

FX'ing with home bank becoming a rarity

(16 May 2011 – Australia) As businesses favour the use of Spot FX products and boutique FX providers strengthen their product offerings, Australian businesses, in the sub A\$100 million annual turnover segment, are increasingly opting to engage this service away from their primary bank.

Of the Small to Medium Enterprises (SME) who nominated their transaction bank as their primary banking provider, only 41.6 percent are also engaging with this primary provider for their foreign exchange solutions, according to latest research from industry consultants, East & Partners.

Businesses in the same segment which nominated their lender as their “home bank” also strongly reported banking away their FX needs, with only 30.3 percent reporting using their primary bank as their primary FX provider.

Fully 69.7 percent of SME businesses are using FX solutions from a competitor to their home bank.

In the lower corporate segment this trend is even more prominent with almost three quarters of middle market businesses using foreign exchange solutions from a provider other than their primary lender.

Big variances by bank are also being reported as some business banking providers struggle to cross sell their clients across to foreign exchange products.

“Of all core banking products, FX is by far the most banked-away-from-home-bank” commented Paul Dowling, Principal Analyst with East & Partners.

“This may well be associated with the relatively low level of hedging and risk management used by Australian business in their Foreign Exchange transacting. Clearly, the cross sell initiatives underway in each of the Big Four domestic banks, aren’t yet gaining much traction in the FX space”, he added.

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About East & Partners' Australian Business Foreign Exchange Markets report

This ongoing six-monthly market monitor provides benchmarks against which FX providers can measure the success of their service proposition. This standalone report addresses the FX markets across the Micro (A\$1–\$5 million), SME (A\$5-20 million) and Lower Corporate (A\$20-\$100 million) segments.

The program monitors product engagement, performance and behaviours across these core markets, and provides market share and wallet share being achieved by individual providers against market-wide performance.

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