

Results of Bank for International Settlements Triennial Survey of Foreign Exchange and Derivatives Market Turnover

The survey was conducted as part of a global survey of 48 economies¹ co-ordinated by the Bank for International Settlements (BIS). Many participating economies are simultaneously releasing their survey results today. The BIS is also releasing the preliminary global results of turnover in foreign exchange and derivatives markets today and the final results in the spring of 2002, which will include a detailed global analysis of both the turnover and the amount outstanding surveys. Please refer to the individual countries' announcements for their turnover results and to the BIS's press release for the global turnover results.

2. The turnover part of the survey comprised collection of data on gross turnover in notional amounts of foreign exchange spot, foreign exchange and interest rate over-the-counter (OTC) derivatives transactions in April 2001. Data were reported on a "locational" basis, i.e. based on the location of the trade as opposed to the booking location.

Summary of major results

Coverage

3. In Hong Kong, 272 market participants (366 in 1998) took part in the survey, comprising 152 licensed banks, 48 restricted licence banks, 59 deposit-taking companies and 13 securities houses.

Net foreign exchange turnover

4. Average net turnover (i.e. net of local inter-dealer double counting) of the foreign exchange market in Hong Kong in April 2001 was US\$66.8 billion per day, a decline of 14.9% (US\$11.7 billion) from April 1998.

5. This reduction was entirely due to a decline in spot transactions of 38.8% to US\$19.0 billion (US\$31.0 billion in 1998). Net turnover of forward transactions (outright forwards and foreign exchange swaps) edged up marginally by 0.6% to US\$47.9 billion per day. As a consequence, the share of total foreign exchange transactions accounted for by forwards increased from 60.6% to 71.6%, while that of spot transactions fell from 39.4% to 28.4%.

¹ The 48 participating economies are: Australia, Austria, Bahrain, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Peru, Philippines, Poland, Portugal, Russia, Saudi Arabia, Singapore, Slovak Republic, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United States and United Kingdom.

6. As in the 1998 survey, a large proportion of forward transactions was of shorter maturities. 64.6% of the transactions matured within seven days and only 1.8% were transactions maturing over one year.

Net over-the-counter derivatives turnover

7. In contrast to foreign exchange transactions, average daily net turnover of OTC derivatives (foreign exchange and interest rate derivatives) increased by 9.4% to US\$4.2 billion in April 2001.

Currency composition

8. Transactions in Hong Kong dollars increased in 2001 compared with the 1998 survey. In contrast to the turnover of most currency pairs, which shrank in 2001, the turnover of Hong Kong dollar against US dollar increased to account for 36.3% of average net daily turnover, compared to 22.3% in 1998. This currency pair became the most heavily traded currency pair in 2001 replacing US dollar against Japanese yen which captured 19.1% (25.1% in 1998) of average net daily turnover, followed by US dollar against euro with 15.3% (19.5%² in 1998).

9. In relation to foreign exchange derivatives, Hong Kong dollar against US dollar was also the most frequently traded pair with 28.2% share of the total turnover in 2001 (16.8% in 1998). It also displaced the US dollar against Japanese yen, which had a share of 21.5% of the total turnover in 2001 (48.6% in 1998). In terms of interest rate derivatives, Hong Kong dollar interest rate derivatives surpassed US dollar interest rate derivatives to represent the largest share of the gross turnover in 2001 at 59.3%, up from 30.7% in 1998. US dollar interest rate derivatives ranked second with their share declining to 32.0% from 47.2%. Japanese yen interest rate derivatives ranked third with their share decreasing to 1.7% from 11.3%.

Types of counterparty

10. Reflecting the cross-border nature of foreign exchange and OTC derivatives transactions, nearly three-quarters (73.5%) of the average daily net turnover were transacted with cross border counterparties as in 1998.

11. The share of total gross foreign exchange transactions conducted through brokers (including electronic brokers) rose to 42.4% from 36.7% in 1998. The remainder relates to transactions conducted bilaterally between counterparties.

² Since the data in April 1998 were in respect of Deutsche mark transactions, data in April 2001 are not strictly comparable to the earlier data.

Market concentration

12. Market concentration increased between 1998 and 2001 as reflected by the combined market share of gross foreign exchange and OTC derivatives turnover of the top ten market players which rose to 66.9% (50.9% in 1998) and that for the top thirty market players to 88.3% (78.3% in 1998). As in the 1998 survey, the major players were overseas incorporated authorized institutions (AIs), which contributed to 64.9% (72.8% in 1998). Locally incorporated AIs made up 21.9% as in 1998 while the share accounted for by the securities houses rose to 13.2% (5.2% in 1998).

Chart and tables

Chart 1

Average daily net turnover of foreign exchange by transaction type

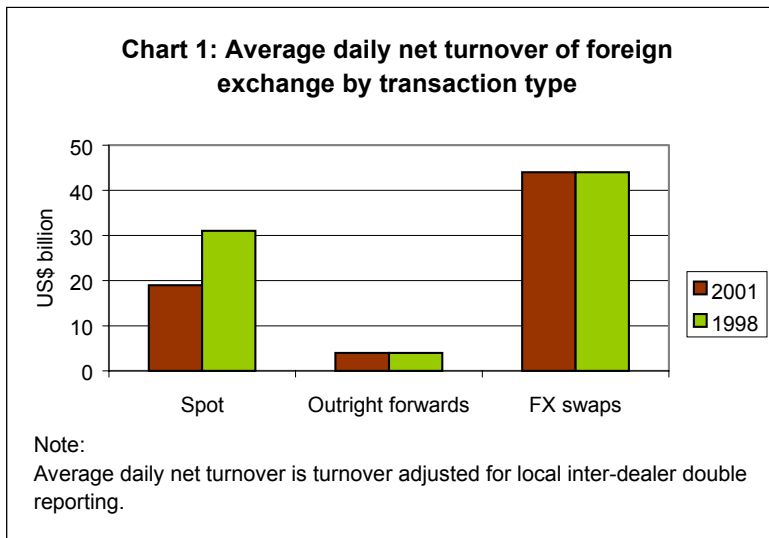


Table 1

Average daily net turnover of foreign exchange by transaction type

US\$ million

Transaction type	Average daily net turnover			% share	
	April 2001	April 1998	% change	April 2001	April 1998
Spot	18,968	30,985	-38.8%	28.4%	39.4%
Forwards	47,855	47,570	0.6%	71.6%	60.6%
Outright forwards	3,864	3,720	3.9%	5.8%	4.7%
Foreign exchange swaps	43,991	43,850	0.3%	65.8%	55.8%
Total foreign exchange transactions	66,823	78,555	-14.9%	100%	100%

Notes:

Average daily net turnover is turnover adjusted for local inter-dealer double reporting.

Figures may not add up to total due to rounding.

Table 2
Average daily net turnover of OTC derivatives by transaction type

US\$ million

	Average daily net turnover			% share	
	April 2001	April 1998	% change	April 2001	April 1998
Foreign exchange derivatives	1,528	1,335	14.5%	36.6%	35.0%
Currency swaps	498	351	41.7%	11.9%	9.2%
OTC options	1,030	983	4.7%	24.7%	25.8%
Interest rate derivatives	2,641	2,438	8.3%	63.3%	63.9%
Forward rate agreements	531	404	31.6%	12.7%	10.6%
Interest rate swaps	1,895	1,939	-2.3%	45.4%	50.8%
OTC options	215	94	129.7%	5.2%	2.5%
"Other" OTC derivatives products	4	44	-90.9%	0.1%	1.1%
Foreign exchange derivatives	4	43	-90.3%	0.1%	1.1%
Interest rate derivatives	-	1	-100.0%	0.0%	0.0%
Total OTC derivatives products	4,173	3,815	9.4%	100%	100%

Notes:

Average net daily turnover is turnover adjusted for local inter-dealer double reporting.

Figures may not add up to total due to rounding.

"Other" OTC derivatives products are residual OTC derivatives not categorised in the survey.

"Other" OTC derivatives products are recorded on a gross basis, i.e. not adjusted for inter-dealer double counting.

Table 3
Average daily net turnover of foreign exchange by currency pair

US\$ million

	Average daily net turnover			% share	
	April 2001	April 1998	% change	April 2001	April 1998
Hong Kong dollar against:					
US dollar	24,260	17,484	38.8%	36.3%	22.3%
Others	318	1,227	-74.1%	0.5%	1.6%
Subtotal	24,578	18,711	31.4%	36.8%	23.8%
US dollar against:					
euro *	10,203	15,341	-33.5%	15.3%	19.5%
Japanese yen	12,786	19,723	-35.2%	19.1%	25.1%
Swiss franc	1,104	2,434	-54.7%	1.7%	3.1%
Pound sterling	3,702	7,258	-49.0%	5.5%	9.2%
Australian dollar	4,218	2,912	44.8%	6.3%	3.7%
Canadian dollar	623	1,378	-54.8%	0.9%	1.8%
Malaysia ringgit	1	740	-99.8%	0.0%	0.9%
Others (excluding Hong Kong dollar)	7,723	5,760	34.1%	11.6%	7.3%
Subtotal	40,359	55,546	-27.3%	60.4%	70.7%
Cross currencies (excluding Hong Kong dollar and US dollar):					
Japanese yen / euro *	1,148	1,541	-25.5%	1.7%	2.0%
Pound sterling / euro *	155	1,031	-85.0%	0.2%	1.3%
Others	585	1,725	-66.1%	0.9%	2.2%
Subtotal	1,887	4,297	-56.1%	2.8%	5.5%
All currency pairs	66,823	78,555	-14.9%	100%	100%

Notes:

Average daily net turnover is turnover adjusted for local inter-dealer double reporting.

Figures may not add up to total due to rounding.

* Since the data in April 1998 were in respect of Deutsche mark transactions (other major European currencies were captured in "other" item), data in April 2001 are not strictly comparable to the earlier data.