

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

150 King Street West
Suite 2000
Toronto, Ontario
M5H 1J9

Contact: Rob Ogrodnick
Telephone: (416) 542-1339
Email: rogrodnick@bankofcanada.ca

CFEC Releases Results of October 2009 Foreign Exchange Volume Survey - Revised¹

January 25, 2010 - The Canadian Foreign Exchange Committee (CFEC) released today the results of its October 2009 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.²

The summary highlights of the October 2009 survey include the following:

- The monthly turnover in October of traditional foreign exchange products (defined as spot transactions, outright forwards and foreign exchange swaps) totaled US\$ 1.09 trillion. On an average daily basis, total turnover increased by 4.6% from US\$ 49.8 billion in April 2009 to US\$ 52.1 billion in October.
- On an average daily basis in October, spot and foreign exchange swap volumes increased by almost 9% and 5% respectively compared with the month of April 2009. In contrast, outright forward turnover declined by 7% from April to October.
- Compared with the survey one year ago, on an annual basis the average daily turnover of traditional foreign exchange products fell by 21.5%. Although volumes were higher than in April, October was the second lowest semi-annual survey volume over the last six surveys, with volumes having peaked in October 2008.
- The average daily turnover of foreign exchange derivatives (currency swaps and options) totaled US\$ 2.2 billion, largely unchanged on an average daily basis from the survey six months ago. However, looking at individual products on an average daily basis, currency swaps fell by 19% from April whereas options rose by almost 11%.

¹ The October 2009 data have been revised since the original publication on January 25, 2010.

² Where no sales desk is involved in a transaction, for example in an interbank deal, volumes are based on the trading desk.

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

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. 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.sfemc.org/statistics.asp>

http://www.rba.gov.au/AFXC/Statistics/FXTurnoverReports/2009/Oct_2009/index.html

The Canadian Foreign Exchange Committee

Semi-annual Foreign Exchange Volume Survey

October, 2009

Revised

Summary Tables



January 25, 2010

Table of Contents

Summary turnover data for October, 2009

Table 1	Traditional foreign exchange turnover in Canada - Summary of surveys
Table 2	Over-the-counter (OTC) derivatives market turnover in Canada - Summary of surveys
Table 3	Total reported foreign exchange turnover in Canada
Table 4	Reported traditional foreign exchange turnover in Canada by instrument and by counterparty - Summary of surveys
Table 5	Currency distribution of traditional foreign exchange market turnover in Canada - Summary of surveys
Table 6	Reported foreign exchange market turnover in Canada by maturity
Table 7	Execution methods

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
Oct. 2008	401.9	185.3	873.3	1460.4	22	66.4	4.4
Apr. 2009	248.4	107.2	690.6	1046.1	21	49.8	-25.0
Oct. 2009	269.9	99.6	724.1	1093.5	21	52.1	4.6

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
Oct. 2008	21.1	39.0	60.1	22	2.7	0.0
Apr. 2009	21.8	25.3	47.1	21	2.2	-18.5
Oct. 2009	17.6	28.0	45.6	21	2.2	0.0

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-09	Oct-09	Per cent growth	Apr-09	Oct-09	Per cent growth	Apr-09	Oct-09	Per cent growth	Apr-09	Oct-09	Per cent growth	Apr-09	Oct-09	Per cent growth
Spot	135,611	150,112	11	92,363	95,881	4	11,203	13,187	18	9,197	10,725	17	248,373	269,905	9
Reporting dealers	19786	8800	-56	7,415	2,348	-68	58	60	3	336	134	-60	27,594	11,342	-59
Other dealers	79,591	93,787	18	74,905	84,357	13	5,406	7,236	34	8,306	9,635	16	168,208	195,015	16
Other financial	14,052	21,505	53	6,666	5,287	-21	4,054	3,665	-10	314	647	106	25,086	31,104	24
Non-financial	22,182	26,020	17	3,377	3,889	15	1,685	2,226	32	241	309	28	27,485	32,444	18
Outright forwards	51,724	51,155	-1	38,487	33,636	-13	14,986	12,692	-15	2,019	2,085	3	107,215	99,568	-7
Reporting dealers	5,543	404	-93	339	936	176	64	136	113	18	74	308	5,963	1,550	-74
Other dealers	7,768	7,532	-3	23,948	22,738	-5	2,053	2,262	10	1,299	991	-24	35,068	33,523	-4
Other financial	20,970	27,251	30	8,873	7,695	-13	11,779	9,212	-22	616	795	29	42,238	44,953	6
Non-financial	17,443	15,968	-8	5,327	2,267	-57	1,090	1,082	-1	86	225	162	23,946	19,542	-18
FX swaps	508,678	545,192	7	158,376	161,835	2	21,482	15,167	-29	2,026	1,881	-7	690,560	724,075	5
Reporting dealers	116,181	90,931	-22	18,556	6,787	-63	392	7	-98	13	77	492	135,141	97,802	-28
Other dealers	310,895	374,867	21	111,904	135,984	22	4,488	3,528	-21	310	182	-41	427,597	514,561	20
Other financial	53,747	47,032	-12	21,308	14,112	-34	12,418	9,035	-27	478	951	99	87,951	71,130	-19
Non-financial	27,855	32,362	16	6,608	4,952	-25	4,184	2,597	-38	1,224	671	-45	39,871	40,582	2
Total dealers	539,764	576,321	7	237,066	253,150	7	12,460	13,229	6	10,282	11,092	8	799,571	853,792	7
Reporting	141,510	100,135	-29	26,309	10,071	-62	513	203	-60	366	284	-22	168,698	110,693	-34
Other	398,254	476,186	20	210,757	243,079	15	11,947	13,026	9	9,915	10,808	9	630,873	743,099	18
Total customers	156,249	170,138	9	52,159	38,202	-27	35,210	27,817	-21	2,959	3,598	22	246,577	239,755	-3
Financial	88,769	95,788	8	36,847	27,094	-26	28,251	21,912	-22	1,408	2,393	70	155,275	147,187	-5
Non-financial	67,480	74,350	10	15,312	11,108	-27	6,959	5,905	-15	1,551	1,205	-22	91,302	92,568	1
Total turnover	696,013	746,459	7	289,225	291,352	1	47,670	41,046	-14	13,241	14,690	11	1,046,148	1,093,547	5
<i>Currency swaps</i>	14,842	13,993	-6	6,139	3,033	-51	489	318	-35	747	378	-49	21,849	17,607	-19
<i>OTC options</i>	14,927	16,703	12	10,388	12,695	22	916	3,150	244	2,017	516	-74	25,293	27,970	11

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	
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)
Oct-08	402	(27.5)	185	(12.7)	873	(59.8)	155	(10.6)	889	(60.9)	266	(18.2)	151	(10.3)
Apr-09	248	(23.7)	107	(10.2)	691	(66.0)	169	(16.1)	631	(60.3)	155	(14.8)	91	(8.7)
Oct-09	270	(24.7)	100	(9.1)	724	(66.2)	111	(10.1)	743	(68.0)	147	(13.5)	93	(8.5)

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

Currency	April 2006	October 2006	April 2007	October 2007	April 2008	October 2008	April 2009	October 2009
U.S. dollar	95.6	95.7	94.8	95.4	95.4	93.7	94.2	95.0
Canadian dollar	59.9	63.9	63.4	72.0	71.2	67.0	71.1	72.1
Euro	11.9	11.6	12.2	9.8	10.8	11.8	12.6	11.2
U.K. pound	5.9	6.3	7.2	6.1	5.0	5.0	4.8	5.6
Japanese yen	6.8	5.3	5.8	4.3	4.3	5.4	3.7	2.8
Australian dollar	5.3	5.7	3.6	2.6	2.8	2.0	1.8	2.2
Swiss franc	2.8	1.7	2.9	1.5	1.6	1.1	0.7	0.9
Other currencies	11.9	9.9	10.1	8.4	9.0	14.0	11.1	10.2
All currencies ^[1]	200.0	200.0	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

		April-07		October-07		April-08		October-08		April-09		October-09	
Instrument		Amount	% share	Amount	% share	Amount	% share	Amount	% share	Amount	% share	Amount	% share
Outright forwards													
	Up to 1 month	39,657	50.7	44,800	49.7	45,817	40.6	80,421	42.0	54,787	48.4	46,928	46.4
	1 month to 1 year	36,874	47.1	41,595	46.1	61,957	54.9	104,077	54.4	52,315	46.2	47,267	46.7
	More than 1 year	1,684	2.2	3,785	4.2	4,991	4.4	6,852	3.6	6,074	5.4	6,935	6.9
	Total	78,215	100.0	90,179	100.0	112,764	100.0	191,349	100.0	113,176	100.0	101,130	100.0
Foreign exchange swaps													
	Up to 1 month	670,283	81.8	872,910	79.7	789,189	79.7	736,124	75.6	638,648	77.3	669,255	81.4
	1 month to 1 year	143,605	17.5	214,868	19.6	192,035	19.4	229,050	23.5	177,437	21.5	139,858	17.0
	More than 1 year	6,017	0.7	7,562	0.7	9,125	0.9	8,926	0.9	7,427	0.9	12,764	1.6
	Total	819,906	100.0	1,095,341	100.0	990,350	100.0	974,100	100.0	823,512	99.7	821,877	100.0
OTC options													
	Up to 1 month	20,336	46.4	29,176	54.3	18,561	41.3	13,524	28.5	15,603	48.3	16,895	42.8
	1 month to 6 months	19,960	45.6	18,586	34.6	17,692	39.4	21,230	44.7	11,764	36.4	10,887	27.6
	Over 6 months	3,507	8.0	6,011	11.2	8,664	19.3	12,741	26.8	4,936	15.3	11,720	29.7
	Total	43,803	100.0	53,773	100.0	44,917	100.0	47,495	100.0	32,303	100.0	39,502	100.0

a. Not adjusted for local double counting.

Table 7: Execution methods

Percent shares

October 2009

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	38	24	19	16	2	2	100
Other	28	8	1	49	4	11	100
U.S. Dollar against							
EUR	26	39	17	13	1	3	100
JPY	25	40	18	13	3	2	100
GBP	20	62	5	8	2	2	100
Total Currency Pairs	36	28	17	16	2	2	100

By Instrument:							
Spot	21	38	16	20	4	2	100
Outright forwards	24	7	3	50	5	11	100
Foreign exchange swaps	41	27	20	11	0	2	100
Cross currency swaps	67	6	5	21	0	0	100
Options	48	35	1	10	5	0	100
Total Instruments	36	28	17	16	2	2	100

By Counterparty:							
With reporting dealers	60	30	10	0	0	0	100
With other dealers	39	36	24	0	1	1	100
With other financial institutions	0	1	2	76	5	16	100
With non-financial customers	0	0	0	89	7	4	100
Total Counterparties	36	28	17	16	2	2	100