

TREASURY MARKETS REPORT 2000

EXECUTIVE SUMMARY

RESULTS

The East Coles Treasury Markets Report 2000 achieved a total of 240 respondents. Foreign exchange had the highest number of respondents at the bank level (192), closely followed by money market (182), whilst fixed interest and derivatives were both over 100 (103 & 150 respectively). Research was the least well responded (91).

Foreign exchange again had the highest number of respondents (134) at the individual dealer level, closely followed by money market and derivatives (108 each). These figures are summarised in Appendix A.

At the bank level the overall results for the major commercial banks are listed alphabetically in Appendix B.

The only two areas where the Top 4 local commercial banks did not achieve each of the Top 4 rankings were Fixed Interest and Research. Indeed in Fixed Interest only one of the Top 4 local commercial banks penetrated the Top 4 rankings (Westpac), and actually achieved the Number One position. UBS Warburg, Deutsche and Salomons were 2, 3 and 4 respectively in Fixed Interest.

Westpac also achieved the Number One spot in Research, as mentioned above the only other area where the Top 4 positions did not go to the Top 4 local commercial banks. Here ANZ was 2nd, Deutsche 3rd and Citibank 4th.

Overall at the bank level there were 30 banks rated in fixed interest, 36 in foreign exchange, 35 in derivatives, 39 in money market and 31 in research. At the individual level there were 132 rated fixed interest dealers, 160 foreign exchange dealers, 163 derivatives dealers, 148 money market dealers and 47 rated research dealers / analysts.

Appendix C provides a summary of the major results at the overall level across the five product lines. Results are provided for the Top 6 Banks and the Top 10 Dealers / Individual performers.

SUMMARY

Generally speaking respondents were satisfied with the banking services provided in the Australian Treasury Markets. This conclusion can be drawn from the fact that the Top 6 banks across the 5 product lines surveyed all achieved average scores of over 70%. The qualitative feedback confirmed this with many respondents taking the time to state that they were reasonably happy with their banking relationships.

Naturally there is always room for improvement, and respondents were not shy in suggesting some areas where improvement might take place. In fact around 40% of respondents opted to suggest areas requiring attention or new initiatives.

The major concerns for corporate / institutional respondents could be summarised under 5 headings.

- Managing the client relationship better (especially via increased face to face contact, less junk mail & better, more relevant information conveyance)
- Understanding the client's business & industry better
- Improving products & research – including forecast accuracy, pricing accuracy etc.
- Increasing internet access to services, including on-line trading ability & technological / software support
- Improving settlements & back office capacity & accuracy

The major concern was relationship management, with 34% of respondents who took the time to comment raising this issue. Several instances were mentioned of banks failing to personally introduce their relationship manager to the client, moving offices and maintaining contact by phone only, and ignoring or responding tardily to client requests. One respondent particularly disliked the fact that he'd been allocated 5 different dealers in one 12 month period.

Similarly respondents were frustrated by an inability to contact their relationship manager or dealer by phone on occasions, and made particular reference to 'voice-mails being no replacements for people'. They wanted the ability to contact the relevant person within the their bank in a timely fashion, not a voice-mail or someone on the desk who didn't know them or their needs as well as their relationship manager.

Another important concern of respondents was the use of 'junk mail' in lieu of meaningful dialogue. Several respondents felt quite strongly about this issue, and made the point that the information was basically flooding in, yet took no account of their particular needs or circumstances. Respondents stated that they had no time to sift through the volumes of information provided. They considered that as an important part of relationship management by the banks would be 'walking clients through relevant information.

The remaining categories were fairly similar in terms of number of mentions. Understanding the client's business and industry came in with 18%, product and research improvement was at 17%, internet and technological advancement & access was at 16%, whilst back office & settlements improvements were at 15%.

In commenting on the banks' apparent lack of understanding of their business and industry, respondents felt that more effort could be devoted to assessing client's risk profile and needs. Banks could then offer proactive advice on current & potential strategies could then be offered to clients on the basis of needs analysis.

Complaints were made that dealers were often more concerned with 'churning' business than maintaining a long-term relationship of trust. Respondents while craving greater contact through better relationship management, also desired a relationship based on an understanding of their unique needs.

Several respondents felt that the banks they transacted with had 'no idea of what we do', and that they failed to 'keep promises'. Another respondent mentioned that 'one guy has

rung me every week with the same thing that I don't want, and couldn't use, for the past month!'. The general sentiment seemed to be that banks pushed products regardless of each respondent's particular needs, due to internal bank policies, but instead should be taking the time to gain a greater understanding of which products & services actually suit each particular client, and structuring the relationship according to this understanding.

With respect to products and research, respondents felt that many products had margins built in which were far too large, resulting in occasional exorbitant fees. Also respondents were concerned that pricing quotes and forecasts were poorly researched. In one instance a respondent claimed he was given wildly varying forecasts for the Aussie dollar, one in the 40c range, and the other in the 70c range, all within the one week.

Pricing competitiveness was understandably a concern, yet sentiment seemed to be that it was reasonable to hold a price a little higher than the market average, so long as the quality of service was high. Innovation was welcomed in the product and research areas, on the proviso new products or research ideas were targeted to the client's particular needs and circumstances.

Respondents had a surprisingly positive view of information technology including the internet. Given that across most of the product lines this particular aspect of a bank's service generally achieved not much better than a 3 out of 5 for importance (where most others were between a 1 and 2), it is interesting that many respondents felt there was a need for an extension of service in this area e.g. the availability of more services on the internet, including real-time on-line markets. Respondents expected their banks to assist them with software relevant to their banking needs. There was an expectancy that these should come via the net.

It will come as no surprise that respondents expect greater accuracy in their on-line banking. They were hopeful that timeliness would improve along with the greater array of services and products available. Security and cost were additional concerns. The establishment of on-line markets was perceived to assist competition on price. It is interesting to note that the expectancy of greater on-line access has not eroded the expectancy for better face to face relationship management level.

Finally - the perennial issue of back office / settlement efficiency and capacity. There appears to be a link in respondent's minds concerning the internet / technological capacity and back office / settlements efficiency. Many felt that given greater resource allocation by banks to back office/ settlement areas would improve response time, pricing accuracy, execution accuracy, swifter clearance times and lower costs.

Though many respondents identified ongoing errors and frustrations with their banks' settlements divisions, some respondents expressed sympathy for back office / settlements staff, as there was a perception that staff wore the blame for any dealing errors, yet were unduly pressured by banks loath to allocate adequate resources.

CONCLUSION

There is a clear inter-relation between issued by respondents. They want banking relationships that focus on their individual needs and requirements. They want service providers to recognise their unique circumstances and requirements with tailored products and services delivered within a personalised relationship.

This does not mean more regular contact with dealers necessarily, yet would seem to imply a higher, more meaningful level of contact. Indeed it is apparent that the current structure of the investment banking and broking industries could well be effective in the treasury markets, where the separation between relationship management and execution / sales trading is clearly delineated.

Respondents are looking for a greater utilization on technology and internet services to provide the necessities, rather than often unnecessary and unwanted dealer or junk mail contact. However as pointed out above they want a relationship manager who will personally identify their unique needs and provide strategic advice / ideas and tailored products.

The current banking service provision in the Australian Treasury Markets has some important deficiencies. Most of these deficiencies would most likely self-correct if banks actively sought a better understanding of their clients and more personalised management of the client-bank relationship. Ideal relationship management would offer proactive advice on products and ideas of benefit to the particular client. Clever use of information technology in conjunction with improved resource allocation to the back office could greatly improve overall service provision. The latter changes are more a matter of resource allocation than internal relationship restructuring.

APPENDIX A

<u>BANK RESPONDENTS</u>	<u>Deriv</u>	<u>FI</u>	<u>FX</u>	<u>MM</u>	<u>Rsrch</u>
PROVIDED BANK RATINGS	150	103	192	182	91
DID NOT PROVIDE BANK RATINGS	90	137	48	58	149
TOTAL TREASURY RESPONDENTS	<u>240</u>	<u>240</u>	<u>240</u>	<u>240</u>	<u>240</u>

<u>DEALER RESPONDENTS</u>	<u>Deriv</u>	<u>FI</u>	<u>FX</u>	<u>MM</u>	<u>Rsrch</u>
PROVIDED DEALER RATINGS	108	66	134	108	24
DID NOT PROVIDE DEALER RATINGS	132	174	106	132	216
TOTAL TREASURY RESPONDENTS	<u>240</u>	<u>240</u>	<u>240</u>	<u>240</u>	<u>240</u>

APPENDIX B

<u>TOP 4 COMMERCIAL BANK RESULTS</u>	<u>Deriv</u>	<u>FI</u>	<u>FX</u>	<u>MM</u>	<u>Rsrch</u>
ANZ	1	5	1	1	2
CBA	4	7	4	4	7
NAB	3	6	3	2	6
WESTPAC	2	1	2	3	1

APPENDIX C

SECTOR - OVERALL FOREIGN EXCHANGE**RANKED - BY BANK****YEAR - 2000**

RANK	BANK	RAW SCORE	AVE. SCORE	NOMINATIONS
1	ANZ	40.00%	78.37%	98
2	WESTPAC	36.93%	79.66%	89
3	NAB	29.79%	77.30%	74
4	CBA	21.20%	79.80%	51
5	CITIBANK	15.63%	81.08%	37
6	DEUTSCHE	8.80%	80.48%	21

SECTOR - OVERALL DERIVATIVES**RANKED - BY BANK****YEAR - 2000**

RANK	BANK	RAW SCORE	AVE. SCORE	NOMINATIONS
1	ANZ	30.47%	77.46%	59
2	WESTPAC	29.73%	79.64%	56
3	NAB	29.67%	80.91%	55
4	CBA	23.87%	81.36%	44
5	DEUTSCHE	16.73%	80.97%	31
6	CITIBANK	12.07%	82.27%	22

SECTOR - OVERALL FIXED INTEREST**RANKED - BY BANK****YEAR - 2000**

RANK	BANK	RAW SCORE	AVE. SCORE	NOMINATIONS
1	WESTPAC	35.49%	79.46%	46
2	UBS WARBURG	23.16%	79.50%	30
3	DEUTSCHE	22.52%	80.00%	29
4	SALOMONS	21.41%	81.67%	27
5	ANZ	19.22%	73.33%	27
6	NAB	18.74%	77.20%	25

SECTOR - OVERALL MONEY MARKET**RANKED - BY BANK****YEAR - 2000**

RANK	BANK	RAW SCORE	AVE. SCORE	NOMINATIONS
1	ANZ	41.54%	79.58%	95
2	NAB	34.89%	79.38%	80
3	WESTPAC	31.25%	79.00%	72
4	CBA	21.59%	81.88%	48
5	CITIBANK	8.13%	82.22%	18
6	DEUTSCHE	7.47%	80.00%	17

SECTOR - OVERALL RESEARCH**RANKED - BY BANK****YEAR - 2000**

RANK	BANK	RAW SCORE	AVE. SCORE	NOMINATIONS
1	WESTPAC	29.89%	71.58%	38
2	ANZ	27.80%	74.41%	34
3	DEUTSCHE	22.09%	77.31%	26
4	CITIBANK	16.04%	76.84%	19
5	MACQUARIE	13.30%	75.63%	16
6	NAB	13.08%	70.00%	17

SECTOR - OVERALL FOREIGN EXCHANGE**RANKED - BY DEALER****YEAR - 2000**

RANK	DEALER	BANK	RAW SCORE	AVE. SCORE	NOMINATIONS
1	DE VERE, Fiona	WESTPAC	6.94%	77.50%	12
2	ROSS, Steve	NAB	6.57%	88.00%	10
3	CHORA, Richard	ANZ	5.37%	80.00%	9
4	MAGARRY, Paul	NAB	4.33%	82.86%	7
5	MACEDONE, David	ANZ	3.73%	83.33%	6

SECTOR - OVERALL DERIVATIVES**RANKED - BY DEALER****YEAR - 2000**

RANK DEALER	BANK	RAW SCORE	AVE. SCORE	NOMINATIONS
1 LEMKE, Matthew	DEUTSCHE	7.87%	85.00%	10
2 HOPWOOD, Brett	WESTPAC	5.00%	90.00%	6
3 DE VERE, Fiona	WESTPAC	4.63%	83.33%	6
4 BARKER, Scott	WESTPAC	4.44%	80.00%	6
=5 KINASCH, Andrew	CBA	4.07%	88.00%	5
=5 COLLINS, Shane	NAB	4.07%	88.00%	5

SECTOR - OVERALL FIXED INTEREST**RANKED - BY DEALER****YEAR - 2000**

RANK DEALER	BANK	RAW SCORE	AVE. SCORE	NOMINATIONS
1 DAVIDSON, Meredith	SALOMONS	12.58%	83.00%	10
2 PYNES, Peter	DEUTSCHE	10.61%	87.50%	8
3 CLARK, Andrew	UBS WARBURG	10.30%	85.00%	8
4 GRUNERT, Kim	WESTPAC	9.09%	85.71%	7
5 FREEMAN, Geoff	ABN AMRO	8.48%	93.33%	6

SECTOR - OVERALL MONEY MARKET**RANKED - BY DEALER****YEAR - 2000**

RANK	DEALER	BANK	RAW SCORE	AVE. SCORE	NOMINATIONS
1	ATKINSON, Barry	NAB	9.26%	76.92%	13
2	PRAIN, Chris	ANZ	6.11%	82.50%	8
3	WILLIAMS, Greg	CBA	5.00%	90.00%	6
4	PEART, David	CBA	4.17%	90.00%	5
=5	COX, Julius	ANZ	3.15%	85.00%	4
=5	DAVEY, Richard	ANZ	3.15%	85.00%	4
=5	PERRY, Paul	ANZ	3.15%	85.00%	4
=5	MEARA, Bill	NAB	3.15%	85.00%	4
=5	MOSSMAN, Colin	NAB	3.15%	85.00%	4
=5	SALTER, Phil	NAB	3.15%	85.00%	4
=5	STEPHENSON, Emma	WESTPAC	3.15%	85.00%	4

SECTOR - OVERALL TREASURY RESEARCH**RANKED - BY DEALER****YEAR - 2000**

RANK	DEALER	BANK	RAW SCORE	AVE. SCORE	NOMINATIONS
1	MINACK, Gerard	ABN AMRO	7.50%	90.00%	2
=2	PRAIN, Chris	ANZ	7.08%	85.00%	2
=2	LEMKE, Matthew	DEUTSCHE	7.08%	85.00%	2
=4	de GARIS, David	ANZ	6.67%	80.00%	2
=4	NOLAN, Patrick	BNP	6.67%	80.00%	2
=4	WILSON, Matthew	CSFB	6.67%	80.00%	2

**SECTOR - OVERALL FIXED INTEREST
INSTITUTIONAL RESPONDENTS ONLY
RANKED - BY BANK
YEAR - 2000**

RANK	BANK	RAW SCORE	AVE. SCORE	NOMINATIONS
1	SALOMONS	67.73%	82.78%	18
2	UBS WARBURG	67.27%	77.89%	19
3	DEUTSCHE	62.27%	85.63%	16
4	WESTPAC	61.82%	75.56%	18
5	MERRILL LYNCH	32.73%	80.00%	9
6	ABN AMRO	29.55%	72.22%	9

**SECTOR - OVERALL FIXED INTEREST
INSTITUTIONAL RESPONDENTS ONLY
RANKED - BY DEALER
YEAR - 2000**

RANK	DEALER	BANK	RAW SCORE	AVE. SCORE	NOMINATIONS
1	PYNES, Peter	DEUTSCHE	29.52%	88.57%	7
=2	CLARK, Andrew	UBS WARBURG	28.57%	85.71%	7
=3	GRUNERT, Kim	WESTPAC	28.57%	85.71%	7
4	DAVIDSON, Meredith	SALOMONS	26.67%	80.00%	7
5	HAND, Marissa	DEUTSCHE	24.76%	86.67%	6
