

# The foreign-exchange and derivatives markets in Hong Kong

by the Banking Policy Department

The results of the latest triennial global survey of turnover in the markets for foreign-exchange (FX) and over-the-counter (OTC) derivatives show that Hong Kong is the sixth largest centre for FX activity<sup>1</sup> and the seventh when OTC interest-rate derivatives are also included. Consistent with the upward trend in global turnover of FX and OTC derivatives, Hong Kong's FX volume increased by 31.3%, to US\$237.6 billion per day, and that of OTC interest-rate derivatives increased by 6.8%, to US\$18.5 billion per day.

## Introduction

In April 2010, the HKMA conducted the regular triennial survey of the turnover in the Hong Kong FX and OTC currency and interest-rate derivatives markets as part of the global survey co-ordinated by the Bank for International Settlements (BIS). This global survey, with 53 central banks and monetary authorities (including the HKMA) participating, aims to collect comprehensive and internationally consistent information on the sizes and structures of the FX and OTC derivatives markets.

The survey collected turnover data in FX activity (spot, outright forwards, FX swaps, currency swaps and currency options), and OTC interest-rate derivatives (forward-rate agreements, interest-rate swaps and options) markets.

This article presents the main results of the Hong Kong survey, which covers 67 institutions (referred as "reporting dealers" in the survey) operating in Hong Kong, comprising 63 authorized institutions (AIs) and four major securities houses. The article also compares the Hong Kong results with the global results.

## Overview of the global results

The preliminary 2010 global results published by the BIS show that activity in the FX and OTC derivatives markets continued to expand rapidly (Table 1). Average daily net turnover of the FX markets rose by 20% to US\$4.0 trillion in April 2010, compared with a 72% increase to US\$3.3 trillion from April 2004 to April 2007. The increase in 2010 was seen across all instruments except currency options. Turnover of OTC interest-rate derivatives reached US\$2.1 trillion in April 2010, 24% higher than in April 2007. Growth was mainly driven by that of forward-rate agreements (an increase of 132%).

The US dollar remained the dominant currency in the global FX markets. The euro was the second most traded currency, followed by the Japanese yen and British pound. The share of emerging-market currencies increased to 14% in April 2010 from 12% in April 2007. For currency pairs, US dollar/euro continued to be by far the most traded, accounting for 28% of global FX turnover, followed by US dollar/Japanese yen (14%).

The euro remained the leading currency in the OTC interest-rate derivatives market. In April 2010,

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<sup>1</sup> Beginning with the 2010 survey, "foreign-exchange market" is redefined as including all five foreign-exchange instruments: spot, outright forwards, FX swaps, currency swaps and currency options.

TABLE 1

Average daily net market turnover<sup>1</sup> of global FX and interest-rate derivatives (by geographical distribution)

US\$ billion

Economy	FX market			Interest-rate derivatives			Total		
	April 2010	April 2007	Change (%)	April 2010	April 2007	Change (%)	April 2010	April 2007	Change (%)
United Kingdom	1,854	1,483	25	1,235	957	29	3,088	2,440	27
United States	904	745	21	642	525	22	1,546	1,270	22
Japan	312	250	25	90	76	18	402	327	23
Singapore	266	242	10	78	57	36	344	299	15
Switzerland	263	254	4	79	61	30	341	314	9
Hong Kong SAR	238	181	31	18	17	7	256	198	29
Australia	192	176	9	41	23	79	233	199	17
France	152	127	20	193	176	10	345	303	14
Denmark	120	88	37	16	10	63	137	98	39
Germany	109	101	7	48	90	-46	157	192	-18
Canada	62	64	-3	42	21	103	104	85	22
Sweden	45	44	2	18	12	48	63	56	12
Korea	44	35	24	11	5	98	55	41	34
Russia	42	50	-17	0	0	n.a. <sup>4</sup>	42	50	-17
Luxembourg	33	44	-24	2	3	-28	36	47	-24
Belgium	33	50	-35	10	22	-54	43	72	-41
Finland	31	8	274	1	3	-56	33	11	187
Spain	29	17	71	31	17	83	60	34	77
Italy	29	38	-24	27	30	-9	56	67	-17
India	27	38	-29	3	3	3	31	42	-26
Others	273	245	11	111	64	74	384	309	24
<b>Total "net-gross" turnover<sup>1 &amp; 3</sup></b>	<b>5,056</b>	<b>4,281</b>	<b>18</b>	<b>2,698</b>	<b>2,173</b>	<b>24</b>	<b>7,754</b>	<b>6,454</b>	<b>20</b>
<b>Estimated global turnover<sup>2</sup></b>	<b>3,981</b>	<b>3,324</b>	<b>20</b>	<b>2,083</b>	<b>1,686</b>	<b>24</b>	<b>6,064</b>	<b>5,010</b>	<b>21</b>

Notes:

1. Data are adjusted for local inter-dealer double counting ("net-gross" basis).
2. Data are adjusted for local and cross-border inter-dealer double counting ("net-net" basis). Estimated coverage of the FX market ranged between 90% and 100% in most economies.
3. Figures may not add up to total because of rounding.
4. n.a. denotes not applicable.

Source: BIS

contracts denominated in euro accounted for 40%, compared with 33% denominated in the US dollar.

By geographical distribution of market turnover, Hong Kong ranked sixth in the FX markets, with its global market share increasing notably from 4.2% in 2007 to 4.7% in 2010. Hong Kong also accounted for 0.7% of the reported global market turnover for OTC interest-rate derivatives. Taking the global turnover for FX and OTC interest-rate derivatives markets together, Hong Kong is the seventh largest centre in the world.

The preliminary global results of the triennial survey and their detailed analysis are available on the BIS website (<http://www.bis.org>).

## Hong Kong results

### Overview

The Hong Kong results were broadly in line with the global trends. The results showed that the average daily net turnover of the Hong Kong FX and OTC derivatives markets in April 2010, at US\$256.0 billion, was 29.1% higher than that in April 2007 (US\$198.2 billion). Total turnover rose across major instruments, particularly in outright forwards and FX swaps.

With a global market share of 4.7%, average daily net turnover (net of double counting of trades between local reporting dealers) of the FX market in

Hong Kong was US\$237.6 billion in April 2010, up 31.3% from US\$181.0 billion per day in April 2007. FX swaps remained the principal type of FX transactions, with turnover increasing by 20.5% to US\$147.0 billion per day in April 2010, accounting for around 62% of total FX market turnover.

Average daily net turnover of OTC interest-rate derivatives rose by 6.8% to US\$18.5 billion. The major part of this growth came from forward-rate agreements, and interest-rate options and other OTC interest-rate products, which increased by 85.8% and 124.6% respectively. By contrast, turnover of interest-rate swaps declined slightly by 1.0% to US\$15.8 billion.

One interesting observation on FX activity to be drawn from the survey was the significant increase in FX transactions involving the US dollar against the euro, Japanese yen, Australian dollar, and other Asian currencies. Taking into account feedback from market participants, it is believed that the increase is likely to be attributable to

- carry-trade activities driven by the low interest-rate environment and the strength of Asian currencies
- strong demand for cross-currency funding through FX swaps (e.g. swapping of the euro into the US dollar through USD/euro swaps)
- increasingly volatile markets and credit-risk concerns prompting market participants to prefer more frequent, shorter-dated contracts.

TABLE 2

#### Average daily net turnover of the Hong Kong FX market (by instrument)

US\$ billion

	Turnover in Hong Kong			Global turnover		
	April 2010	April 2007	Change (%)	April 2010	April 2007	Change (%)
Spot	43.8	37.9	15.5	1,490	1,005	48.3
Outright forwards	32.0	14.7	117.6	475	362	31.3
FX swaps	147.0	122.0	20.5	1,765	1,714	3.0
Currency swaps	7.0	0.6	1,025.5	43	31	36.1
OTC options and other OTC products	7.7	5.7	34.6	207	212	-2.0
<b>Total FX transactions</b>	<b>237.6</b>	<b>181.0</b>	<b>31.3</b>	<b>3,981</b>	<b>3,324</b>	<b>19.8</b>

Notes:

1. Average daily net turnover has been adjusted for local inter-dealer double reporting.
2. Figures may not add up to total because of rounding.
3. Other OTC products are recorded on a gross basis, i.e. not adjusted for inter-dealer double counting.

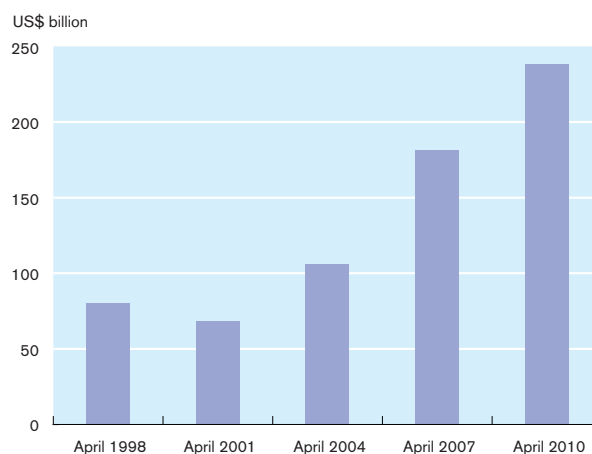
## FX transactions

### Total turnover

Average daily net turnover during April 2010 in the Hong Kong FX market was US\$237.6 billion, 31.3% higher than the US\$181.0 billion recorded in April 2007 (Chart 1). The growth in FX turnover is stronger than the corresponding global growth of 20% as reported in the global results published by the BIS.

CHART 1

#### Average daily net turnover of the Hong Kong FX market



Note: Average daily net turnover has been adjusted for local inter-dealer double reporting.

### Instruments

Total turnover rose across major instruments, particularly in outright forwards and FX swaps (Table 2). From 2007 to 2010, average daily net

turnover of outright forwards increased by 117.6% to US\$32.0 billion, while that of FX swaps increased by 20.5% to US\$147.0 billion. FX swaps remained the largest component among all FX instruments, although their share contracted to 62% from 67% in 2007. On the other hand, the share of outright forwards increased to 13% from 8% in 2007. Strong growth was observed in currency swaps turnover, which grew approximately tenfold since the last survey in 2007, comprising 3% of total FX turnover (0.3% in April 2007). In comparison, FX spot market turnover increased only modestly by 15.5% over the corresponding period, with their share of total FX turnover declining to 18% from 21% in April 2007.

### Maturity of forwards and swaps

The maturity patterns of outright forwards and foreign-exchange swaps did not change significantly in the 2010 survey. Around 60% of the total outright forward transactions lie in the band of over seven days and up to one year (Table 3). Deals with a maturity of over one year continued to represent a small portion of total turnover.

Swap deals were mostly linked to short-dated money market transactions and were often used for

maintaining foreign-currency exposures and for managing liquidity. In April 2010, the share of FX swap transactions with a maturity up to seven days increased to 77.6% from 73.7% in April 2007. Investors' preference for shorter maturity may be due to lower credit-risk appetite since the global financial crisis.

### Currency composition

The US dollar continued to be the most heavily traded currency in the Hong Kong FX market, being used on one side of 95.6%<sup>2</sup> of all transactions in April 2010. Hong Kong-dollar denominated contracts shrank, with 30.6% of the total involving the Hong Kong dollar on one side of the transaction. In contrast, trading in the euro, Japanese yen and Australian dollar rose strongly.

With the increase in cross-boundary trade with the Mainland and demand for renminbi, daily net turnover in foreign-exchange instruments denominated in renminbi increased more than twofold to US\$10.9 billion in April 2010 (US\$ 3.1 billion in April 2007). The share of renminbi increased to 4.6% of total FX turnover from 1.7% in April 2007. Notable growth was observed in outright forward transactions, which grew by 198.5% to

TABLE 3

#### Average daily net turnover of Hong Kong outright forwards and FX swaps (by maturity)

US\$ billion

	Average daily net turnover			Share (%)	
	April 2010	April 2007	Change (%)	April 2010	April 2007
<b>Outright forwards</b>	<b>32.0</b>	<b>14.7</b>	<b>117.6</b>	<b>100</b>	<b>100</b>
Up to 7 days	10.4	5.6	86.4	32.5	38.0
Over 7 days and up to 1 year	19.9	8.5	134.6	62.0	57.6
Over 1 year	1.7	0.7	164.2	5.4	4.5
<b>FX swaps</b>	<b>147.0</b>	<b>122.0</b>	<b>20.5</b>	<b>100</b>	<b>100</b>
Up to 7 days	114.1	89.9	26.9	77.6	73.7
Over 7 days and up to 1 year	30.8	30.5	1.2	21.0	25.0
Over 1 year	2.2	1.6	31.4	1.5	1.3

Notes:

1. Average daily net turnover has been adjusted for local inter-dealer double reporting.
2. Figures may not add up to total because of rounding.

<sup>2</sup> Since two currencies are involved in each transaction, the sum of the percentage shares of individual currencies on one side is 200% instead of 100%.

US\$7.8 billion and accounted for 71.5% of total renminbi-related turnover in FX instruments in April 2010. Net turnover of renminbi spot transactions amounted to US\$1.6 billion per day in April 2010, up 5.1 times from 2007.

Hong Kong dollar against the US dollar remained the most heavily traded currency pair although its share fell from 40.5% in April 2007 to 29.4% in April 2010, mainly due to substantial increases in other currency pair transactions. Sharp increases were observed in currency pairs involving the US dollar against the euro, Japanese yen, Australian dollar and Asian currencies. These increases may be attributed to strong market demand for cross-currency funding through FX swaps as well as carry-trade activities driven by the low interest-rate environment and the strength of Asian currencies. US dollar/euro maintained its second place, with its share rising to 13.9% of FX turnover from 11.5% in 2007. Table 4 sets out a detailed analysis of FX contract turnover in Hong Kong by currency pair.

### Counterparties

Table 5 shows the breakdown of FX turnover by counterparty, with reporting dealers continuing to be the largest group (75.7%), although the percentage was slightly lower than that in the 2007 survey (77.3%). Business with “other financial institutions” and “non-financial customers” accounted for 18.8% and 5.5% respectively. On a global basis, the market share of FX turnover is distributed more evenly, with reporting dealers and other financial institutions accounting for 39% and 48% respectively. The significantly higher concentration of inter-dealer FX activity as reported by reporting dealers located in Hong Kong suggests that, in addition to being a centre for FX trading, Hong Kong is also an important funding centre where dealers can manage the currency mismatches of their balance sheets through FX swaps.

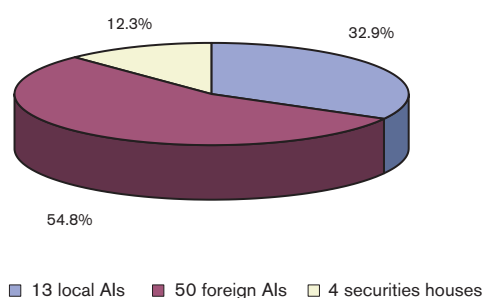
The value of FX turnover with all types of counterparties grew between 2007 and 2010, except trades with other local financial institutions (Table 5). Reflecting the cross-border nature of FX transactions, 87% of the FX turnover was transacted with cross-border counterparties, greater than the 84% recorded in 2007.

Concentration in the Hong Kong FX market has decreased. The combined market share of the top ten reporting dealers with the largest gross FX turnover declined to 64.5% in 2010 from 70.6% in 2007.

The FX market continued to be dominated by overseas-incorporated AIs although their contribution dropped to 54.8% in 2010 from 58.4% in 2007 (Chart 2). The share accounted for by local AIs expanded to 32.9% in 2010 from 31.2% in 2007. Securities houses took up the remaining 12.3%.

CHART 2

Relative shares of the average daily gross turnover in the Hong Kong FX market in April 2010 (by reporting dealer)



Note:

Average daily gross turnover has not been adjusted for local inter-dealer double reporting.

TABLE 4

## Average daily net turnover of the Hong Kong FX market (by currency pair)

US\$ billion

	Average daily net turnover				
	April 2010	Share (%)	April 2007	Share (%)	Change (%)
<b>Hong Kong dollar against:</b>					
<b>US dollar</b>	<b>69.8</b>	<b>29.4</b>	<b>73.2</b>	<b>40.5</b>	<b>-4.6</b>
<b>Others</b>	<b>2.8</b>	<b>1.2</b>	<b>1.0</b>	<b>0.5</b>	<b>192.0</b>
of which: Euro	1.3	0.5	n.c.	n.a.	n.a.
Japanese yen	0.2	0.1	n.c.	n.a.	n.a.
British pound	0.3	0.1	n.c.	n.a.	n.a.
Australian dollar	0.5	0.2	n.c.	n.a.	n.a.
Canadian dollar	0.1	0.0	n.c.	n.a.	n.a.
Chinese renminbi	0.1	0.1	n.c.	n.a.	n.a.
Others	0.2	0.1	n.c.	n.a.	n.a.
<b>Sub-total</b>	<b>72.6</b>	<b>30.6</b>	<b>74.2</b>	<b>41.0</b>	<b>-2.1</b>
<b>US dollar against:</b>					
<b>Euro</b>	<b>33.1</b>	<b>13.9</b>	<b>20.9</b>	<b>11.5</b>	<b>58.9</b>
<b>Japanese yen</b>	<b>27.1</b>	<b>11.4</b>	<b>16.9</b>	<b>9.3</b>	<b>60.8</b>
<b>Swiss franc</b>	<b>2.4</b>	<b>1.0</b>	<b>2.9</b>	<b>1.6</b>	<b>-18.2</b>
<b>British pound</b>	<b>10.0</b>	<b>4.2</b>	<b>13.5</b>	<b>7.5</b>	<b>-25.9</b>
<b>Australian dollar</b>	<b>24.6</b>	<b>10.4</b>	<b>14.6</b>	<b>8.1</b>	<b>68.9</b>
<b>Canadian dollar</b>	<b>3.2</b>	<b>1.4</b>	<b>2.2</b>	<b>1.2</b>	<b>49.0</b>
<b>Malaysian ringgit</b>	<b>3.1</b>	<b>1.3</b>	<b>0.6</b>	<b>0.3</b>	<b>438.9</b>
<b>Others (excluding Hong Kong dollar)</b>	<b>53.6</b>	<b>22.6</b>	<b>27.7</b>	<b>15.3</b>	<b>93.6</b>
of which: Chinese renminbi	10.7	4.5	n.c.	n.a.	n.a.
Indian rupee	4.6	1.9	n.c.	n.a.	n.a.
Korean won	7.4	3.1	n.c.	n.a.	n.a.
Others	31.0	13.0	n.c.	n.a.	n.a.
<b>Sub-total</b>	<b>157.2</b>	<b>66.2</b>	<b>99.2</b>	<b>54.8</b>	<b>58.5</b>
<b>Cross currencies (excluding Hong Kong dollar and US dollar):</b>					
<b>Euro/Japanese yen</b>	<b>2.0</b>	<b>0.9</b>	<b>2.0</b>	<b>1.1</b>	<b>2.1</b>
<b>Euro/British pound</b>	<b>0.9</b>	<b>0.4</b>	<b>0.4</b>	<b>0.2</b>	<b>112.1</b>
<b>Others</b>	<b>4.8</b>	<b>2.0</b>	<b>5.2</b>	<b>2.9</b>	<b>-7.4</b>
of which: Euro/Other currencies	1.1	0.4	n.c.	n.a.	n.a.
Japanese yen/Australian dollar	0.9	0.4	n.c.	n.a.	n.a.
Japanese yen/New Zealand dollar	0.1	0.0	n.c.	n.a.	n.a.
Japanese yen/Other currencies	0.6	0.3	n.c.	n.a.	n.a.
Others	2.1	0.9	n.c.	n.a.	n.a.
<b>Sub-total</b>	<b>7.7</b>	<b>3.2</b>	<b>7.6</b>	<b>4.2</b>	<b>1.6</b>
<b>All currency pairs</b>	<b>237.5</b>	<b>100</b>	<b>181.0</b>	<b>100</b>	<b>31.3</b>
<b>Other OTC products</b>	<b>0.03</b>		<b>0.00</b>		
<b>Total FX transactions</b>	<b>237.6</b>		<b>181.0</b>		<b>31.3</b>

## Notes:

1. Average daily net turnover has been adjusted for local inter-dealer double reporting.
2. Other OTC products are recorded on a gross basis, i.e. not adjusted for inter-dealer double counting.
3. Figures may not add up to total because of rounding.
4. n.c. denotes not collected.
5. n.a. denotes not applicable.

TABLE 5

## Average daily net turnover of the Hong Kong FX market (by counterparty)

US\$ billion

	Average daily net turnover			Share (%)	
	April 2010	April 2007	Change (%)	April 2010	April 2007
<b>With reporting dealer</b>	<b>179.8</b>	<b>139.8</b>	<b>28.6</b>	<b>75.7</b>	<b>77.3</b>
Local	19.8	17.7	11.8	8.3	9.8
Cross border	160.0	122.1	31.1	67.4	67.5
<b>With other financial institutions</b>	<b>44.6</b>	<b>29.5</b>	<b>50.9</b>	<b>18.8</b>	<b>16.3</b>
Local	4.4	5.8	-24.3	1.8	3.2
Cross border	40.2	23.8	69.1	16.9	13.1
<b>With non-financial customers</b>	<b>13.1</b>	<b>11.6</b>	<b>13.0</b>	<b>5.5</b>	<b>6.4</b>
Local	6.6	5.8	13.4	2.8	3.2
Cross border	6.5	5.8	12.5	2.7	3.2
<b>Sub-total</b>	<b>237.5</b>	<b>181.0</b>	<b>31.3</b>	<b>100</b>	<b>100</b>
<b>Other OTC products</b>	<b>0.03</b>	<b>0.00</b>	<b>n.a.</b>		
<b>Total FX transactions</b>	<b>237.6</b>	<b>181.0</b>	<b>31.3</b>		

Notes:

1. Average daily net turnover has been adjusted for local inter-dealer double reporting.
2. Figures may not add up to total because of rounding.
3. Reporting dealers refer to Als and major securities houses participating in the 2007 and 2010 surveys.
4. Other financial institutions refer to financial institutions other than reporting dealers.
5. Other OTC products are recorded on a gross basis, i.e. not adjusted for inter-dealer double counting.
6. n.a. denotes not applicable.

## OTC interest-rate derivatives

### Total turnover

Average daily net turnover of OTC interest-rate derivatives in Hong Kong increased by US\$1.2 billion or 6.8% from the 2007 survey. Turnover during April 2010 averaged US\$18.5 billion per day, compared with US\$17.3 billion in April 2007 (Table 6).

### Instruments

Interest-rate swaps remained the most highly traded product even though their turnover decreased by 1.0% from the 2007 survey to \$15.8 billion in 2010. By contrast, average daily net turnover in forward-rate agreements, and interest-rate options and other OTC interest-rate products increased by 85.8% and 124.6% respectively.

TABLE 6

## Average daily net turnover of the Hong Kong OTC interest-rate derivatives market (by instrument)

US\$ billion

	Average daily net turnover			Share (%)	
	April 2010	April 2007	Change (%)	April 2010	April 2007
<b>Forward-rate agreements</b>	<b>1.3</b>	<b>0.7</b>	<b>85.8</b>	<b>7.3</b>	<b>4.2</b>
<b>Interest-rate swaps</b>	<b>15.8</b>	<b>16.0</b>	<b>-1.0</b>	<b>85.7</b>	<b>92.5</b>
<b>Interest-rate options and other OTC products</b>	<b>1.3</b>	<b>0.6</b>	<b>124.6</b>	<b>7.0</b>	<b>3.3</b>
<b>Total OTC interest-rate derivatives transactions</b>	<b>18.5</b>	<b>17.3</b>	<b>6.8</b>	<b>100</b>	<b>100</b>

Notes:

1. Average daily net turnover has been adjusted for local inter-dealer double reporting.
2. Other OTC products are recorded on a gross basis, i.e. not adjusted for inter-dealer double counting.
3. Figures may not add up to total because of rounding.

## Currency composition

OTC interest-rate derivatives contracts denominated in most currencies other than the Japanese yen and Hong Kong dollar recorded significant increases. Turnover of Korean won-denominated contracts was the highest amongst all currencies, accounting for 25.6% of the total average daily net turnover. This may be attributed to a number of reasons including the strong recovery of the Korean economy and an increase in market activity in anticipation of possible movements of the Korean-won yield curve. Compared with 2007, contracts denominated in the Hong Kong dollar fell by 68.4% in 2010 (Table 7), probably a result of the low Hong Kong-dollar interest-rate environment since late 2008, rendering market participants less active in managing their short-term Hong Kong-dollar interest-rate exposures with interest-rate derivatives.

## Counterparties

In the OTC interest-rate derivatives market, transactions among reporting dealers made up 75.4% of the turnover in April 2010, falling from 82.2% in 2007 (Table 8). By contrast, the proportion of turnover with other financial institutions rose to 22.4% in April 2010, up from 16.1% in April 2007. Business with non-financial customers also increased, rising from 1.7% in 2007 to 2.2% in 2010. Cross-border trades comprised around 92% of the OTC interest-rate derivatives, of which 75% were transacted with overseas reporting dealers.

Concentration in the OTC interest-rate derivatives market also dropped in April 2010 from three years ago. The ten largest reporting dealers accounted for 82.2% of gross turnover, while that in April 2007 stood at 87.4%. Overseas-incorporated AIs remained active in the OTC interest-rate derivatives

TABLE 7

### Average daily net turnover of the Hong Kong OTC interest-rate derivatives market (by currency)

US\$ billion

	Average daily net turnover				
	April 2010	Share (%)	April 2007	Share (%)	Change (%)
<b>US dollar</b>	<b>3.5</b>	<b>18.8</b>	<b>2.7</b>	<b>15.8</b>	<b>26.9</b>
<b>Euro</b>	<b>0.5</b>	<b>2.8</b>	<b>0.1</b>	<b>0.7</b>	<b>327.3</b>
<b>Japanese yen</b>	<b>0.1</b>	<b>0.5</b>	<b>0.7</b>	<b>4.0</b>	<b>-85.7</b>
<b>Hong Kong dollar</b>	<b>3.2</b>	<b>17.4</b>	<b>10.1</b>	<b>58.7</b>	<b>-68.4</b>
<b>Others</b>	<b>11.2</b>	<b>60.5</b>	<b>3.6</b>	<b>20.8</b>	<b>210.4</b>
of which: British pound	0.4	2.2	n.c.	n.a.	n.a.
Australian dollar	1.7	9.2	n.c.	n.a.	n.a.
Canadian dollar	0.04	0.2	n.c.	n.a.	n.a.
Chinese renminbi	0.8	4.5	n.c.	n.a.	n.a.
Korean won	4.7	25.6	n.c.	n.a.	n.a.
Others	3.4	18.7	n.c.	n.a.	n.a.
<b>All currencies</b>	<b>18.4</b>	<b>100</b>	<b>17.3</b>	<b>100</b>	<b>6.8</b>
<b>Other OTC products</b>	<b>0.02</b>		<b>0.02</b>		
<b>Total OTC interest-rate derivatives transactions</b>	<b>18.5</b>		<b>17.3</b>		<b>6.8</b>

Notes:

1. Average daily net turnover has been adjusted for local inter-dealer double reporting.
2. Other OTC products are recorded on a gross basis, i.e. not adjusted for inter-dealer double counting.
3. Figures may not add up to total because of rounding.
4. n.c. denotes not collected.
5. n.a. denotes not applicable.



TABLE 8

## Average daily net turnover of the Hong Kong OTC interest-rate derivatives market (by counterparty)

US\$ billion

	Average daily net turnover			Share (%)	
	April 2010	April 2007	Change (%)	April 2010	April 2007
<b>With reporting dealer</b>	<b>13.9</b>	<b>14.2</b>	<b>-2.1</b>	<b>75.4</b>	<b>82.2</b>
Local	1.2	2.4	-50.5	6.6	14.2
Cross border	12.7	11.7	8.0	68.8	68.0
<b>With other financial institutions</b>	<b>4.1</b>	<b>2.8</b>	<b>48.4</b>	<b>22.4</b>	<b>16.1</b>
Local	0.2	0.3	-32.9	1.0	1.5
Cross border	4.0	2.5	57.0	21.5	14.6
<b>With non-financial customers</b>	<b>0.4</b>	<b>0.3</b>	<b>39.4</b>	<b>2.2</b>	<b>1.7</b>
Local	0.1	0.0	283.1	0.8	0.2
Cross border	0.3	0.3	3.0	1.4	1.5
<b>Sub-total</b>	<b>18.4</b>	<b>17.3</b>	<b>6.8</b>	<b>100</b>	<b>100</b>
<b>Other OTC products</b>	<b>0.02</b>	<b>0.02</b>	<b>16.8</b>		
<b>Total OTC interest-rate derivatives transactions</b>	<b>18.5</b>	<b>17.3</b>	<b>6.8</b>		

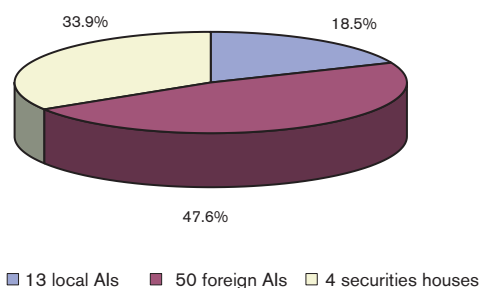
Notes:

1. Average daily net turnover has been adjusted for local inter-dealer double reporting.
2. Figures may not add up to total because of rounding.
3. Reporting dealers refer to AIs and major securities houses participating in the 2007 and 2010 surveys.
4. Other financial institutions are financial institutions other than reporting dealers.
5. Other OTC products are recorded on a gross basis, i.e. not adjusted for inter-dealer double counting.

market, even though their contribution decreased markedly to 47.6% in 2010 from 61.8% in 2007 (Chart 3). By contrast, the share of securities houses expanded from 17.3% in April 2007 to 33.9% in April 2010.

CHART 3

## Relative shares of the average daily gross turnover of the Hong Kong OTC interest-rate derivatives market in April 2010 (by reporting dealer)



Note:

Average daily gross turnover has not been adjusted for local inter-dealer double reporting.

## Conclusion

The 2010 survey shows that the volume of FX activity in Hong Kong continued to grow impressively, as evidenced by an increase in global market share to 4.7% in April 2010 from 4.2% recorded three years ago. Despite intense competition in the region, Hong Kong continues to build on its position as one of the world's major centres for FX activity. In comparison, although the volume of OTC interest-rate derivatives grew only modestly, this is in large part due to a significant drop in Hong Kong-dollar denominated contracts as a result of the low interest-rate environment prevailing for the Hong Kong dollar. OTC interest-rate derivatives contracts denominated in currencies other than the Japanese yen and Hong Kong dollar registered very strong growth, demonstrating that Hong Kong remains well positioned as a major centre for OTC interest-rate derivatives.