

Atriox: online FX dealing goes mainstream?

Some of the key players in the long-anticipated online exchange, have spoken to *The Treasurer*. Anne Querée outlines what we can expect.

News of yet another online market place for foreign exchange dealing hardly came as a surprise. Everyone knew that the FX heavyweights – Chase, Citibank, Deutsche Bank and information provider Reuters – were to launch an exchange long before the 24 October announcement. Even the name, Atriox (derived, we're told, from Atrium, the Latin word for the central courtyard of a Roman house) was an open secret. It could hardly have been otherwise, given that 50 banks were signed up in advance and a buy-side client advisory group of 24 corporate and institutional names assembled. Chase, Citibank, Deutsche Bank and Reuters are the principal shareholders and have jointly invested \$80m in Atriox, but the exchange is open to all market participants.

Credentials

Although a late entrant to an already crowded market (see October's issue for an overview), it is hard to dispute Atriox's credentials and its potential to become the dominant channel for foreign exchange dealing. Together, the 50 founding banks account for 50 per cent of global foreign exchange dealing and Atriox claims it will be the "most liquid, efficient, automated, open portal for online FX dealing." There will be real-time FX prices and news from Reuters and search and filter tools for managing a wealth of aggregated research from the banks. In addition, Atriox has top notch technology partners in Reuters/Tibco, Radianz (a Reuters/Equant joint venture) and Integral, which will host and run the site. (Integral also owns and operates CFOWeb, the capital markets portal which provides FX trading as well as a range of other products and services to corporate users.)

But, for the time being, it is the potential, rather than the reality, of Atriox that

we are talking about. Although you can register at the website today, trading will not commence until the second quarter of 2001. In announcing itself ahead of time Atriox is following a now familiar online strategy aimed at winning hearts and minds early in order to attract buy-side activity as soon as possible once trading begins. For the fact is that online exchanges of all kinds have so far generated much excitement but little activity, and, of course, liquidity is the key. But Atriox's CEO designate, Dan Morehead says that comparisons with exchanges dealing in physical goods are inappropriate. He points instead to the slow but sure movement online of other financial asset classes (such as bonds). It's taken about four years for this to happen, says Morehead. "But we expect FX to have a much deeper adoption curve."

Poor cousins

In the past, corporates have arguably been the poor cousins of the FX markets, often having to choose between the convenience of a single-bank autodealing system and a labour-intensive comparative pricing process involving three simultaneous phone calls! The online exchanges are supposed to change all this by allowing buyers to request a quote from several banks simultaneously via the internet. But unlike some other types of exchanges where buyers and sellers can meet new trading partners, and/or trade anonymously if they choose, the FX exchanges are based on bilateral trading agreements between buyer and seller that have been entered into ahead of trading. Nevertheless, enthusiasts argue, pricing should be keener on the new exchanges, reflecting more competition and lower trading and processing costs.

David Rusate of The General Electric Company is Chair of the Client Advisory Group which represents a geographical, industry and business line balance

of buy-side interests. He says the group will work to ensure the neutrality of the exchange and to achieve best price discovery, execution and processing efficiency. He suggests Atriox participants should be able to trade peer-to-peer so that, for example, one corporation might trade with another as readily as with a bank. And he hopes that Atriox will in future offer a full range of cash management services as well as just trading.

The online exchanges also offer the opportunity to automate the confirmation and settlement processes, and to pass information about FX trades directly to the corporate treasury management system. "It is hard to put a dollar and cent number on the processing savings that corporations can achieve by trading online, but we believe they will outweigh the pricing advantages" says Rusate.

Good news for corporates

Online FX dealing looks like good news for corporates, who have long wanted a single channel to all their FX banks. But for the time being, the range of different offerings threatens to confuse and fragment the market at exactly the moment it needs to be convinced. Just take pricing: CFOWeb is totally free to the buy-side, Currenex charges a "small transaction processing fee" for trades, Atriox says it will offer different subscription tiers linked to information packages and declines to discuss transaction pricing.

Atriox's Dan Morehead agrees that building buy-side confidence in an exchange could prove the classic chicken and egg situation. "Our strategy is to provide a known and existing huge chicken (good technology and deep liquidity) in the second quarter of 2001" he replies. ■

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