

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

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CFEC Releases Results of April 2008 Foreign Exchange Volume Survey

July 28, 2008 - The Canadian Foreign Exchange Committee (CFEC) released today the results of its April 2008 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.¹

The summary highlights of the April 2008 survey include the following:

- The monthly turnover in April of traditional foreign exchange products (defined as spot transactions, outright forwards and foreign exchange swaps) totaled US\$ 1.4 trillion, slightly lower than the previous survey six months ago. On an average daily basis, total turnover declined by almost 3% from US\$ 65.4 billion in October 2007 to US\$ 63.6 billion in April.
- For the month of April, spot and outright forward volumes were up approximately 15% and 25% respectively compared with the month of October 2007. However, monthly foreign exchange swap turnover declined by almost 11% from October 2007 to April 2008.
- Compared with the survey one year ago, on an annual basis the average daily turnover of traditional foreign exchange products was 19% higher, at US\$ 63.6 billion in April 2008 versus US\$ 53.3 billion in April 2007.
- The average daily turnover of foreign exchange derivatives (currency swaps and over-the-counter options) totaled US\$ 2.7 billion, down almost 13% from the US\$ 3.1 billion in the October 2007 survey.

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

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

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, the Singapore Foreign Exchange Market Committee and the Australian Foreign Exchange Committee. The Tokyo Foreign Exchange Market Committee released its results on July 22nd. Links to the websites of the other foreign exchange committees can be found on the CFEC website (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.fxcomtky.com/index_e.html

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

http://www.rba.gov.au/AFXC/Statistics/FXTurnoverReports/2008/Apr_2008/index.html

The Canadian Foreign Exchange Committee
Semi-annual Foreign Exchange Volume Survey
April, 2008

Summary Tables

July 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
Apr. 2008	375.0	110.3	913.0	1398.3	22	63.6	-2.8

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
Apr. 2008	23.3	35.6	58.9	22	2.7	-12.9

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		
	Oct-07	Apr-08	Per cent growth	Oct-07	Apr-08	Per cent growth	Oct-07	Apr-08	Per cent growth	Oct-07	Apr-08	Per cent growth	Oct-07	Apr-08	Per cent growth
Spot	186,067	221,017	19	112,020	124,707	11	14,435	16,118	12	13,972	13,109	-6	326,494	374,951	15
Reporting dealers	17,180	73,131	326	1,093	1,175	8	52	77	48	189	93	-51	18,515	74,476	302
Other dealers	111,779	96,057	-14	93,624	98,573	5	7,798	7,299	-6	12,779	11,141	-13	225,980	213,070	-6
Other financial	21,171	20,856	-1	11,089	18,646	68	3,641	4,822	32	550	1,284	134	36,451	45,609	25
Non-financial customers	35,937	30,973	-14	6,213	6,312	2	2,945	3,920	33	454	591	30	45,549	41,795	-8
Outright forwards	48,182	57,383	19	25,693	37,255	45	11,014	12,056	9	3,101	3,579	15	87,989	110,274	25
Reporting dealers	1,772	2,109	19	76	312	309	156	58	-63	186	12	-94	2,190	2,491	14
Other dealers	11,252	11,554	3	10,618	19,749	86	1,492	2,013	35	1,496	2,224	49	24,857	35,540	43
Other financial	14,565	23,720	63	8,829	14,413	63	6,826	8,259	21	1,029	1,132	10	31,250	47,523	52
Non-financial customers	20,593	20,001	-3	6,170	2,781	-55	2,540	1,726	-32	390	212	-46	29,692	24,720	-17
FX swaps	753,528	670,335	-11	246,707	223,226	-10	22,561	18,243	-19	1,114	1,230	10	1,023,910	913,034	-11
Reporting dealers	65,963	73,118	11	5,130	3,870	-25	230	226	-2	107	102	-6	71,430	77,316	8
Other dealers	562,615	501,656	-11	202,732	186,285	-8	7,814	2,976	-62	413	610	48	773,574	691,528	-11
Other financial	76,894	62,008	-19	26,099	26,066	0	10,181	10,709	5	319	389	22	113,493	99,171	-13
Non-financial customers	48,055	33,554	-30	12,746	7,005	-45	4,337	4,332	0	275	129	-53	65,413	45,019	-31
Total dealers	770,562	757,625	-2	313,273	309,966	-1	17,541	12,649	-28	15,170	14,180	-7	1,116,546	1,094,420	-2
Reporting	84,916	148,358	75	6,299	5,358	-15	438	361	-17	482	206	-57	92,135	154,283	67
Other	685,646	609,266	-11	306,974	304,608	-1	17,103	12,288	-28	14,688	13,974	-5	1,024,411	940,137	-8
Total customers	217,216	191,111	-12	71,146	75,222	6	30,469	33,768	11	3,017	3,737	24	321,847	303,838	-6
Financial	112,631	106,584	-5	46,017	59,124	28	20,647	23,790	15	1,898	2,805	48	181,193	192,303	6
Non-financial	104,585	84,527	-19	25,129	16,098	-36	9,821	9,978	2	1,119	932	-17	140,655	111,535	-21
Total turnover	987,777	948,735	-4	384,419	385,188	0	48,010	46,417	-3	18,187	17,918	-1	1,438,394	1,398,258	-3
<i>Currency swaps</i>	16,328	17,231	6	7,707	7,098	-8	753	863	15	163	42	-75	23,958	23,329	-3
<i>OTC options</i>	30,964	28,526	-8	9,017	7,081	-21	2,307	1,852	-20	3,637	168	-95	44,151	35,550	-19

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)
Apr-08	375	(26.8)	110	(7.9)	913	(65.3)	154	(11.0)	940	(67.2)	192	(13.8)	112	(8.0)

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

Currency	October 2005	April 2006	October 2006	April 2007	October 2007	April 2008
U.S. dollar	96.1	95.6	95.7	94.8	95.4	95.4
Canadian dollar	59.5	59.9	63.9	63.4	72.0	71.2
Euro	14.0	11.9	11.6	12.2	9.8	10.8
U.K. pound	5.8	5.9	6.3	7.2	6.1	5.0
Japanese yen	7.8	6.8	5.3	5.8	4.3	4.3
Australian dollar	3.6	5.3	5.7	3.6	2.6	2.8
Swiss franc	5.8	2.8	1.7	2.9	1.5	1.6
Other currencies	7.4	11.9	9.9	10.1	8.4	9.0
All currencies[1]	200.0	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^a
Millions of U.S. dollars

Instrument	October-05		April-06		October-06		April-07		October-07		April-08	
	Amount	% share	Amount	% share	Amount	% share	Amount	% share	Amount	% share	Amount	% share
Outright forwards												
Up to 1 month	42,527	69.1	45,619	70.0	49,262	75.9	39,657	50.7	44,800	49.7	45,817	40.6
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	61,957	54.9
More than 1 year	1,755	2.9	3,303	5.1	2,201	3.4	1,684	2.2	3,785	4.2	4,991	4.4
Total	61,512	100.0	65,165	100.0	64,891	100.0	78,215	100.0	90,179	100.0	112,764	100.0
Foreign exchange swaps												
Up to 1 month	619,313	81.5	662,480	86.0	686,896	85.9	670,283	81.8	872,910	79.7	789,189	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	192,035	19.4
More than 1 year	6,666	0.9	7,062	0.9	4,687	0.6	6,017	0.7	7,562	0.7	9,125	0.9
Total	759,458	100.0	770,620	100.0	799,304	100.0	819,906	100.0	1,095,341	100.0	990,350	100.0
OTC options												
Up to 1 month	30,165	52.4	12,351	42.4	13,630	43.1	20,336	46.4	29,176	54.3	18,561	41.3
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	17,692	39.4
Over 6 months	8,647	15.0	4,211	14.4	2,851	9.0	3,507	8.0	6,011	11.2	8,664	19.3
Total	57,589	100.0	29,160	100.0	31,609	100.0	43,803	100.0	53,773	100.0	44,917	100.0

a. Not adjusted for local double counting.

Table 7: Execution methods
Percent shares
April 2008

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	
By Currency Pair:							
Canadian Dollar against							
USD	50	20	12	16	1	1	100
Other	23	5	1	59	2	11	100
U.S. Dollar against							
EUR	28	35	15	15	2	5	100
JPY	26	31	19	20	1	3	100
GBP	31	38	14	11	2	4	100
Total Currency Pairs	44	23	13	17	1	2	100
By Instrument:							
Spot	41	28	9	17	3	1	100
Outright forwards	26	8	1	52	3	10	100
Foreign exchange swaps	48	21	17	12	0	2	100
Cross currency swaps	38	28	7	28	0	0	100
Options	37	41	1	21	0	0	100
Total Instruments	44	23	13	17	1	2	100
By Counterparty:							
With reporting dealers	74	18	8	0	0	0	100
With other dealers	48	32	19	0	1	0	100
With other financial institutions	0	0	0	82	2	15	100
With non-financial customers	0	0	0	91	5	3	100
Total Counterparties	44	23	13	17	1	2	100