



Media Release

Banks and specialist providers slugging it out in FX market

(15 June 2006 – Australia) A battle royale is taking place in Australia’s foreign exchange (FX) markets with the major banks defending their customer base from a number of specialist FX providers hungry for market share, research from East & Partners has found.

East’s six-monthly Australian Business FX Markets Report shows that much of the competitive activity is taking place in the SME segment (A\$5 to 20 million turnover) where boutique FX providers Travelex, Custom House and OzForex are all growing their market share.

Uptake of Spot FX (on the spot currency transactions) by SMEs has grown at more than eight percent over the past 12 months with 84.4 percent of SMEs now regularly engaging the product.

Travelex is the standout challenger amongst the specialist FX providers and currently has a larger share of primary Spot FX relationships in the SME segment than Commonwealth Bank.

The Big Four domestic banks have generally seen their share of primary Spot FX customers fluctuate over the past 12 months while share of customer’s wallet has decreased for all providers as competition has intensified. Customers are split banking their Spot FX needs as never before.

“Foreign exchange is a good example of a market where the Big Four domestic banks have had to lift their game to fend off competition from a number of competitors, including the specialist FX providers,” East & Partners principal analyst Paul Dowling said.

“Although SMEs have historically tended to do all their banking with one provider, they are increasingly cherry picking best of breed products from outside their incumbent bank and FX is a classic example of that,” he said.

“The enthusiasm SMEs are showing for FX means the size of the overall market is generally getting larger but there are more providers competing for a slice of it,” Mr Dowling said.

“Travelex has established a strong footprint in the SME segment in Australia, benefiting from its simpler customer proposition and a lack of focus on FX to SMEs from some of the larger banks over recent times.

“Other international FX specialists that have recently set up shop in Australia, such as Custom House, Currencies Direct and Ruesch, don’t yet have a real foothold in the markets and might find the going tougher now that commercial banks are refocusing their efforts on FX,” Mr Dowling said.

“In some cases, the larger banks have vigorously refreshed their FX proposition to SME customers and are retaining and growing their customer base, while for others it’s still a work in progress,” he said.

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