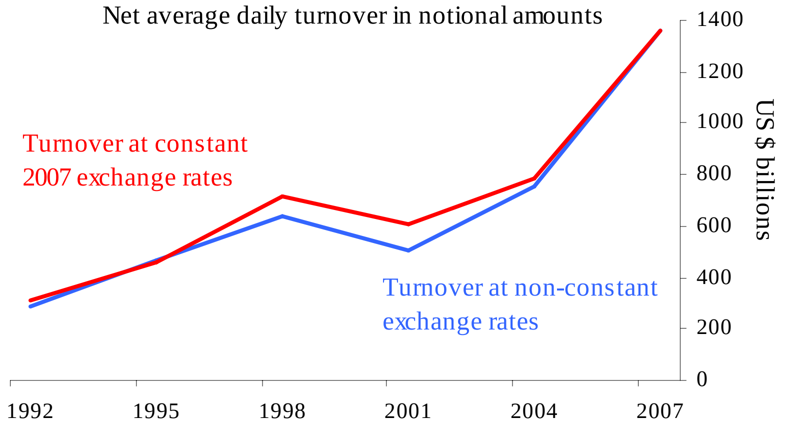
BIS TRIENNIAL SURVEY OF FOREIGN EXCHANGE AND OVER-THE-COUNTER DERIVATIVES MARKETS IN APRIL 2007 – UK DATA - RESULTS SUMMARY

FOREIGN EXCHANGE

Total Turnover

Average daily net turnover during April 2007 in the UK foreign exchange market was $1,359 billion per day, 80% higher than the $753 billion per day recorded in April 2004. This follows the 49% rise seen between the April 2001 and April 2004 surveys, and represents a rise of 73% at constant 2007 exchange rates[1].

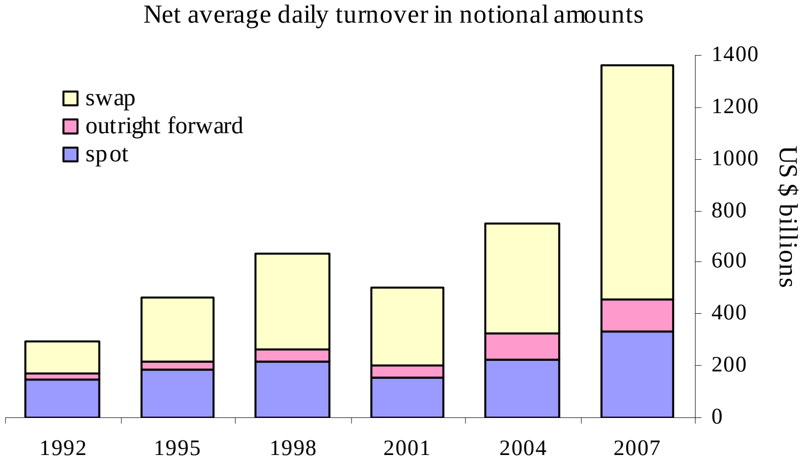
Chart 1: Foreign Exchange Turnover at Constant and Non-constant Exchange Rates



Instruments

Foreign exchange swap business increased from $428 billion per day in April 2004 to $899 billion per day in April 2007, a 110% increase. Swap business comprised 66% of total foreign exchange turnover, up from 57% in April 2004. Spot transactions increased by 51% to $335 billion per day, comprising 25% of total foreign exchange turnover (29% in April 2004). Outright forward business increased 21% from April 2004, to $124 billion per day.

Chart 2: Foreign Exchange Turnover by Instrument



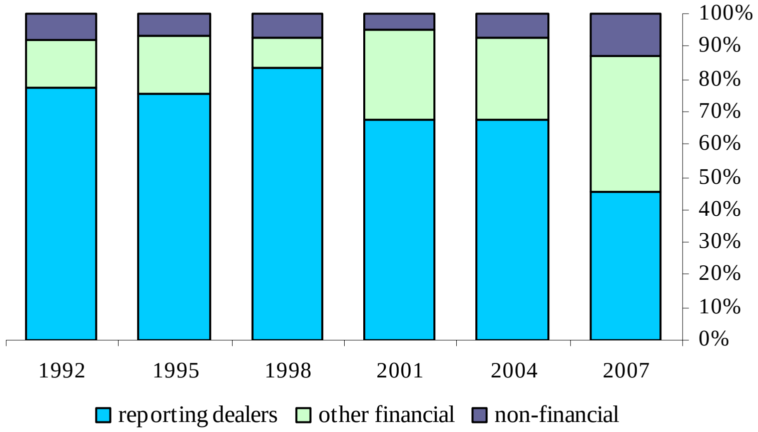
[1] The US dollar is used as the numeraire for the survey, so changes in the value of the US dollar against other currencies will affect the level of turnover recorded (e.g. the same amount of turnover in euros would equate to a higher US dollar value in 2007 than in 2004 as the US dollar has depreciated against the euro over this period).

Counterparties

Turnover with 'other financial institutions' rose threefold to an average of $571 billion per day. Business with 'non-financial institutions' also tripled, to an average of $174 billion per day. Customer business accounted for over half of total turnover (55%), compared with only one third in April 2004. Turnover between Reporting Dealers increased by 21% since April 2004, to $614 billion per day. However, in April 2007 it only accounted for 45% of total business compared with 67% in April 2004.

Chart 3: Foreign Exchange Turnover by Counterparty

Net average daily turnover in notional amounts



The maturity profile of forwards and swaps continued the trend from 2004 towards shorter term trades. The percentage of forward and swap deals that mature in less than 7 days increased to 78% in 2007, compared with 72% in 2004.

Currency composition

US dollar/euro remained the most traded currency pair, with 33% of total foreign exchange turnover, unchanged from April 2004. The level of trading in sterling/US dollar decreased as a proportion of total turnover, accounting for 18% of the total, in contrast to the increases seen in previous surveys.

The US dollar continued to be the numeraire currency in the UK market, with 89% of all trades having one side denominated in dollars[2]. The euro remained unchanged at 42%, while the proportion of turnover involving sterling fell from 28% to 22%.

Market concentration

The UK foreign exchange market was more concentrated than in 2004. The combined market share of the ten institutions with the highest turnover increased from 61% to 70%, and the share of the top twenty from 80% to 90%. The number of firms accounting for more than 1% of total turnover fell from 25 in 2004 to 21 in 2007.

[2] For foreign exchange turnover, the sum of the percentage shares of individual currencies totals 200 instead of 100 percent because two currencies are involved in each transaction.

OTC DERIVATIVES

Total turnover

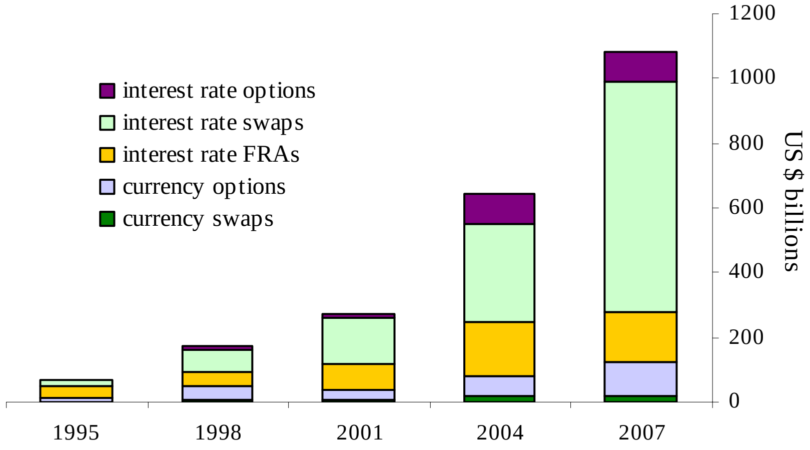
In the UK, average daily turnover in OTC currency and interest rate derivatives increased by 68% between April 2004 and 2007, rising from $643 billion to $1,081 billion. Within this, turnover in the OTC interest rate derivatives market increased from $563 billion to $957 billion (+70%), while turnover in the OTC currency derivatives market increased from $80 billion to $124 billion (+55%).

Instruments

OTC currency derivatives turnover showed continued growth from April 2004, driven predominantly by 66% growth in the currency options market. Interest rate derivatives turnover also rose 70%, more than accounted for by a 137% increase in swap turnover. Interest rate swaps accounted for 66% of the OTC derivatives market in 2007, compared with 47% in 2004.

Chart 4: OTC Derivatives Turnover by Instrument

Net average daily turnover in notional amounts

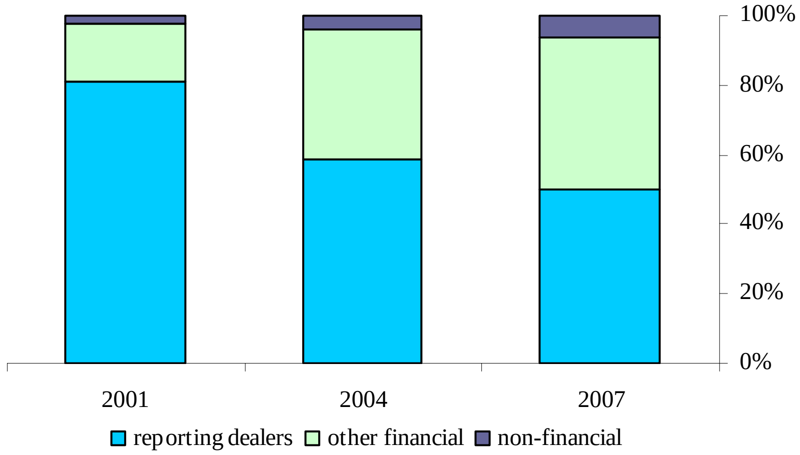


Counterparties

Customer business accounted for an increased share of the market, rising from 41% in 2004 to 51% in 2007. This was largely driven by the increase in business with 'other financial institutions'. In the OTC currency derivatives market the proportion of turnover between reporting dealers fell to 39% in April 2007, down from 63% in April 2004. In contrast, the proportion of turnover with 'other financial institutions' increased by 12%, and accounted for 41% of total OTC currency derivatives turnover. For OTC interest rate derivatives, the proportion of turnover between reporting dealers fell 8% to 50% of the total, and business with 'other financial institutions' increased to 44% compared with 37% in April 2004.

Cross-border trades comprised around three quarters of the OTC currency and interest rate derivatives turnover, up from two thirds in 2004.

Chart 5: OTC Interest Rate Derivatives Turnover by Counterparty



Currency composition

The US dollar remained the most traded currency in the OTC currency derivatives market with 75% of turnover involving the dollar (78% in 2004)[3]. The proportion of turnover involving the euro fell to 41%, from 49% in April 2004.

The euro remained the dominant currency in the OTC interest rate derivatives market, accounting for 51% of total turnover (down from 58% in 2004). The proportion of OTC interest rate derivatives turnover attributable to the US dollar decreased to 15%, while sterling increased from 14% in April 2004 to 18%.

Market concentration

The concentration of the OTC derivatives market was very similar to April 2004. The ten institutions with the highest derivatives trading volumes accounted for 81% of total turnover (80% in 2004), and the top twenty institutions comprised 95% of total turnover (94% in 2004). The OTC currency derivatives market appeared to be more concentrated than the OTC interest rate derivatives market. Of the 62 participants in the April 2007 survey, only 45 were undertaking business in the OTC currency derivatives market compared with 55 in the OTC interest rate derivatives markets.

Tables showing the results in more detail are attached. These are in a similar format to the global tables released by the BIS. Totals may not sum due to rounding. Also following are definitions of the different instruments covered by the survey.

[3] For OTC currency derivatives, because two currencies are involved in each transaction the sum of the percentage shares of individual currencies totals 200 instead of 100 percent.

Table 1

UK foreign exchange market turnover[1]

Daily averages in April in billions of US dollars

Instrument	1995	1998	2001	2004	2007
Spot transactions	186	217	151	222	335
Outright forwards	33	48	53	103	124
Foreign exchange swaps	244	372	300	428	899
Total 'traditional' turnover	**464**	**637**	**504**	**753**	**1,359**
Turnover at April 2007 exchange rates[2]	*457*	*714*	*605*	*787*	*1,359*

[1] Adjusted for local double-counting. [2] Each leg of a foreign currency transaction other than the US dollar leg has been converted into original currency amounts at average current April exchange rates and then reconverted into US dollar amounts at average April 2007 exchange rates.

Table 2

Reported foreign exchange market turnover by instrument, counterparty and maturity[1]

Daily averages in April in billions of US dollars

Instrument/counterparty	1995	1998	2001	2004	2007
Spot	**186**	**217**	**151**	**222**	**335**
With reporting dealers	146	180	107	146	158
Local	48	61	27	35	41
Cross-border	98	119	80	111	117
With other financial institutions	30	23	37	59	135
Local	16	14	16	14	36
Cross-border	14	9	21	45	99
With non-financial customers	11	14	7	17	43
Local	5	5	3	7	13
Cross-border	6	9	5	10	30
Outright forwards	**34**	**48**	**53**	**103**	**124**
With reporting dealers	17	31	31	60	37
Local	6	10	8	11	8
Cross-border	11	21	23	49	29
With other financial institutions	13	10	16	28	62
Local	10	6	9	12	20
Cross-border	3	4	8	16	41
With non-financial customers	5	6	6	15	26
Local	2	3	2	8	8
Cross-border	3	3	3	7	17
Foreign exchange swaps	**243**	**372**	**300**	**428**	**899**
With reporting dealers	187	319	203	301	419
Local	54	90	51	99	117
Cross-border	133	229	152	202	302
With other financial institutions	42	27	85	102	375
Local	22	17	45	41	156
Cross-border	20	10	40	61	219
With non-financial customers	14	26	12	25	105
Local	8	11	6	11	29
Cross-border	6	15	6	14	76
Total	**464**	**637**	**504**	**753**	**1,359**
Maturity of forwards & swaps					
Up to 7 days	72%	78%	69%	72%	78%
Over 7 days and up to 1 year	28%	21%	30%	27%	21%
Over 1 year	0.01%	0.01%	0.01%	1%	1%

[1] Adjusted for local double-counting.

Table 3

Currency distribution of reported UK foreign exchange market turnover[1]

Percentage shares of average daily turnover in April

Currency	1995	1998	2001	2004	2007
US dollar	84	88	92	90	89
Euro	.	.	41	42	42
Deutsche mark	36	32	.	.	.
French franc	9	5	.	.	.
ECU and other EMS currencies	11	21	.	.	.
Pound sterling	16	18	24	28	22
Japanese yen	20	14	17	15	14
Swiss franc	7	7	6	6	6
Canadian dollar	2	3	4	3	3
Australian dollar	2	2	3	4	5
Swedish Krona .... …	.	.	.	.	3
Other currencies	13	10	13	12	16
All currencies	**200**	**200**	**200**	**200**	**200**

[1] Because two currencies are involved in each transaction, the sum of the percentage shares of individual currencies totals 200 instead of 100 percent. The figures relate to reported "net-gross" turnover, i.e. they are adjusted for local double-counting.

Table 4

Reported foreign exchange turnover by currency pairs[1]

Daily averages in April in billions of US dollars and percentage shares

Currency pair	1995		1998		2001		2004		2007	
	Amount	% share	Amount	% share	Amount	% share	Amount	% share	Amount	% share
USD/EUR	.	.	.	.	170	34	250	33	444	33
USD/DEM	100	22	138	22	.	.	.	.	.	.
USD/OthEMS	93	20	143	22	.	.	.	.	.	.
USD/GBP	53	11	89	14	102	20	174	23	240	18
USD/JPY	79	17	80	13	74	15	88	12	154	11
USD/CHF	25	5	36	6	24	5	30	4	55	4
USD/CAD	11	2	16	2	18	4	22	3	36	3
USD/AUD	8	2	13	2	16	3	27	4	56	4
USD/SEK	.	.	.	.	.	.	.	.	31	2
USD/Other	19	4	43	7	57	11	83	11	190	14
EUR/GBP	.	.	.	.	17	3	26	3	39	3
EUR/JPY	.	.	.	.	12	2	19	3	23	2
EUR/CHF	.	.	.	.	4	1	11	1	25	2
DEM/GBP	15	3	20	3	.	.	.	.	.	.
DEM/JPY	10	2	10	2	.	.	.	.	.	.
DEM/CHF	6	1	7	1	.	.	.	.	.	.
DEM/OthEMS	29	6	18	3	.	.	.	.	.	.
Other currency pairs	15	3	24	4	9	2	23	3	66	5
All currency pairs	**464**	**100**	**637**	**100**	**504**	**100**	**753**	**100**	**1,359**	**100**

[1] Adjusted for local double-counting.

Table 5

UK OTC derivatives market turnover by instrument[1]

Daily averages daily turnover in April in billions of US dollars; notional amounts

Instrument	1995	1998	2001	2004	2007
A. Foreign exchange instruments……	**14**	**48**	**37**	**80**	**124**
Currency swaps…………………….	1	5	4	16	18
Options…………………………….	13	43	33	64	106
Other……………………………….		0	0	0	0
B. Interest rate instruments[2]...………	**56**	**123**	**238**	**563**	**957**
FRAs……………………………….	33	42	83	170	154
Swaps…………………………….	18	69	142	299	710
Options……………………………..	5	12	13	94	93
Other………………………………..		0	0	0	0
C. Total………………………………..	**70**	**171**	**275**	**643**	**1,081**
Memorandum items:					
Turnover at April 2007 exchange rates[3]	-	*200*	*363*	*715*	*1,081*

[1]Adjusted for local double-counting. [2] Single-currency interest rate contracts only. [3] Each leg of a foreign currency transaction other than the US dollar leg has been converted into original currency amounts at average current April exchange rates and then reconverted into US dollar amounts at average April 2007 exchange rates. This was not possible for 1995 due to a lack of sufficiently detailed data.

Table 6

Reported OTC interest rate derivatives[1] turnover by currency

Daily averages in April in billions of US dollars

Currency	2001	2004	2007
FRAs	**83**	**170**	**154**
US dollar	25	28	43
Euro	34	104	40
Japanese Yen	3	0	1
Pound Sterling	13	24	44
Other	8	14	26
Swaps	**142**	**299**	**710**
US dollar	35	58	76
Euro	71	168	391
Japanese Yen	4	11	62
Pound Sterling	25	48	119
Other	7	14	63
Options	**13**	**94**	**93**
US dollar	2	31	25
Euro	9	53	56
Japanese Yen	0	2	3
Pound Sterling	1	6	6
Other	0	2	2
Total	**237**	**563**	**957**
US dollar	62	117	144
Euro	113	325	487
Japanese Yen	7	13	66
Pound Sterling	40	78	169
Other	15	30	91

[1] Adjusted for local double-counting. Single-currency interest rate contracts only.

Table 7

UK OTC derivatives turnover by counterparty

Daily averages in April in billions of US dollars

Counterparty	Total		Foreign exchange[1]		Interest rate[2]	
	2004	2007	2004	2007	2004	2007
With reporting dealers	379	529	50	48	329	481
Local	95	165	17	14	78	151
Cross-border	284	364	33	34	251	330
With other financial institutions	233	468	23	51	210	417
Local	109	97	7	12	102	85
Cross-border	124	371	16	38	108	332
With non-financial customers	31	84	7	25	24	59
Local	10	15	1	9	9	6
Cross-border	21	69	6	16	15	53
Total[3]	**643**	**1,081**	**80**	**124**	**563**	**957**

[1] Currency swaps, options and "other" products. [2] Single-currency contracts only. [3] Adjusted for local double-counting.

INSTRUMENT DEFINITIONS AND CATEGORISATION

Details of turnover in the following instruments were collected:

Foreign Exchange Transactions

Spot Transaction

Single outright transaction involving the exchange of two currencies at a rate agreed on the date of the contract for value or delivery (cash settlement) within two business days. The spot legs of swaps, and swaps that were for settlement within two days (i.e. overnight swaps, spot next swaps, and "tomorrow/next day" swap transactions) were excluded from this category.

Outright Forward

Transaction involving the exchange of two currencies at a rate agreed on the date of the contract for value or delivery (cash settlement) at some time in the future (more than two business days later). Also included in this category were forward foreign exchange agreement transactions (FXA), non-deliverable forwards, and other forward contracts for differences.

Foreign Exchange Swap

Transaction which involves the actual exchange of two currencies (principal amount only) on a specific date at a rate agreed at the time of the conclusion of the contract (the short leg), and a reverse exchange of the same two currencies at a date further in the future at a rate (generally different from the rate applied to the short leg) agreed at the time of the conclusion of the contract (the long leg). Short-term swaps carried out as "tomorrow/next day" transactions are included in this category.

OTC Currency Derivatives

Currency Swap

Transaction which involves the actual exchange of two currencies on a specific date at a rate agreed at the time of the conclusion of the contract and an agreement to exchange streams of interest payments in the currencies for an agreed period of time, followed by a reverse exchange at a pre-agreed exchange rate at maturity.

Currency Option

Option contract that gives the right to buy or sell a currency with another currency at a specified exchange rate during a specified period. This category also includes currency swaptions, currency warrants, plain vanilla contracts and exotic foreign exchange options such as average rate options and barrier options.

Single-Currency OTC Interest Rate Derivatives

Interest rate contracts are contracts related to an interest-bearing financial instrument whose cash flows are determined by referencing interest rates or another interest rate contract (e.g. an option on a futures contract to purchase a Treasury bill).

This category is limited to those deals where all the legs are exposed to only one currency's interest rate. Thus it excludes contracts involving the exchange of one or more foreign currencies (e.g. cross-currency swaps and currency options) and other contracts whose predominant risk characteristic is foreign exchange risk.

<u>Forward Rate Agreement (FRA)</u>

Interest rate forward contract in which the rate to be paid or received on a specific obligation for a set period of time, beginning at some time in the future, is determined at contract initiation.

<u>Interest Rate Swap</u>

Agreement to exchange periodic payments related to interest rates on a single currency. Can be fixed for floating, or floating for floating based on different indices. This category includes those swaps whose notional principal is amortised according to a fixed schedule independent of interest rates.

<u>Interest Rate Option</u>

Option contract that gives the right to pay or receive a specific interest rate on a predetermined principal for a set period of time. Included in this category are interest rate caps, floors, collars, corridors, swaptions and warrants.

COUNTERPARTY DEFINITIONS AND CATEGORISATION

<u>Reporting dealers</u>

Reporting dealers refer to financial institutions that are participating in the globally co-ordinated survey. These firms actively participate in local and global foreign exchange and derivatives markets.

<u>Other financial institutions</u>

This category covers the financial institutions that are not reporting dealers. Thus, it will include smaller commercial banks, investment banks and securities houses, and in addition mutual funds, pension funds, hedge funds, currency funds, money market funds, building societies, leasing companies, insurance companies, other financial subsidiaries of corporate firms and central banks.

<u>Non-financial customers</u>

This category covers any counterparty other than those described above, ie mainly non-financial end-users, such as corporates and governments.