

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

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CFEC Releases Results of April 2010 Foreign Exchange Volume Survey

July 26, 2010 - The Canadian Foreign Exchange Committee (CFEC) released today the results of its April 2010 semi-annual survey of foreign exchange volumes in Canada. This release also includes revisions to the October 2009 and April 2009 surveys.¹ 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 April 2010 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\$ 1.2 trillion. On an average daily basis, total turnover increased by 9.4% from US\$ 52.1 billion in October 2009 to US\$ 57.0 billion in April.
- On an average daily basis in April, spot and outright forward volumes increased by 33% and 20% respectively compared with the month of October 2009. In contrast, foreign exchange swap turnover declined slightly by almost 1% from October to April.
- Compared with the survey one year ago, on an annual basis the average daily turnover of traditional foreign exchange products increased by 14.5%. Nevertheless, traditional foreign exchange turnover remains lower than over the October 2007 to October 2008 period.
- The average daily turnover of foreign exchange derivatives (currency swaps and options) totaled US\$ 3.1 billion, up over 40% on an average daily basis from the survey six months ago. Foreign exchange derivatives turnover has returned to the level of activity that was seen in October 2007.

¹ The October 2009 and April 2009 releases on the CFEC website have been revised.

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 Tokyo Foreign Exchange Market 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.fxcomtky.com/index_e.html

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

http://www.rba.gov.au/AFXC/Statistics/FXTurnoverReports/2010Apr_2010/index.html

The Canadian Foreign Exchange Committee
Semi-annual Foreign Exchange Volume Survey
April, 2010

Summary Tables



July 26, 2010

Table of Contents

Summary turnover data for April, 2010

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
Apr. 2010	358.3	119.5	719.9	1197.7	21	57.0	9.4

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
Apr. 2010	24.3	41.7	66.0	21	3.1	41.0

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		
	Oct-09	Apr-10	Per cent growth	Oct-09	Apr-10	Per cent growth	Oct-09	Apr-10	Per cent growth	Oct-09	Apr-10	Per cent growth	Oct-09	Apr-10	Per cent growth
Spot	150,112	184,603	23	95,881	140,816	47	13,187	19,285	46	10,725	13,580	27	269,905	358,284	33
Reporting dealers	8800	12549	43	2,348	2,346	0	60	52	-13	134	643	382	11,342	15,590	37
Other dealers	93,787	121,220	29	84,357	105,764	25	7,236	12,259	69	9,635	11,277	17	195,015	250,520	28
Other financial	21,505	19,270	-10	5,287	10,510	99	3,665	4,738	29	647	800	24	31,104	35,318	14
Non-financial	26,020	31,564	21	3,889	22,196	471	2,226	2,236	0	309	860	178	32,444	56,856	75
Outright forwards	51,155	50,150	-2	33,636	50,291	50	12,692	15,995	26	2,085	3,030	45	99,568	119,465	20
Reporting dealers	404	890	120	936	954	2	136	23	-83	74	1	-99	1,550	1,867	20
Other dealers	7,532	7,002	-7	22,738	34,067	50	2,262	2,462	9	991	827	-17	33,523	44,358	32
Other financial	27,251	24,626	-10	7,695	9,348	21	9,212	11,291	23	795	1,840	131	44,953	47,105	5
Non-financial	15,968	17,632	10	2,267	5,922	161	1,082	2,219	105	225	362	61	19,542	26,135	34
FX swaps	545,192	537,517	-1	161,835	163,230	1	15,167	17,526	16	1,881	1,652	-12	724,075	719,925	-1
Reporting dealers	90,931	83,206	-8	6,787	7,044	4	7	370	5186	77	0	-100	97,802	90,620	-7
Other dealers	374,867	378,440	1	135,984	122,143	-10	3,528	4,590	30	182	25	-86	514,561	505,198	-2
Other financial	47,032	46,799	0	14,112	15,289	8	9,035	10,298	14	951	706	-26	71,130	73,092	3
Non-financial	32,362	29,072	-10	4,952	18,754	279	2,597	2,268	-13	671	921	37	40,582	51,015	26
Total dealers	576,321	603,307	5	253,150	272,317	8	13,229	19,756	49	11,092	12,773	15	853,792	908,152	6
Reporting	100,135	96,645	-3	10,071	10,343	3	203	445	119	284	644	127	110,693	108,076	-2
Other	476,186	506,662	6	243,079	261,974	8	13,026	19,311	48	10,808	12,129	12	743,099	800,076	8
Total customers	170,138	168,963	-1	38,202	82,019	115	27,817	33,050	19	3,598	5,489	53	239,755	289,521	21
Financial	95,788	90,695	-5	27,094	35,147	30	21,912	26,327	20	2,393	3,346	40	147,187	155,515	6
Non-financial	74,350	78,268	5	11,108	46,872	322	5,905	6,723	14	1,205	2,143	78	92,568	134,006	45
Total turnover	746,459	772,270	3	291,352	354,336	22	41,046	52,806	29	14,690	18,262	24	1,093,547	1,197,673	10
<i>Currency swaps</i>	13,993	15,163	8	3,033	6,833	125	318	129	-59	378	2,386	531	17,607	24,309	38
<i>OTC options</i>	16,703	21,960	31	12,695	16,498	30	3,150	1,831	-42	516	7,184	1292	27,970	41,693	49

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							
	Spot		Outright forwards		Foreign exchange swaps		Dealers			Customers				
							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)
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)
Apr-10	358	(29.9)	119	(10.0)	720	(60.1)	108	(9.0)	800	(66.8)	156	(13.0)	134	(11.2)

**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	October 2008	April 2009	October 2009	April 2010
U.S. dollar	96.1	95.6	95.7	94.8	95.4	95.4	93.7	94.2	95.0	94.1
Canadian dollar	59.5	59.9	63.9	63.4	72.0	71.2	67.0	71.1	72.1	68.9
Euro	14.0	11.9	11.6	12.2	9.8	10.8	11.8	12.6	11.2	10.8
U.K. pound	5.8	5.9	6.3	7.2	6.1	5.0	5.0	4.8	5.6	3.6
Japanese yen	7.8	6.8	5.3	5.8	4.3	4.3	5.4	3.7	2.8	3.7
Australian dollar	3.6	5.3	5.7	3.6	2.6	2.8	2.0	1.8	2.2	2.3
Swiss franc	5.8	2.8	1.7	2.9	1.5	1.6	1.1	0.7	0.9	1.0
Other currencies	7.4	11.9	9.9	10.1	8.4	9.0	14.0	11.1	10.2	15.7
All currencies[1]	200.0	200.0	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

Instrument	April-07		October-07		April-08		October-08		April-09		October-09		April-10	
	Amount	% share	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	59,688	49.2
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	56,995	47.0
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	4,639	3.8
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	121,322	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	641,643	79.2
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	156,915	19.4
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	12,097	1.5
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	810,655	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	17,488	29.5
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	32,550	54.9
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	9,277	15.6
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	59,315	100.0

a. Not adjusted for local double counting.

Table 7: Execution methods
Percent shares
April 2010

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	23	20	15	2	3	100
Other	32	4	1	49	3	11	100
U.S. Dollar against							
EUR	28	35	18	13	2	3	100
JPY	21	39	17	18	2	3	100
GBP	23	48	10	11	3	4	100
Total Currency Pairs	36	24	18	17	2	3	100
By Instrument:							
Spot	31	30	13	20	3	2	100
Outright forwards	27	5	7	44	4	13	100
Foreign exchange swaps	38	24	22	13	1	2	100
Cross currency swaps	47	16	10	25	0	1	100
Options	56	24	6	5	6	3	100
Total Instruments	36	24	18	17	2	3	100
By Counterparty:							
With reporting dealers	65	21	14	0	0	0	100
With other dealers	40	33	25	0	1	1	100
With other financial institutions	0	1	0	73	6	20	100
With non-financial customers	0	5	1	85	5	4	100
Total Counterparties	36	24	18	17	2	3	100