

# THE CANADIAN FOREIGN EXCHANGE COMMITTEE LE COMITÉ CANADIEN DU MARCHÉ DES CHANGES

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## CFEC Releases Results of October 2007 Foreign Exchange Volume Survey

**January 28, 2008** - The Canadian Foreign Exchange Committee (CFEC) released today the results of its October 2007 semi-annual survey of foreign exchange volumes in Canada. The purpose of the survey is to provide information on the size and structure of the foreign exchange and foreign exchange derivatives market in Canada. Volumes are broken down by product, currency, counterparty, maturity and execution method. The eight banks with the largest foreign exchange activity in Canada participate.

The survey is similar in nature to the Bank for International Settlements' (BIS) Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity. However, the two surveys may not be directly comparable because of some differences in reporting methodology. Most importantly, in the CFEC survey the basis for reporting is the location of the trading desk in Canada, i.e., it includes all transactions that are priced and executed by traders in Canada. In contrast, in the global BIS survey the basis for reporting is the location of the sales desk of any trade.<sup>1</sup>

The summary highlights of the October 2007 survey include the following:<sup>2</sup>

- The monthly turnover in October of traditional foreign exchange products (defined as spot transactions, outright forwards and foreign exchange swaps) totaled US\$ 1.4 trillion, an increase of over one-third from the size of the previous surveys, including the last survey in April.
- However, with 22 business days in October versus only 20 days in April, the average daily turnover of traditional foreign exchange products amounted to US\$ 65.4 billion in October compared with US\$ 53.3 billion in April, a smaller increase of 22.7%.
- Compared with the survey from one year ago, on an annual basis the average daily turnover of traditional foreign exchange products was 32.9% higher, at US\$ 65.4 billion in October 2007 versus US\$ 49.2 billion in October 2006.
- The average daily turnover of foreign exchange derivatives (currency swaps and over-the-counter options) totaled US\$ 3.1 billion, little changed from the US\$ 3.0 billion in the April 2007 survey, but up almost 48% from one year ago (US\$ 2.1 billion in October 2006).

The detailed results of the survey are presented in the summary tables attached.

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<sup>1</sup> Where no sales desk is involved in a transaction, for example in an interbank deal, volumes are based on the trading desk.

<sup>2</sup> There were small revisions to the April 2007 survey data.

The CFEC is an industry group composed of senior representatives from financial institutions actively involved in the foreign exchange market in Canada and the U.S. dollar/Canadian dollar market globally. Formed in 1989, its objective is to provide a forum for the regular discussion of issues and developments pertinent to the foreign exchange market. This includes the review of market practices and procedures, and the promotion of professionalism and integrity in the industry. The Bank of Canada chairs the CFEC and provides secretariat services to the Committee.

The Bank of Canada also co-ordinates the CFEC survey on behalf of the market participants. The eight banks that participate in the survey are:

- Bank of Nova Scotia
- BMO Capital Markets
- CIBC World Markets
- HSBC Bank Canada
- National Bank of Canada
- RBC Capital Markets
- State Street (Canada)
- TD Securities

Globally, a number of other foreign exchange committees conduct similar surveys and they are also releasing their results today on their websites. These include the (London) Foreign Exchange Joint Standing Committee, the (New York) Foreign Exchange Committee and the Singapore Foreign Exchange Market Committee. (The Tokyo Foreign Exchange Market Committee surveys its foreign exchange market annually during the month of April, as opposed to semi-annually during April and October.) Links to the websites of the other foreign exchange committees can be found on the CFEC website ( [www.cfec.ca](http://www.cfec.ca) ). Alternatively, the direct links to their survey results are provided below:

<http://www.bankofengland.co.uk/markets/forex/fxjsc/index.htm>

<http://www.newyorkfed.org/fxc/volumesurvey/>

<http://www.sfemc.org/statistics.asp>

**The Canadian Foreign Exchange Committee**  
**Semi-annual Foreign Exchange Volume Survey**  
October, 2007

**Summary Tables**



January 28, 2008

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**Table 1: Traditional foreign exchange turnover in Canada**  
**Summary of surveys**  
**Billions of U.S. dollars**

	Traditional foreign exchange turnover				Number of business days	Average total daily turnover	Per cent change
	Spot	Outright forwards	FX swaps	Total			
Oct. 2005	223.8	60.9	685.5	970.2	20	48.5	
Apr. 2006	235.4	61.1	703.6	1000.1	19	52.6	8.5
Oct. 2006	238.9	63.3	732.0	1034.1	21	49.2	-6.4
Apr. 2007	236.5	73.8	756.0	1066.2	20	53.3	8.3
Oct. 2007	326.5	88.0	1023.9	1438.4	22	65.4	22.7

**Table 2: Over-the-counter (OTC) derivatives market turnover in Canada**  
**Summary of surveys**  
**Billions of U.S. dollars**

	Foreign exchange derivatives			Number of business days	Average total daily turnover	Per cent change
	Currency swaps	Options	Total			
Oct. 2005	24.6	55.2	79.8	20	4.0	
Apr. 2006	27.6	28.0	55.6	19	2.9	-27.5
Oct. 2006	18.5	25.5	44.0	21	2.1	-27.6
Apr. 2007	22.6	36.4	59.1	20	3.0	42.9
Oct. 2007	24.0	44.2	68.1	22	3.1	3.3

**Table 3: Total reported foreign exchange turnover in Canada**

Millions of U.S. dollars

Instrument and counterparty	Canadian dollar against U.S. dollar			U.S. dollar against currencies other than the Canadian dollar			Canadian dollar against currencies other than the U.S. dollar			All other currency pairs			All currencies		
	Apr-07	Oct-07	Per cent growth	Apr-07	Oct-07	Per cent growth	Apr-07	Oct-07	Per cent growth	Apr-07	Oct-07	Per cent growth	Apr-07	Oct-07	Per cent growth
<b>Spot</b>	135,413	186,067	37	78,461	112,020	43	10,452	14,435	38	12,158	13,972	15	236,484	326,494	38
Reporting dealers	24424	17180	-30	847	1,093	29	509	52	-90	90	189	111	25,870	18,515	-28
Other dealers	70,619	111,779	58	67,018	93,624	40	5,156	7,798	51	11,499	12,779	11	154,292	225,980	46
Other financial	15,263	21,171	39	7,563	11,089	47	2,388	3,641	52	261	550	110	25,476	36,451	43
Non-financial customers	25,106	35,937	43	3,032	6,213	105	2,399	2,945	23	308	454	47	30,846	45,549	48
<b>Outright forwards</b>	36,000	48,182	34	22,771	25,693	13	12,225	11,014	-10	2,754	3,101	13	73,750	87,989	19
Reporting dealers	1,333	1,772	33	552	76	-86	2,478	156	-94	102	186	82	4,465	2,190	-51
Other dealers	8,574	11,252	31	10,899	10,618	-3	2,706	1,492	-45	1,633	1,496	-8	23,813	24,857	4
Other financial	11,026	14,565	32	7,386	8,829	20	5,743	6,826	19	363	1,029	184	24,519	31,250	27
Non-financial customers	15,066	20,593	37	3,934	6,170	57	1,297	2,540	96	656	390	-41	20,954	29,692	42
<b>FX swaps</b>	465,359	753,528	62	273,028	246,707	-10	16,083	22,561	40	1,537	1,114	-28	756,007	1,023,910	35
Reporting dealers	58,877	65,963	12	3,723	5,130	38	1,104	230	-79	196	107	-45	63,899	71,430	12
Other dealers	306,209	562,615	84	209,458	202,732	-3	3,911	7,814	100	179	413	131	519,756	773,574	49
Other financial	54,960	76,894	40	52,563	26,099	-50	7,910	10,181	29	138	319	131	115,571	113,493	-2
Non-financial customers	45,313	48,055	6	7,284	12,746	75	3,158	4,337	37	1,025	275	-73	56,780	65,413	15
<b>Total dealers</b>	470,035	770,562	64	292,498	313,273	7	15,864	17,541	11	13,698	15,170	11	792,094	1,116,546	41
Reporting	84,633	84,916	0	5,123	6,299	23	4,091	438	-89	387	482	25	94,234	92,135	-2
Other	385,402	685,646	78	287,375	306,974	7	11,773	17,103	45	13,311	14,688	10	697,861	1,024,411	47
<b>Total customers</b>	166,736	217,216	30	81,763	71,146	-13	22,896	30,469	33	2,751	3,017	10	274,146	321,847	17
Financial	81,250	112,631	39	67,513	46,017	-32	16,041	20,647	29	762	1,898	149	165,567	181,193	9
Non-financial	85,486	104,585	22	14,250	25,129	76	6,854	9,821	43	1,989	1,119	-44	108,580	140,655	30
<b>Total turnover</b>	636,771	987,777	55	374,260	384,419	3	38,759	48,010	24	16,450	18,187	11	1,066,241	1,438,394	35
<i>Currency swaps</i>	10,479	16,328	56	11,278	7,707	-32	843	753	-11	280	163	-42	22,647	23,958	6
<i>OTC options</i>	29,551	30,964	5	6,599	9,017	37	837	2,307	176	817	3,637	345	36,439	44,151	21

**Table 4: Reported traditional foreign exchange turnover in Canada by instrument and by counterparty**  
**Summary of surveys**  
**Billions of U.S. dollars (and percent shares)**

	Instrument						Counterparty							
							Dealers				Customers			
	Spot		Outright forwards		Foreign exchange swaps		Reporting		Other		Financial		Non-financial	
Oct-05	224	(23.1)	61	(6.3)	685	(70.7)	96	(9.9)	658	(67.8)	118	(12.1)	99	(10.2)
Apr-06	235	(23.5)	61	(6.1)	704	(70.4)	102	(10.2)	705	(70.5)	115	(11.5)	77	(7.7)
Oct-06	239	(23.1)	63	(6.1)	732	(70.8)	100	(9.6)	710	(68.7)	138	(13.3)	87	(8.4)
Apr-07	236	(22.2)	74	(6.9)	756	(70.9)	94	(8.8)	698	(65.5)	166	(15.5)	109	(10.2)
Oct-07	326	(22.7)	88	(6.1)	1024	(71.2)	92	(6.4)	1024	(71.2)	181	(12.6)	141	(9.8)

**Table 5: Currency distribution of traditional  
foreign exchange market turnover in Canada**  
Summary of surveys  
Percent shares

<b>Currency</b>	<b>October 2005</b>	<b>April 2006</b>	<b>October 2006</b>	<b>April 2007</b>	<b>October 2007</b>
U.S. dollar	96.1	95.6	95.7	94.8	95.4
Canadian dollar	59.5	59.9	63.9	63.4	72.0
Euro	14.0	11.9	11.6	12.2	9.8
U.K. pound	5.8	5.9	6.3	7.2	6.1
Japanese yen	7.8	6.8	5.3	5.8	4.3
Australian dollar	3.6	5.3	5.7	3.6	2.6
Swiss franc	5.8	2.8	1.7	2.9	1.5
Other currencies	7.4	11.9	9.9	10.1	8.4
All currencies[1]	200.0	200.0	200.0	200.0	200.0

(1) Since every foreign exchange transaction involves two currencies, the reporting of all currencies necessarily sums to 200 per cent.



**Table 6: Reported foreign exchange  
market turnover in Canada by maturity<sup>a</sup>**  
Millions of U.S. dollars

Instrument	October-05		April-06		October-06		April-07		October-07	
	Amount	% share	Amount	% share	Amount	% share	Amount	% share	Amount	% share
<b>Outright forwards</b>										
Up to 1 month	42,527	69.1	45,619	70.0	49,262	75.9	39,657	50.7	44,800	49.7
1 month to 1 year	17,230	28.0	16,243	24.9	13,428	20.7	36,874	47.1	41,595	46.1
More than 1 year	1,755	2.9	3,303	5.1	2,201	3.4	1,684	2.2	3,785	4.2
<b>Total</b>	<b>61,512</b>	<b>100.0</b>	<b>65,165</b>	<b>100.0</b>	<b>64,891</b>	<b>100.0</b>	<b>78,215</b>	<b>100.0</b>	<b>90,179</b>	<b>100.0</b>
<b>Foreign exchange swaps</b>										
Up to 1 month	619,313	81.5	662,480	86.0	686,896	85.9	670,283	81.8	872,910	79.7
1 month to 1 year	133,479	17.6	101,078	13.1	107,722	13.5	143,605	17.5	214,868	19.6
More than 1 year	6,666	0.9	7,062	0.9	4,687	0.6	6,017	0.7	7,562	0.7
<b>Total</b>	<b>759,458</b>	<b>100.0</b>	<b>770,620</b>	<b>100.0</b>	<b>799,304</b>	<b>100.0</b>	<b>819,906</b>	<b>100.0</b>	<b>1,095,341</b>	<b>100.0</b>
<b>OTC options</b>										
Up to 1 month	30,165	52.4	12,351	42.4	13,630	43.1	20,336	46.4	29,176	54.3
1 month to 6 months	18,777	32.6	12,597	43.2	15,128	47.9	19,960	45.6	18,586	34.6
Over 6 months	8,647	15.0	4,211	14.4	2,851	9.0	3,507	8.0	6,011	11.2
<b>Total</b>	<b>57,589</b>	<b>100.0</b>	<b>29,160</b>	<b>100.0</b>	<b>31,609</b>	<b>100.0</b>	<b>43,803</b>	<b>100.0</b>	<b>53,773</b>	<b>100.0</b>

a. Not adjusted for local double counting.

**Table 7: Execution methods**  
percent shares  
October 2007

Classification	Execution Methods Primarily for Dealers			Execution Methods Primarily for Customers			TOTAL
	Dealer Direct	Electronic Broking	Voice Broking	Customer Direct	Single-bank Proprietary Platforms	Multi-bank Dealing Systems	
<b>By Currency Pair:</b>							
<b>Canadian Dollar against</b>							
USD	38	27	15	18	1	2	100
Other	32	7	1	47	2	11	100
<b>U.S. Dollar against</b>							
EUR	25	47	9	14	2	3	100
JPY	30	39	11	15	1	4	100
GBP	31	45	9	9	1	5	100
<b>Total Currency Pairs</b>	<b>35</b>	<b>31</b>	<b>13</b>	<b>18</b>	<b>1</b>	<b>2</b>	<b>100</b>

<b>By Instrument:</b>							
Spot	24	41	10	20	4	1	100
Outright forwards	22	10	1	56	3	9	100
Foreign exchange swaps	39	29	16	13	0	3	100
Cross currency swaps	39	22	6	34	0	0	100
Options	33	46	1	16	5	0	100
<b>Total Instruments</b>	<b>35</b>	<b>31</b>	<b>13</b>	<b>18</b>	<b>1</b>	<b>2</b>	<b>100</b>

<b>By Counterparty:</b>							
With reporting dealers	47	40	13	0	0	0	100
With other dealers	44	38	17	0	1	0	100
With other financial institutions	0	1	2	75	4	19	100
With non-financial customers	0	0	0	92	5	2	100
<b>Total Counterparties</b>	<b>35</b>	<b>31</b>	<b>13</b>	<b>18</b>	<b>1</b>	<b>2</b>	<b>100</b>