as necessary to assure that a duplicate set of those critical records are maintained, which is generally at the time such documents are finalized or completed. The firm backs up its paper records by copying and taking them to such back-up site.

The firm backs up its electronic records daily by backing-up the computer server and maintaining a copy at Varsovia 36, Col. Juarez 06600 Mexico, D.F. In the event of an internal or external SBD that causes the loss of the paper records of Monex, it will physically recover them from its back-up site. If the primary site is inoperable, the Firm will continue operations from an alternate location. For the loss of electronic records, Monex will either physically recover the storage media or electronically recover data from its back-up site, or, if its primary site is inoperable, continue operations from an alternate location.

Clearing Firm Records.

Copies of confirmations, account statements, and order tickets that are entered electronically are maintained by Pershing. CD copies of these records are provided to Monex and kept on-site. In the event of a disruption, the Firm shall access the clearing firm's copy of these records via Internet or an alternative computer line. Monex personnel shall use personal computers to accomplish this, or Firm computers if such are maintained at an alternative site.

FINANCIAL AND OPERATIONAL ASSESSMENTS

Operational Risk.

In the event of an SBD, Monex will immediately identify what means will permit the Firm to communicate with its customers, employees, critical business constituents, critical banks, critical counter-parties, and regulators. Although the effects of an SBD will determine the means of alternative communication, the communications options we will employ will generally include (a) facsimile; (b) e-mail; (c) telephone; (d) telephone voice mail; (e) cellular and mobile phone service; and (f) service providers, including compliance consultants, attorneys and accountants; (g) messenger; and (h) mail service. In addition, we will retrieve our key activity records as described in the section, Data Back-Up and Recovery.

Financial and Credit Risk.

In the event of an SBD, Monex will determine the value and liquidity of its investments and other assets to evaluate our ability to continue to Fund our operations and remain in capital compliance. The Firm will contact the clearing firm, critical banks, and investors to apprise them of the financial status of the Firm. If Monex determines that it may be unable to meet its obligations to those counter-parties or otherwise continue to fund the operations of the Firm, Monex will request additional financing from its investors, bank or other credit sources to fulfill its obligations to its customers and clients. If the Firm cannot remedy a capital deficiency, appropriate notices will be filed by Monex with the Regulators and immediately take appropriate steps, including the referral of its customers and clients to the clearing firm, Pershing.

MISSION CRITICAL SYSTEMS.

Mission Critical Systems - Definition.

"Mission critical systems" are those that ensure prompt and accurate processing of securities transactions, including order taking, entry, execution, comparison, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities.

Identify Business Systems.

Monex will identify the mission critical systems utilized by the Firm in providing services to its clients.

Mission Critical Systems - Assessment.

Monex.

Monex has primary responsibility for establishing and maintaining its business relationships with customers, and the sole responsibility for maintaining our mission critical functions of order taking and entry. Its mission critical systems include network server, desktop computers, phone systems and Microsoft Outlook.

Pershing.

Pursuant to the terms set forth in the clearing contract between Pershing and Monex, Pershing, provides for the execution, comparison, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities to the customers of Monex.

The contract between the Pershing and the Firm provides that Pershing will maintain a business continuity plan and the capacity to execute that plan. Pershing represents that it will advise us of any material changes to its plan that might affect the ability of Monex to maintain its business, and a copy of the executive summary of its plan is attached hereto as Attachment C. In the event Pershing executes its plan, it represents that it will notify the Firm of such execution and will provide the Firm with equal access to services as its other customers. If Monex reasonably determines that Pershing has not or cannot put its plan in place quickly enough to meet the needs of Monex, or is otherwise unable to provide access to such services, Pershing represents that it will assist the Firm in seeking services from an alternative source.

Pershing represents that: (a) it backs up the records of the Firm at a remote site; and (ii) it operates a back-up operating facility in a geographically separate area with the capability to conduct the same volume of business as its primary site. Additionally, Pershing has confirmed the effectiveness of its back-up arrangements to recover from a wide scale disruption by testing, and it has confirmed that it tests its back-up arrangements at least two times per year.

Recovery-time objectives provide concrete goals to plan for and test against. They are not, however, hard and fast deadlines that must be met in every emergency situation, and various external factors surrounding a disruption, such as time of day, scope of disruption, and status of critical infrastructure—particularly telecommunications—can affect actual recovery times. Recovery refers to the restoration of clearing and settlement activities after a wide-scale disruption; resumption refers to the capacity to accept and process new transactions and payments after a wide-scale disruption. Pershing has the following SBD recovery time and resumption objectives: recovery time period of 4 hours; and resumption within the same business day.

Monex's Mission Critical Systems.

Order Taking.

Currently, Monex receives orders from customers in person, via telephone and facsimile and or it's Web site. During an SBD, either internal or external, the Firm will continue to take orders through any of these methods that are available and reliable, and in addition, as communications permit, the Firm will inform its customers when communications become available to tell them what alternatives they have to send their orders to Monex. Customers will be informed of alternatives by whatever methods are available. If necessary, we will advise our customers to place orders directly with Pershing at such contact point as Pershing advises the Firm.

Order Entry.

Currently, Monex enters non-application orders by recording them on paper and electronically and sending them to our clearing firm electronically or telephonically. We place customer orders for fixed income securities through Bloomberg or directly with the counter party. Once the fixed income orders are executed through Bloomberg or with the counter party, then the orders are entered into the Pershing system. We have contacted Pershing and were told that, under its BCP, resumption of order entry will be within 4 hours.

In the event of an internal SBD, Monex will enter and send records to Pershing by the fastest alternative means available, which include e-mail, web-site, telephonically and or facsimile. In the event of an external SBD, the Firm will maintain the order in electronic or paper format, and deliver the order to the clearing firm by the fastest means available when it resumes operations. In addition, during an internal SBD, the Firm may need to refer its customers to deal directly with Pershing for order entry.

Order Execution.

The Firm currently executes fixed income orders by contacting the counter party or entering the order directly on Bloomberg. In the event of an internal SBD or an external SBD, we would contact the counter parties or Bloomberg where available. If Bloomberg is not available, we will contact the counter parties by the fastest means available.

