

Media Release

Business FX - A Buyer's Market

(16 June 2015 – Australia) The search for an 'innovative and easier to use' foreign exchange (FX) platform increasingly motivates businesses' use of multiple providers, according to new research from East & Partners (E&P).

Three quarters of all business owners nominate intuitive FX platform technology as a key driver for 'multibanking' their business FX wallet. The research also nine out of ten Australian CFOs and treasurers actively pursue better value for money and a lower cost of execution.

"The number of businesses shopping around for lower FX execution costs is not surprising given the highly competitive nature of Spot FX, Options and Forwards markets," said Martin Smith, E&P's Head of Markets Analysis.

"The prevalence of technology underpinning this trend does however result in business owners firmly calling the shots in FX, providing extra ammunition for challenger brands to advance further while also guiding the incumbent Big Four's strategic response." he said.

The findings are part of E&P's Business Foreign Exchange (BFX) Program. Now in its eighth year, the report interviewed 2,376 enterprises within the Micro, SME and Lower Corporate business segments in May 2015 and provides industry wide rankings of banks, brokers and FX providers.

With annual turnover of A\$1 – 100 million, these segments represent aggregate daily FX turnover of A\$9.1 billion, equating to 59.0 percent of Australia's total BFX market. E&P's market volume demand side segmentation analysis reveals the Upper Corporate and Institutional segments comprise 41.1 percent of average daily business FX turnover, totalling A\$6.3 billion.

62.2 percent of businesses deal with their bank or FX provider for US Dollar transactions, still very much the dominant driver of currency management needs ahead of the Kiwi Dollar, traded by 21.7 percent of enterprises.

Renminbi (RMB) engagement continues to increase, now traded by 14.7 percent of Australian businesses and forecasted to expand quickly following the new bilateral local currency swap agreement between the Reserve Bank of Australia (RBA) and People's Bank of China (PBoC). The initiative seeks to generate greater investment and trade between Australia and China and further develop financial cooperation between the two countries.

On average, Micro businesses allocate a mere 29.8 percent of Spot FX volumes to their primary FX provider. This figure falls to as low as 23.1 percent for the Lower Corporate segment, indicating larger enterprises are both better equipped and more comfortable switching providers than small businesses, be it responding to operational requirements or supporting new export sales.

Aggregate Big Four Spot FX market share fell to 62.0 percent of total primary relationships as rivals including BOQ, OzForex and Western Union ramp up their competitive propositions. ANZ consolidated its position as the number one Spot FX provider to the Lower Corporate segment ahead of Western Union and NAB, however Western Union continues to secure the largest share of primary Spot FX relationships with Micro businesses and SMEs.

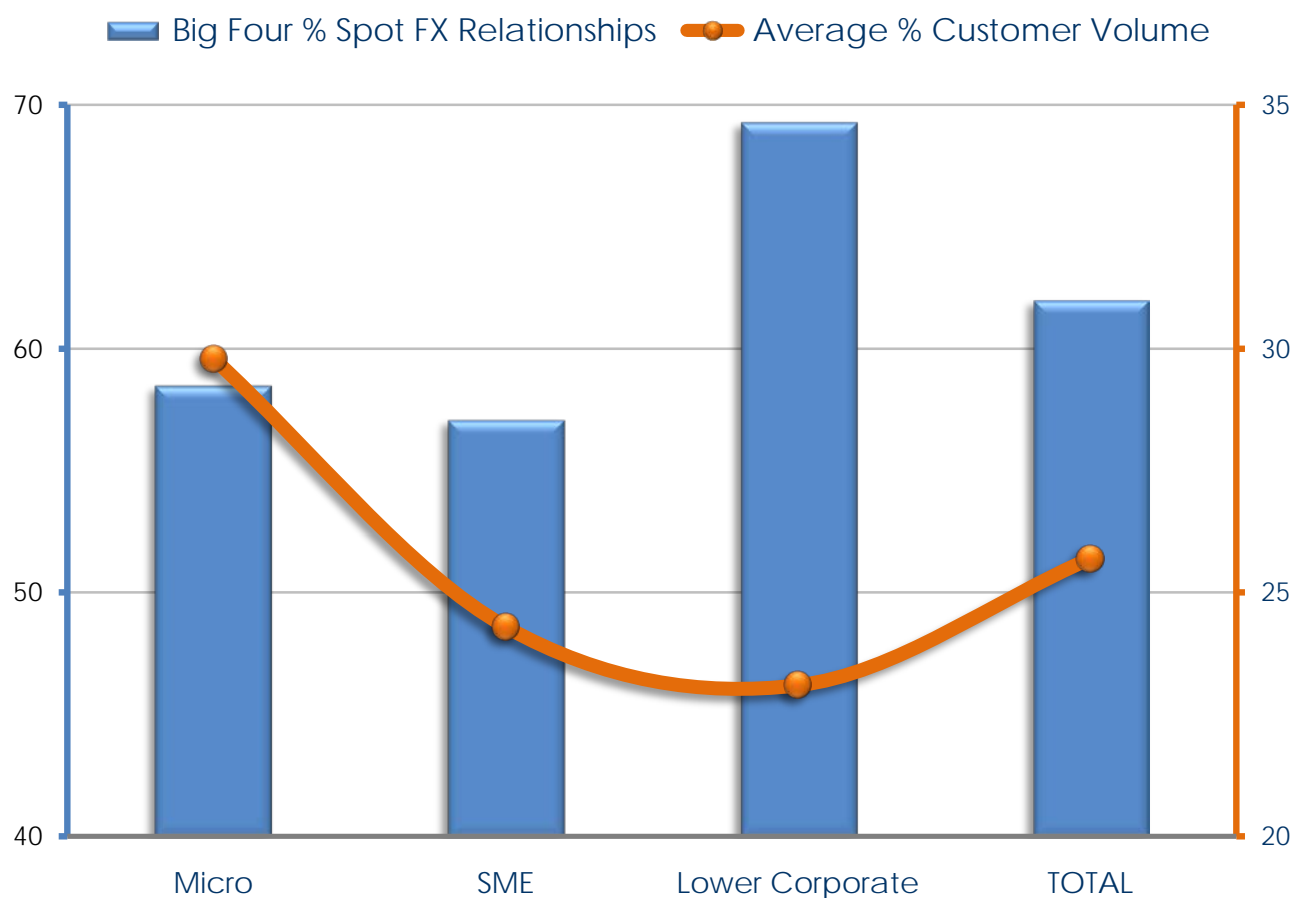
Despite becoming a foundation bank to Australasia’s first Renminbi Hub in Sydney, Westpac experienced considerable customer churn in Spot FX over the last year to now be surpassed by CBA as the fourth largest provider of Spot FX market wide.

“The majors continue to face difficulty cross selling business FX products into existing transaction banking, trade finance and lending relationships” commented Smith.

“Only 10.6 percent of businesses switch providers in response to an introductory offer, supporting the notion of a shift in precedence towards more adept digital offerings that better integrate trade and transaction banking tasks, provide improved functionality or are simply easier to use” he added.

Spot FX Relationship and Wallet Share

% of Total



Source: East & Partners Australian Business Foreign Exchange Program - May 2015

About East & Partners Business Foreign Exchange Program

East & Partners Australian Business Foreign Exchange Markets program provides industry wide research structured from up to 2,500 direct interviews with banks, brokers and FX providers. The program provides coverage across Lower Corporate, SME and Micro business segments for key industry benchmarks including market share, wallet share, mind share, top traded currencies, market volumes and customer satisfaction.

Released in May and November, East's demand side analysis delivers a powerful data set incorporating product research and commentary for Spot FX, FX Options and Forward FX products and supporting services.

- › Micro Business: A\$1 – 5 million annual turnover business customers
- › SME: A\$5 – 20m million annual turnover business customers
- › Lower Corporate: A\$20 – 100m million annual turnover business customers

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