



Transparency in Retail and SME FX Markets

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Transparent Charging

- ▶ There are potentially 3 costs in any buy/sale of foreign currency
These are:-
 - (i) wholesale market spread
 - (ii) retail loadings
 - (iii) commission
- ▶ Commissions are currently the most transparent of the charges as they are charged separately. The other two charges are tied up in the buy/sell rate and the wholesale market spread is never transparent
- ▶ The key to transparency is to have consistent disclosure of FX loadings, expressed as a %, against a wholesale mid-market benchmark

Mid Market Wholesale Rate

- ▶ The mid market wholesale rate should be updated every time the customer rate is potentially changed
- ▶ Thus for travel bureau this might only be first thing daily
- ▶ For FX transactions carried out digitally I think the mid market wholesale rate should be time stamped at the time the FX conversion (whether spot or forward) is executed
- ▶ The customer rate should also be expressed as a % loading to the mid market wholesale benchmark. This will highlight the true cost of FX transactions and make comparing competitor charges easier
- ▶ Bi-annual independent audit that firm has complied with mid market wholesale rate time stamping – analogous to CASS audits