

Five big banks extend their domination of forex trading

CURRENCIES

By Delphine Strauss

The biggest banks have reinforced their dominance of the \$5.3tn-a-day foreign exchange market during the past year, according to a closely watched industry survey.

In Euromoney's annual poll the combined market share of the top five banks in currency dealing has risen to 60.6 per cent from last year's 57.4 per cent. It is the first time the combined share of the top five has risen above 60 per cent since 2009.

The main participants in the currency market fight tooth and nail to secure places in Euromoney's rankings, which serve as the industry standard, although they are based on voting by clients and claim to be no more than a proxy for market trends.

Last year Citigroup's head of FX sales resorted to dressing as a superhero in a campaign to drum up votes. And persistence has paid off, with Citi overtaking Deutsche Bank to take the top spot for the first time

since 2002. Deutsche Bank, which had headed the rankings for nine years, is in second place.

But this year the lobbying has been more subdued, with several banks deciding not to canvass their clients and UBS - one of the top five - saying it would not participate in the survey next year.

Shift from voice to electronic trading thought to favour the dominance of large operators

The poll, published yesterday, follows months of scrutiny of the forex market as regulators around the world probe allegations that senior traders at the top banks colluded to manipulate prices ahead of key benchmark fixings.

More than 30 staff at 11 banks have been fired, suspended or placed on leave and several senior executives have chosen to move on at a time of turmoil in the industry.

The probes are accelerating a long-term shift from voice to electronic trading, which many believe favours the dominance of the biggest operators, which are able to invest more in their trading platforms.

Scale matters in a market with high volumes but low and shrinking margins, and there is already a big gap between the top handful of banks and those lower down the rankings.

Euromoney said Barclays had retained third place, with Royal Bank of Scotland and Credit Suisse suffering the biggest falls from last year.

BNP Paribas, Bank of America Merrill Lynch, Standard Chartered and ANZ made the biggest advances.

Some institutions have chosen to scale back forex divisions that are suffering the same pressures as fixed income and commodities at many investment banks, focusing instead on a small core of the biggest clients.

But relatively low capital requirements mean few are likely to pull out of the area entirely.