

UK Businesses Break the Bank for FX

(24 July 2015 – London) Business FX markets in the United Kingdom (UK) continue to rapidly fragment according to new research by industry analysts East & Partners.

The research has found that no single Bank or FX provider represents a dominant market share for currency risk management products such as Forward FX and FX Options.

Instead, importers and exporters are increasingly willing to hedge their FX exposure with new entrants or disrupters, moving away from their transaction bank or trade finance provider.

The findings follow the third round of East & Partners United Kingdom Business Foreign Exchange Markets program. The report is compiled from interviews conducted with over 2,200 UK businesses in June 2015 across the Micro, Small to Medium Enterprise (SME) and Lower Corporate segments nationwide with turnover between GBP£1 – 100 million per year.

“Businesses are largely comfortable and confident taking advantage of multiple providers to ensure they are getting the best value for money and service offering available” said Paul Dowling, East & Partners Principal Analyst.

“The extent of multi-banking in FX is considerably higher than for other panel banking products for a number of reasons. The mature UK market is considerably more advanced in terms of customer’s appetite for new platforms, innovative technology and a lower cost of execution”.

“The UK market is also something of an innovation hot bed in FX, with a multitude of intermediaries looking to differentiate their offerings.” he said.

The extent of competition in the market here is evidenced with only three providers attaining market share in double digits - Barclays, HSBC and Lloyds.

The adoption and engagement of Forwards and Options is largely limited to Lower Corporates. Nearly 95 percent of Corporate CFOs and treasurers utilise Forward FX ‘regularly’ or ‘occasionally’ to hedge against currency fluctuations. The figure is closer to 90 percent for FX Options. Less than one in five SMEs use derivatives for hedging purposes while many Micro businesses continue to lack a coherent treasury policy.

Other FX providers beyond the high street banks are continuing to perform strongly in secondary market share, with major banks (Citi, HSBC and Deutsche) retaining market share of over ten percent for FX Options and over 60 percent of market share distributed among 18 other providers.

Overall wallet share continues to trend downwards across all three FX products, further demonstrating UK businesses’ willingness to ‘break from the bank’ for FX services.

Spot FX providers find it most difficult to secure a high share of primary customer turnover, with average volume per primary customer now down to 23.7 percent. Specialist providers Monex (29.8 percent) and Western Union (29.6 percent) outperform when it comes to securing more spend per customer, attributed to best of breed customer satisfaction ratings.

HSBC dominates FX brand name recall across all three business segments. The bank leads the market in both Micro and SME segments, demonstrating a steady increase in brand recognition since June 2014.

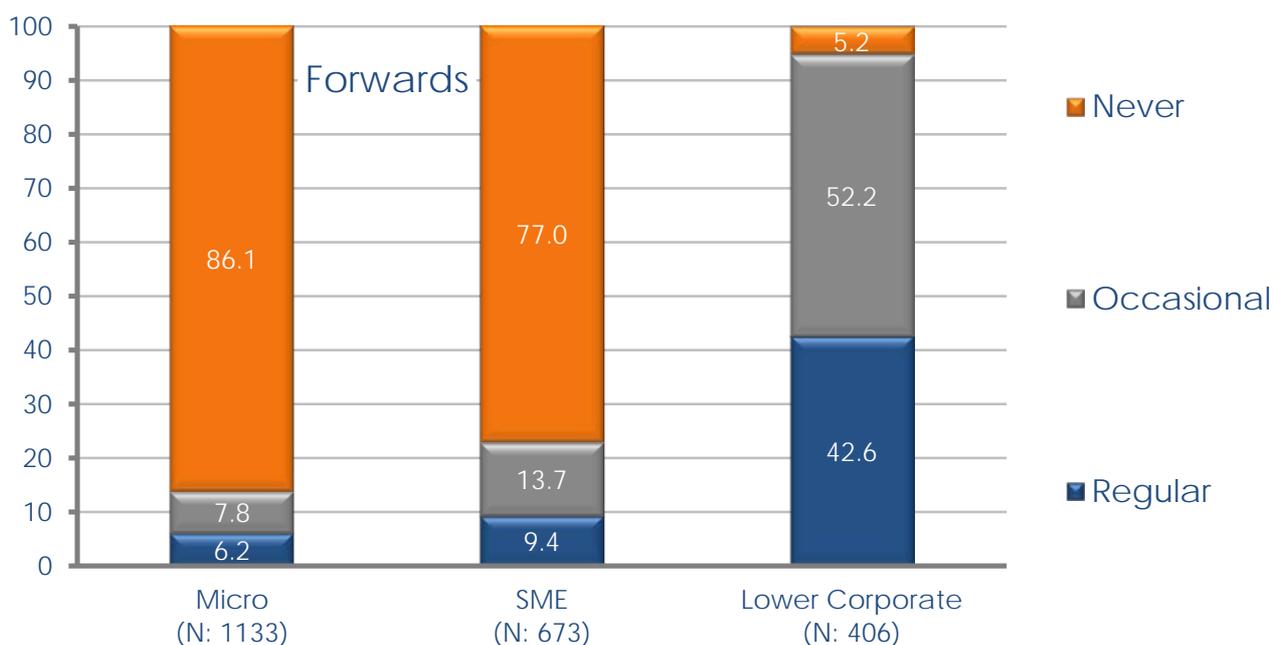
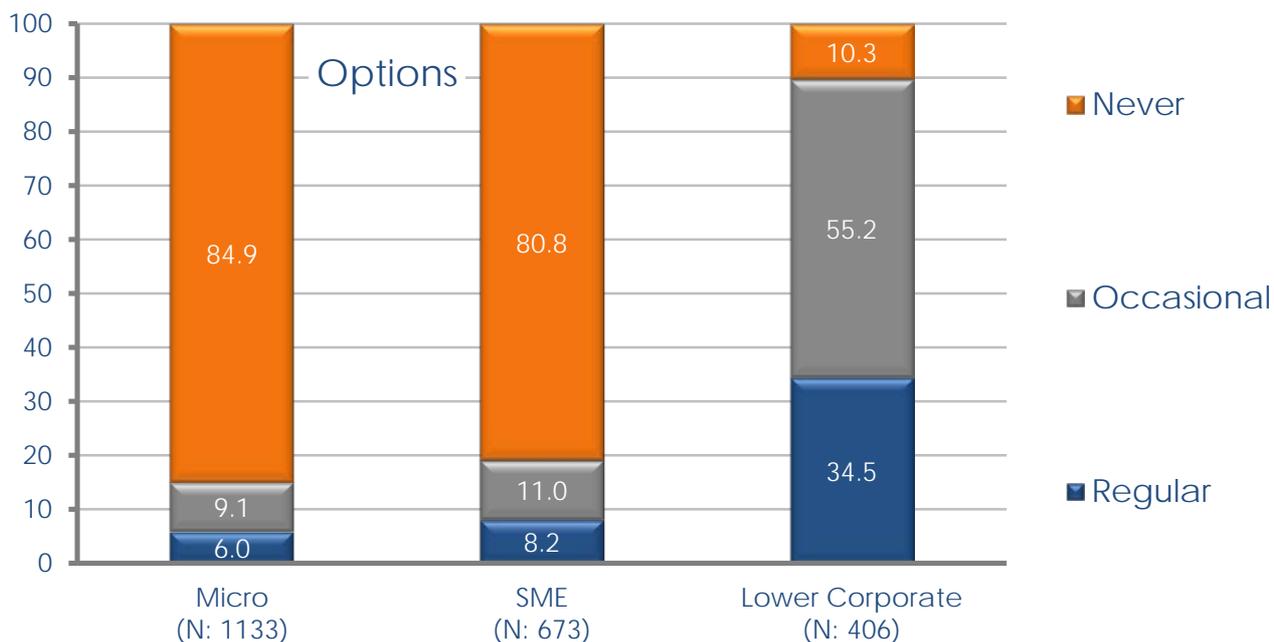
Non-bank providers have also made positive moves since the last round of reporting. Western Union, SAXO and Monex are all standouts, achieving considerable mind share growth rates over the last year. Of these, Western Union achieved the most significant mind share growth rate of 28.5 percent over the last year.

“Mind share is vitally important given most customers are thinking of other providers for business FX and transactionally focussed,” said Dowling.

“This pattern is reinforced market wide where no single FX provider consistently performs strongly across all segments. New entrants and smaller sized ‘fintech’ focused FX providers have recognised this opportunity and are quickly taking advantage of the opportunity in the Micro and SME segments” he added.

FX Product Penetration

% of FX Customers Using Options/Forwards



Source: East & Partners UK Business FX Program - June 2015

About East & Partners UK Business FX Program

East & Partners UK Business Foreign Exchange Markets program is based on 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. It forms part of a multi-country Business FX research program covering, Asia, Australasia, North America and Western Europe.

Micro Business: GBP£1 – 5 million annual turnover business customers
SME: GBP£5 – 20 million annual turnover business customers
Lower Corporate: GBP£20 – 100 million annual turnover business customers

For more information or for further interview based insights from East & Partners, please contact:

Media Relations
Nehad Kenanie
t: +61 2 9004 7848
m: +61 402 271 142
e: nehad.k@east.com.au

Principal Analyst
Paul Dowling

m: +44 747 028 6838
e: paul.d@east.com.au



www.east.com.au