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# Swiss retail FX rules spell consolidation

**BERN** – Recent amendments by the Swiss Federal Banking Commission (SFBC) to the banking ordinance concerning foreign exchange dealers could lead to consolidation of the retail FX market in the country.

The amendments, which came into force on April 1, require dealers to hold a minimum of Sfr10 million in capital reserve. The capital reserve requirement can be met by cash or global assets authenticated by a SFBC-approved auditor.

Dealers will also become accountable to Swiss banking laws. Any firm that deals in foreign exchange on behalf of clients must register with the SFBC within three months of April 1 and file an application for a banking licence by July 1, 2009.

The changes are thought to spell the end of independence for many retail FX firms that cannot meet the minimum capital requirement. These firms face the prospect of takeover, merging with rivals or liquidation. Alain Broyon, chief executive of Geneva-based online trading company Dukascopy – SWFX, said the number of retail FX providers could be reduced from about 100 to around three to five.

He added, however, that the measure will improve the reputation of the Swiss financial market. Retail customers might be forced to trade with overseas-registered companies as a result of the new rules.

Alain Broyon, Dukascopy – SWFX

New York-based online retail forex trading company FXCM is one potential acquirer waiting in the wings. "We have looked at some Swiss firms for an acquisition as the pending rules will make the landscape in Europe very interesting for the surviving firms.

So far we are waiting to see which players will be able to register with the Swiss authorities as banks," said Drew Niv, chief executive at FXCM in New York.

"For many of the existing firms it seems like an insurmountable undertaking. Switzerland is not high on most retail firm's lists but Swiss brokers are noted for their brisk business in neighbouring European countries and the Middle East," he added.

"The big unknown is whether Swiss regulators will even accept bank applications from these firms and allow them to survive. I doubt the answer is yes in most cases." *Alexander Beckmann*