

Big Four in battle over FX

(1 July 2013 – Australia) The Big Four banks' dominance of foreign exchange markets among smaller businesses is under pressure and facing a strong challenge from specialist boutique players, according to new research from banking analysts East & Partners.

East's Business Foreign Exchange (BFX) Report looks at FX trading for the Micro, Small and Medium Sized, and Lower Corporate segments comprising businesses with turnover of between \$1-100 million each year. These business segments comprise FX volumes of \$13.9 billion annually and represent 58 percent of Australia's BFX market.

The research shows that the FX market and wallet shares of the Big Four of CBA, Westpac, ANZ and NAB are being eroded by specialist players such as Western Union, AMEX, and OzForex.

In the SME segment, of businesses with between \$5-20 million annual turnover, the Big Fours' market share in the Spot FX markets fell from 65.3 percent in October 2012 to 64.0 percent in April 2013. Over the same period, the combined market share of Western Union, OzForex and AMEX moved from 26.0 percent to 28.7 percent.

In terms of Wallet Share, the average percentage of an SME customer's Spot FX business with the Big Four primary service provider also declined over the same period, down 1 percent to 42.2 percent.

It was a similar pattern in secondary Spot FX provider relationships, where Big Four market share fell from 52.2 percent to 50.7 percent and that of the three boutiques increased marginally to 39.4 percent.

The trend was the same in the Micro market, of businesses turning over \$1-5 million a year, where Wallet Share for the Big Four slumped from an average of 44.8 percent to 39.8 percent.

While the Big Four managed to maintain principal and secondary market shares for Spot FX among Lower Corporates (with annual revenues of between \$20-100 million), Wallet Share continued to be under pressure.

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Lachlan Colquhoun, Head of Markets Analysis at East & Partners, said that FX had traditionally been one of the most “banked away from home” of all business banking products, and competition from the specialists is adding a new dimension to that.

“In what is an increasingly digital world of financial services businesses are easily able to choose from a range of FX providers and are doing so based on price and convenience,” said Colquhoun.

“The Big Four have a battle on their hands to cross sell FX to their existing customers, many of whom are more than happy to ‘play away from home’ and share their wallet around when it comes to FX.”

“Unlike many other areas of business banking to this segment, the Big Four have a fight on their hands in FX.”

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, SME and Lower Corporate 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.

Note: Market Segments:

- › Upper Corporate and Institutional - A\$100 million plus
- › Lower Corporate – A\$20-100 million
- › SME – A\$5-20 million
- › Micro – A\$1-5 million

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