

The e-Forex Interview

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With Reine Dossou, head of e-business at Société Générale Corporate & Investment Banking

With an average daily turnover of approximately USD 25 billion and employing over 300 sales and trading professionals in 45 dealing rooms around the world, Société Générale is clearly a leader in the global foreign exchange & treasury market. How does your extensive global coverage coupled with a strong culture of innovation benefit clients who are seeking FX e-commerce partners and solutions?

The fact that Société Générale has established its presence throughout the world's financial centers brings synergies that could not be achieved by any other way. For instance, the rapid growth in Société Générale activities' in key developing economies of Eastern European and Asian markets allow e-commerce clients to benefit from increasing liquidity and competitive pricing on those exotic currencies. Nowadays, clients have very similar FX e-commerce needs which are more dependent on their business profile than their country of origin. All in all, they are seeking a secure and reliable environment where they can obtain well priced and sufficiently deep liquidity. Such a currently homogenous global marketplace enables us to put all of our innovation efforts towards the perfection of fundamental aspects of the e-trading, covering the quality of service from deal initiation to BO confirmation and delivery.

You started last year with the launch of SGFXTrade, your proprietary Forex and Money Markets e-trading platform. What type of customers is the platform targeted at and has it been as successful in attracting the volumes and growth of business you anticipated?

SGFXTrade is a tool with very clear benefits, and which is, following market trends, enhancing our client-sales relationship. It was targeted at a large range of Société Générale clients whatever their size or profile and has performed well beyond our highest expectations. Not only have we managed to keep most of our ex Centradia (our own previous multibank e-trading platform) clients, but also add substantial numbers of new customers. The popularity of SGFXTrade is the best proof that Société Générale clients appreciate the product.

What factors are likely to shape a clients' decision on whether to use a mono-bank portal such as SGFX Trade, or a multi-bank portal?

With e-trading solutions becoming more easily available to clients we are in a fiercely competitive environment where spreads are tightened to market levels, and where the client is demanding fair instead of the best price. Therefore pricing is not the only element in customer choice, moreover, often not even the most important one. Mono bank platforms have several advantages over the multi-bank portals. Firstly, the flexibility and reactivity to its clients is a most important advantage of mono-bank platforms. Secondly while using mono-bank e-trading solutions the client enhances its trading relationship with sales. And thirdly, mono-bank platforms such as SGFXTrade are the ones that include the latest developments, whether it is a new product, functionality, extension of trading hours, or automatic back office confirmation. Our clients are looking for an outstanding "all inclusive" service, where they can benefit from a zero default service from the conclusion of the deal to the automatic matching of its positions. The success of SGFXTrade when measured against its multibank rivals is dependent of whether those benefits are communicated, understood and needed by a client.

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You have recently added e-confirmation functionality. What prompted this and what other key functionality does it offer clients?

Using this functionality, a customer can handle the validation process (confirmation, validation or refusal) in a quick and efficient manner. This functionality was a response to the clients' need for additional efficiency and security. All investors are looking for integrated solutions allowing them to reduce as much as possible their tasks before the trade, during the trade and finally after the trade and that is exactly what e-confirmation does for them.

Last year you launched your own FX prime brokerage offering, Société Générale Prime. What range of services does this provide and how have your Hedge Fund and Institutional clients responded to it?

In addition to standard FX prime brokerage features it also gives the customer the capability of monitoring their trades as well as positions on a real-time basis. The positions can be monitored on a consolidated basis, so that the client is able to see what has been done across all ECN's utilized by them. The consolidated positions facilitate reduced credit use and give room for more trades. Clients will soon be able to monitor billing reports as well.

Most major FX providers continue to add a wider range of tools to their platforms, for example click and trade functionality or benchmark execution. What's driving this pace of e-FX product expansion amongst providers? Is it simply to match their competitors or is it really to entice and cater for a wider range of clients?

The primary aim of our e-FX trading solutions is to fulfill the needs of our existing clients. Accordingly, that is where our development efforts are focused. Having this approach we are seeking long-term stable benefits from the increasing loyalty of our existing clientele, rather than placing us in the hunt of short-term profits from temporary increased volumes.

In our recent regional e-FX perspective article on France, we noted that the French buy-side is still heavily weighted towards corporate especially with regard to electronic trading. Is attracting flow from the more active trading community becoming important for Société Générale and how are you looking to meet the e-FX needs of the next generation of clients?

Penetration of the institutional investors segment is definitely one of Société Générale priorities in 2006. The attractiveness of these clients in terms of volumes, however, is delicate since Institutionals are the most demanding clients with accompanying specific risks.

They are very price sensitive, and therefore are usually convinced by the price advantages of multibank platforms. They also are keen on using very sophisticated technology (for instance most of them have API's which are plugged into several e-marketplaces). The most significant development that will help us to compete in this market is our pricing engine. This state-of-art instrument, maintained by Société Générale traders completely dedicated to e-trading, allows us to outperform our rivals not only in the prices itself, but also in rapidity of response, in the end providing the best time-to-market prices to the client.



Currently our developers are testing the latest development adding streaming functionality, which is essential in gaining a substantial part of the institutional client market.

The online FX market is very dynamic. Looking ahead, is it likely to get harder for leading FX providers like Société Générale to differentiate their e-FX offerings from other competitors and if so, how do you plan to address this challenge?

As I have mentioned earlier, the battle between different competitors will not just be a question of better price but rather a question of liquidity, efficiency and reliability of the bank's trading systems. Personally, we are confident on this point. It's exactly the reason we made the choice years ago to develop all our systems in-house and not be dependant on external technology providers. Of course, it has consumed more time and resources in comparison to our competitors, but today, we are enjoying the fruits: being reactive and confident in our architecture - which we totally control. Our goal is a "zero default" service which is ensuring that when a client clicks on an Société Générale price, he is certain that he has done it at a fair price and that he will not face any technical issues. To achieve this goal we have developed a real-time monitoring system which allows us to be alerted before the client meets any potential problems. We are also applying our 3C price policy which consists in being Consistent, Constant and Competitive on the larger range of currencies.

Société Générale made very strong progress in last years FX Week's Best Banks Awards, achieving a spectacular improvement from the previous year. Are you confident of building on that progress going into 2006 and are you intending to continue bolstering the level of your current FX sales, trading and e-distribution capabilities?

The fundamental pillar of Société Générale's success is based on a state-of-the art pricing scheme. The powerful price engine generates deep liquidity auto-quotes at all times, maintaining elevated thresholds and permitting Société Générale to preserve its outstanding reactivity performance ahead of its rivals. Behind it, SG has set up a team of traders dedicated to e-trading, who watch the market as well as clients' price requests and are able to intervene in this constant flow of information, in one click, bringing client closer to the market. That is how we have achieved this substantial growth, and that is why we are confident in continuing doing so.



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For further information please contact:

Danske Markets
Global Flow and Solutions

Jesper Ronald Petersen, e-mail jrp@danskebank.dk or
Claus Holmark Asved, e-mail cho@danskebank.dk

Reuters DANO/DANX +45 3334 1003

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