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Citi and Goldman break into retail FX

NEW YORK & COPENHAGEN – Citi and Goldman Sachs are breaking into the retail foreign exchange market by launching an online FX margin trading platform and buying a 10% stake in an online retail CFD company, respectively.

The banks join Deutsche Bank, ABN Amro and UBS, all of which have entered the market with platforms. The German dealer has partnered with online broker FXCM, and ABN and UBS have teamed up with Oanda. According to London-based client strategy firm, ClientKnowledge, the retail FX market is sized at more than \$50 billion a day.

Citi's new platform, CitiFX Pro, is a version of Saxo Trader, Saxo Bank's online trading platform. However, a differentiator between the two platforms is that advice and trading recommendations will not be given on CitiFX Pro, said Kim Fournais, co-chief executive of Saxo Bank in Copenhagen. The platform will also be customised to fit Citi's preferences for design and functionality.

"The Citi and Saxo Bank deal is quite a coup, as the partnership combines a great customer franchise with a well-regarded technology solution," said one London-based head of FX at a global bank. "While it comes a year behind other banks in the market, it is certainly not too late."

However, commercial banks entering

retail FX risk damaging their reputation with long-standing account holders.

But Sanjay Madgavkar, global head of FX margin trading at Citi in New York, said Citi plans to evaluate the

level of trading experience new clients have before allowing them onto the platform. "We also comprehensively pre-screen each retail trader seeking to use the platform according to financial condition, including liquid net worth."

Retail investors seeking to trade on the platform will need a minimum account deposit of \$10,000 or its equivalent in EUR, GBP or JPY. Citi will act as the primary liquidity provider on CitiFX Pro, but will also source liquidity from Saxo's pool of liquidity providers.

Madgavkar said Citi will treat all client pricing and flows in a similar manner to its institutional pricing and flows. "Our pricing and flow management practices will meet industry best-practices in this regard," he said.

Questions exist as to whether the partnership with Citi will hinder other banks from securing white-label deals with Saxo



Kim Fournais, Saxo

Bank. However, Fournais said Saxo will not be prevented from doing deals with other players.

CitiFX Pro is being launched in the US in the next few weeks. The platform will be rolled out globally in 2008.

Meanwhile, agreement by banking rival Goldman Sachs to acquire a 10% stake in CMC Markets similarly signals a push to capitalise on burgeoning opportunities in retail FX.

CMC Markets is fast-growing participant in online trading and currently clocks an annual growth of 40%. Its flagship product is retail FX real-time trading platform Marketmaker. Launched in 1996, the platform is available for white-label partnerships with banks seeking to break into the retail trading market. It is not known whether Goldman plans to white-label Marketmaker. But CMC Markets executive chairman Peter Crudas said the companies will co-ordinate their operations in some capacity. "There are exciting synergies for the business that would be difficult to match from any other investor, and by bringing together the liquidity and technological expertise of both parties we will be able to deliver real benefits to our customers," he said.

The deal is subject to regulatory approvals and other pre-completion conditions. ■ *Susanna Robinson*