

BEST GLOBAL FOREIGN EXCHANGE HOUSE

DEUTSCHE BANK

Consistent service delivery over the year keeps Deutsche Bank on top in FX

Readers will not be too surprised by the inclusion of three of the four institutions in the shortlist for this year's award of best global foreign exchange house. The fourth though, will certainly cause a few eyebrows to be raised.

However, it should be remembered that this award is not given solely to banks and it does not have to go to those firms that are the biggest players by volume. It is given for excellence and, on that basis, the inclusion of Oanda is fully justified.

The company, initially set up to cater for the once fledgling retail sector of the market, has wheeled out innovation after innovation since its trading platform went live in 2001. Often, these have been copied by the bigger boys in the upper echelons of the market. Oanda was one of the first automated market makers and its spreads have long been ultra-competitive – it was probably the first player to introduce fractional spot pricing. Impressively, it maintained these even through the most volatile periods of activity that were witnessed over the past 12 months. More recently, it was one of the first to start streaming prices in non-deliverable forwards, including the Chinese yuan, which few banks feel able to do.

In April, Oanda introduced FXGlobalTransfer, a service that enables anyone to trade on the market rate for physical FX delivery in any amount. And it does this for a flat fee of just \$25 in the major currencies. And Oanda's ability to process tickets is something the banks wish they could emulate. It averaged more than 400,000 transactions a day throughout 2007 and on August 17 an incredible 1.5 million trades went through on its FXTrade platform. In contrast, UBS says it averaged 50,000 tickets a day in early 2007 and that the volume spike in August showed that it had to be prepared for a one million ticket day.

Oanda has democratized FX in a way the banks simply have not and, for that reason, it deserves special mention. Ultimately, though, it fails to win the overall award because although the FX business is not about just being big, Oanda is too much of a niche spot player. It is also far more dependent on its banks for liquidity than they are on Oanda for its flow.

The three banks on the shortlist obviously go about their business in slightly different ways but they do claim to have one thing in common – strong client focus. When it comes to strategy, Barclays in particular is proud that it did not follow what is describes as a “me too” policy strategy when it set about trying to turn itself into a real global force in FX. By daring to be different, Barclays has achieved the breakthrough it was after and broken into the top three in the *Euromoney* FX poll. It is determined to remain there and its commitment to technology – talk to any of its clients and they all tell you how good its Barx trading platform is – as well as product innovation remains high.

UBS's performance over the past year is also remarkable, given the

Also shortlisted in this category:

Barclays Oanda UBS

“In the crisis in August, we were consistently there for our clients.”

Zar Amrolia



huge distractions its FX business had to face as a result of problems in other areas of the bank. It does not claim to have been as innovative as Barclays and it would probably admit that its technology has fallen behind. Yet, it remains a real force in FX.

However, despite both banks' excellence, ultimately they have failed this year to usurp Deutsche Bank as the best house in FX. Barclays in particular ran it very close in terms of innovation and its use of cutting-edge technology but there are several reasons why Deutsche wins. The most important, though, was its consistency of service delivery through the year. All three banks claim that they were always in the market when volatility surged in August but the whispers that this is not strictly true for both UBS and Barclays are too loud to ignore.

The evidence from talking to the banks' joint clients, as well as from the *Euromoney* poll, suggests Deutsche was. Deutsche's claim that Autobahn, its trading platform, is now the benchmark provider of liquidity in FX is arguably not hyperbole but actual fact.

“In the crisis in August, we were consistently there for our clients. We were really given a chance to differentiate ourselves from our competitors, which to an extent hasn't been there in recent years, and we did that,” says Zar Amrolia, Deutsche's global head of FX.

Deutsche wins because of its consistency. For the past 12 months, consistency in FX constitutes excellence. Both Barclays and UBS will feel aggrieved that they did not come out on top but they should feel no shame. The fierce but healthy competition they are providing Deutsche is ultimately good for their clients and the overall wellbeing of an asset that has come of age. Looking ahead already to next year, Deutsche must know it cannot afford to rest on its laurels. 