



BIS TRIENNIAL SURVEY OF FOREIGN EXCHANGE AND OVER-THE-COUNTER INTEREST RATE DERIVATIVES MARKETS IN APRIL 2013 – UK DATA - RESULTS SUMMARY

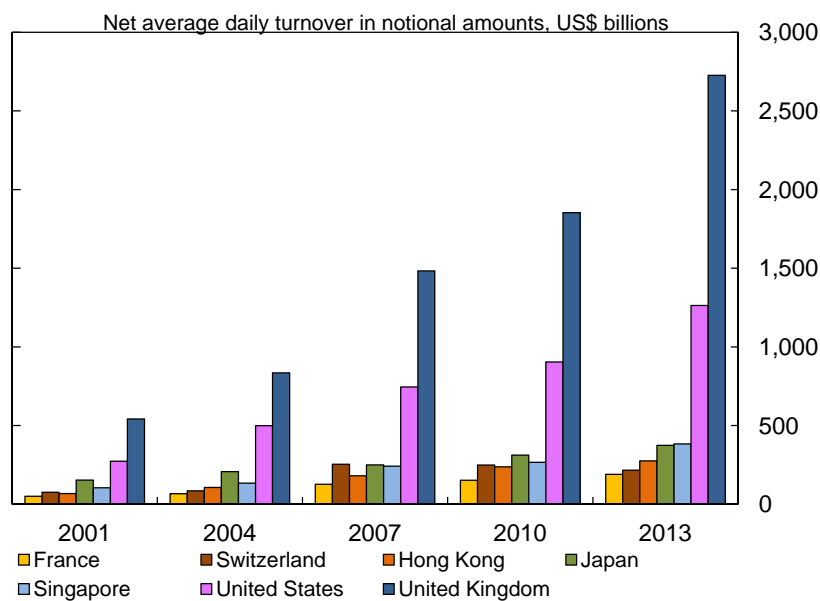
In April this year, central banks and monetary authorities in 53 countries, including the United Kingdom, conducted the latest triennial survey of turnover in the markets for foreign exchange (spot, forwards, foreign exchange swaps, currency swaps and options) and over-the-counter (OTC) interest rate derivatives. The survey is co-ordinated on a global basis by the Bank for International Settlements (BIS), with the aim of obtaining comprehensive and internationally consistent information on the size and structure of the corresponding global markets. The Bank of England conducted the UK survey, which covers the business of leading financial institutions located within the United Kingdom in these markets. The results of the UK survey are summarised below.

FOREIGN EXCHANGE

Total turnover

Net average daily turnover during April 2013 in the UK foreign exchange market was \$2,726 billion, 47 per cent higher than the \$1,854 billion per day recorded in April 2010. The increase was more than the 25 per cent rise seen between the April 2007 and April 2010 surveys. The UK remains the single largest centre of foreign exchange activity with 41 per cent of global turnover in April 2013, increasing from 37 per cent in April 2010.

Chart 1: Foreign exchange turnover in the United Kingdom and other centres

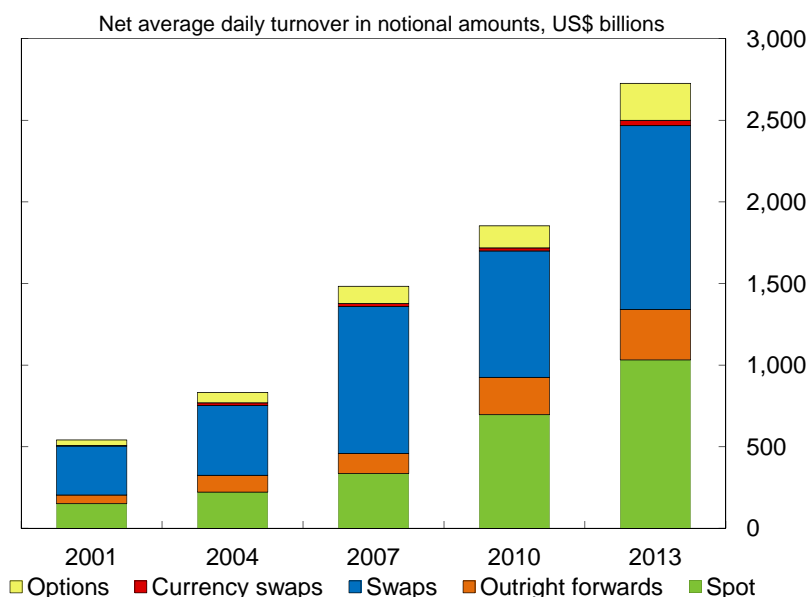


Instruments

Turnover in foreign exchange swaps increased by 45 per cent from \$775 billion per day in April 2010 to \$1,127 per day in April 2013 and accounted for 41 per cent of total turnover. Similarly, foreign exchange spot turnover increased from \$697 billion per day to \$1,032 billion per day during the same period, a 48 per cent increase at current exchange rates. Spot transactions accounted for 38 per cent of total turnover, the same as in the April 2010 survey.

Average daily turnover in foreign exchange options increased from \$135 billion in April 2010 to \$227 billion in April 2013, and forward transactions rose from \$228 billion to \$309 billion over the same period. While turnover in currency swaps showed an increase of 77 per cent from April 2010 to stand at \$32 billion per day in April 2013, these instruments only account for 1 per cent of total turnover.

Chart 2: Foreign exchange turnover by instrument

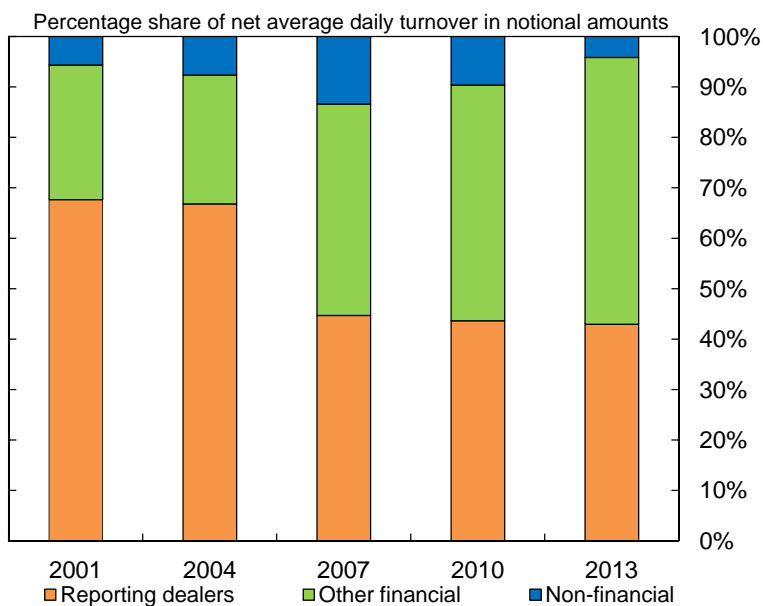


Counterparties

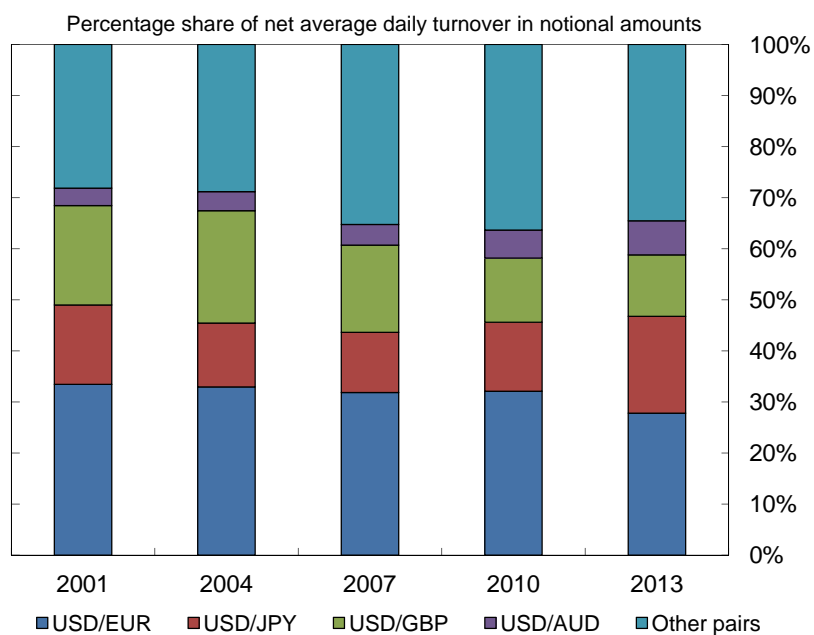
Turnover grew primarily due to increased activity with 'other financial institutions' – a counterpart category that includes non-reporting banks, security dealers, hedge funds, pension funds, mutual funds, insurance companies and central banks. Turnover with this category rose to \$1,442 billion per day, an increase of 66 per cent compared with April 2010. Business with 'other financial institutions' now accounts for 53 per cent of total turnover.

Similarly, activity with other reporting dealers increased from \$809 billion per day in April 2010 to \$1,170 billion per day in April 2013. In contrast, business with 'non-financial institutions' fell by 36 per cent to \$113 billion per day and now accounts for just 4 per cent of total turnover compared to 10 per cent in 2010. Overall customer business (business with other financial institutions and non-financial institutions) accounted for over half of total turnover (57 per cent), a similar level to that recorded in April 2010.

Local business increased by 100 per cent since April 2010 to \$1,095 billion per day in April 2013, accounting for 40 per cent of total turnover. Average daily turnover with non-residents rose by 25 per cent between April 2010 and April 2013, rising from \$1,307 billion to \$1,631 billion.

Chart 3: Foreign exchange turnover by counterparty**Currency composition**

By currency pair, US dollar/Japanese yen showed the largest increase (106 per cent) in average daily turnover to stand at \$516 billion, accounting for 19 per cent of all foreign exchange trades in April 2013. US dollar/euro remained the most traded currency pair comprising 28 per cent of the total foreign exchange market turnover. This is down from the 32 per cent reported in April 2010.

Chart 4: Foreign exchange turnover by currency pair¹

¹ Other pairs comprises currency pairs that are no greater than 4 per cent of total foreign exchange turnover

The US dollar continued to be the most traded currency in the UK market, with 88 per cent of all trades having one side denominated in US dollar². While the euro showed a decline of 7 percentage points from the previous survey to 37 per cent, the proportion of turnover involving the Japanese yen increased from 17 per cent in April 2010 to 23 per cent in April 2013.

Execution method

The average daily turnover of trades executed directly over the phone was \$709 billion in April 2013, accounting for 26 per cent of all trades³. Voice broker was the second most common execution method accounting for 19 per cent of all trades, at \$506 billion in April 2013. However, business conducted via an electronic medium was the most common method, accounting for 55 per cent of total turnover at \$1,487 billion per day.

Market concentration

The UK foreign exchange market concentration has decreased slightly since April 2010. The combined market share of the ten institutions with the highest turnover decreased from 77 per cent to 76 per cent while the share of the top twenty increased slightly from 93 per cent in April 2010 to 94 per cent in April 2013. In total, 20 firms accounted for one per cent or more of total turnover in April 2013.

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.

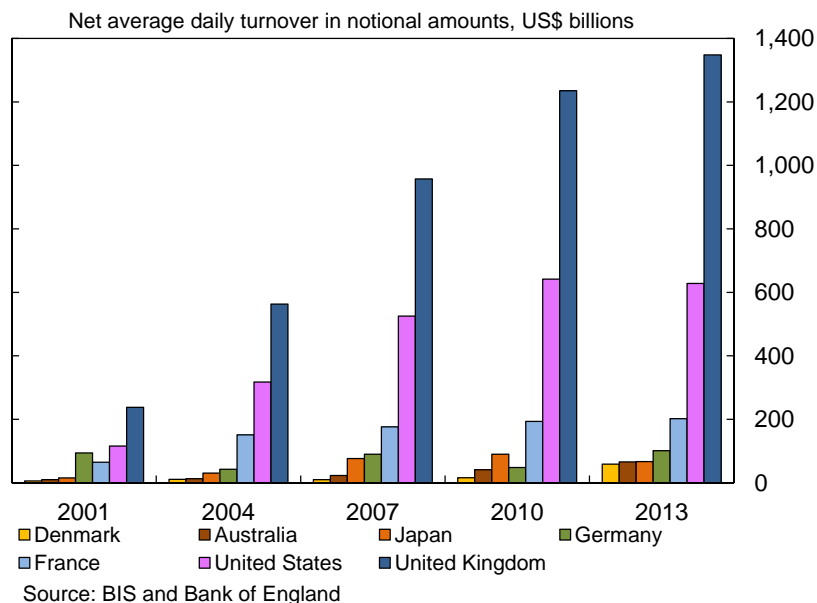
³ For turnover via execution method, the categories and definitions differ between 2010 and 2013 so a direct comparison cannot be made.

OTC INTEREST RATE DERIVATIVES

Total turnover

In the UK, average daily turnover in OTC interest rate derivatives increased by 9 per cent between April 2010 and April 2013, rising from \$1,235 billion to \$1,348 billion. The UK remained the largest centre for OTC interest rate derivatives activity with 49 per cent of global turnover, up from 47 per cent in April 2010.

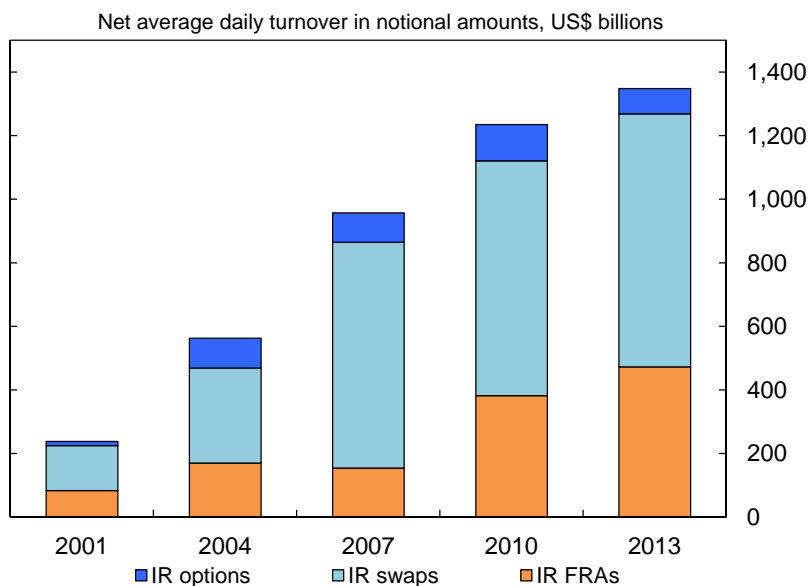
Chart 5: Interest rate derivatives turnover in the United Kingdom and other centres



Instruments

Average daily turnover in forward rate agreements (FRAs) increased by 24 per cent to \$473 billion and comprise 35 per cent of the interest rate derivatives market in April 2013, up from 31 per cent in 2010. Interest rate swaps increased by 8 per cent to \$796 billion per day and still account for over half (59 per cent) of the OTC interest rate derivatives market in April 2013. In contrast, turnover in interest rate options declined by 30 per cent to \$80 billion per day in April 2013.

Chart 6: Interest rate derivatives turnover by instrument

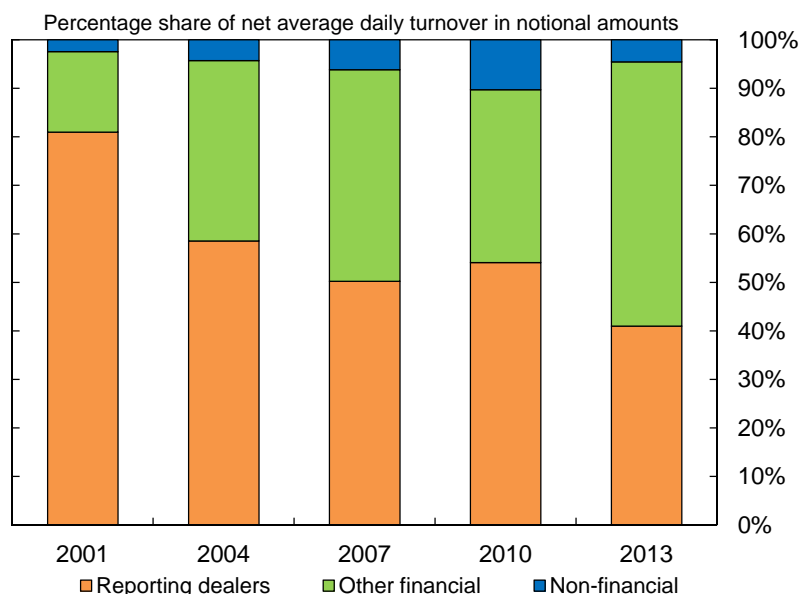


Counterparties

Customer business has increased in percentage terms, and now accounts for 59 per cent in April 2013 up from 46 per cent in April 2010. Daily turnover with ‘other financial institutions’ increased 67 per cent to \$734 billion and now accounts for 54 per cent of the total in 2013. In contrast, business with reporting dealers and non-financial institutions fell by 17 and 52 per cent between 2010 and 2013, and now account for 41 and 5 per cent of the total respectively.

Local business accounted for 54 per cent of total turnover, up from 35 per cent in 2010, and amounted to \$731 billion per day in April 2013. Cross-border business fell by 24 per cent since April 2010 to \$617 billion per day in April 2013.

Chart 7: Interest rate derivatives turnover by counterparty



Currency composition

The euro remained the dominant currency in the OTC interest rate derivatives market, accounting for 69 per cent of total turnover (up from 54 per cent in 2010). In contrast, the proportion of OTC interest rate derivatives turnover attributable to sterling and the US dollar fell from 19 and 15 per cent to 14 and 8 per cent in April 2013 respectively.

Market concentration

The OTC interest rate derivatives market was less concentrated than in April 2010. The ten institutions with the highest derivatives trading volumes accounted for 85 per cent of total turnover compared to 92 per cent in 2010. Of the 47 participants in the April 2013 survey, 41 were undertaking business in the OTC interest rate derivatives markets.

Tables showing the UK results in more detail are attached. These data are consistent with the global survey results released by the BIS. Totals may not sum due to rounding. Definitions of the different instruments covered by the survey are also attached.

Table 1
Foreign exchange market turnover by instrument¹
Average daily turnover in April, in billions of US dollars

Instrument	2001	2004	2007	2010	2013
Foreign exchange instruments	542	835	1,483	1,854	2,726
Spot transactions	151	223	335	697	1,032
Outright forwards	53	103	124	228	309
Foreign exchange swaps	300	428	899	775	1,127
Currency swaps	4	16	18	18	32
Options and other instruments	33	67	106	135	227
<i>Memo:</i> <i>Turnover at April 2013 exchange rates²</i>	<i>645</i>	<i>861</i>	<i>1,481</i>	<i>1,847</i>	<i>2,726</i>

1 Adjusted for local double-counting. 2 Non-US dollar legs of foreign currency transactions were converted into original currency amounts at average exchange rates for April of each survey year and then reconverted into US dollar amounts at average April 2013 exchange rates.

Table 2

Foreign exchange market turnover by instrument, counterparty and maturity¹

Daily averages in April, in billions of US dollars and percentages

Instrument/counterparty	2004		2007		2010		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Spot	223	27	335	23	697	38	1,032	38
with reporting dealers	147	18	158	11	293	16	385	14
with other financial institutions	59	7	135	9	344	19	614	23
with non-financial customers	17	2	43	3	60	3	32	1
Outright forwards	103	12	124	8	228	12	309	11
with reporting dealers	60	7	37	2	63	3	114	4
with other financial institutions	28	3	62	4	124	7	173	6
with non-financial customers	15	2	26	2	40	2	21	1
Foreign exchange swaps	428	51	899	61	775	42	1,127	41
with reporting dealers	301	36	419	28	399	22	574	21
with other financial institutions	102	12	375	25	309	17	503	18
with non-financial customers	25	3	105	7	67	4	50	2
Currency swaps	16	2	18	1	18	1	32	1
with reporting dealers	11	1	9	1	7	0	21	1
with other financial institutions	3	0	6	0	11	1	10	0
with non-financial customers	2	0	2	0	1	0	1	0
Options and other instruments²	67	8	106	7	135	7	227	8
with reporting dealers	40	5	39	3	47	3	76	3
with other financial institutions	21	3	44	3	79	4	141	5
with non-financial customers	6	1	23	2	10	1	9	0
Total	835	100	1,483	100	1,854	100	2,726	100
with reporting dealers	559	67	663	45	809	44	1,170	43
with other financial institutions	213	25	622	42	866	47	1,442	53
with non-financial customers	64	8	199	13	178	10	113	4
Local	262	31	465	31	547	29	1,095	40
Cross-border	573	69	1,019	69	1,307	71	1,631	60
Outright forwards³	113	100	126	100	241	100	329	100
Up to 7 days	64	56	61	49	144	60	167	51
Over 7 days and up to 1 year	47	41	62	49	94	39	138	42
Over 1 year	2	2	3	2	3	1	24	7
Foreign exchange swaps³	527	100	966	100	873	100	1,318	100
Up to 7 days	394	75	792	82	653	75	932	71
Over 7 days and up to 1 year	129	24	167	17	215	25	302	23
Over 1 year	4	1	7	1	6	1	84	6

1 Adjusted for local double-counting. 2 The category "other instruments" covers highly leveraged transactions and/or trades whose notional amount is variable and where a decomposition into individual plain vanilla components was impractical or impossible. 3 Data for maturity breakdown cannot be adjusted for local reporting dealers, so maturity values will not be equal to product totals.

Table 3
Currency distribution of foreign exchange market turnover¹

Percentage shares of average daily turnover in April

Currency	2001	2004	2007	2010	2013
US dollar	91	88	88	85	88
Euro	41	43	42	44	37
Japanese yen	19	16	15	17	23
Pound sterling	24	27	21	18	16
Australian dollar	4	4	4	6	8
Swiss franc	5	6	6	6	5
Canadian dollar	4	3	3	4	4
Other currencies ²	13	13	21	20	20
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.

2 Comprises currencies that are no greater than 2 per cent of total foreign exchange turnover.

Table 4
Foreign exchange market turnover by currency pair¹

Daily averages in April, in billions of US dollars and percentages

Currency pair	2001		2004		2007		2010		2013	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
USD/EUR	181	33	275	33	472	32	595	32	758	28
USD/JPY	84	16	104	12	175	12	250	14	516	19
USD/Other	59	11	87	10	240	16	244	13	433	16
USD/GBP	106	19	183	22	254	17	233	13	329	12
USD/AUD	19	3	31	4	60	4	102	6	182	7
USD/CHF	25	5	33	4	58	4	71	4	94	3
USD/CAD	19	4	24	3	40	3	75	4	86	3
EUR/JPY	15	3	26	3	31	2	56	3	68	3
EUR/GBP	19	3	30	4	43	3	75	4	67	2
EUR/Other	5	1	10	1	34	2	50	3	62	2
EUR/CHF	4	1	13	2	30	2	35	2	36	1
EUR/AUD	0	0	2	0	3	0	5	0	11	0
EUR/CAD	0	0	1	0	3	0	4	0	7	0
Other pairs	6	1	17	2	40	3	58	3	78	3
All currency pairs	542	100	835	100	1,483	100	1,854	100	2,726	100

¹ Adjusted for local double-counting.

Table 5
OTC interest rate derivatives market turnover by instrument¹

Average daily turnover in April, in billions of US dollars

Instrument	2001	2004	2007	2010	2013
Interest rate instruments²	238	563	957	1,235	1,348
FRAs	83	170	154	382	473
Swaps	142	299	710	739	796
Options and other instruments	13	94	93	114	80
<i>Memo:</i>					
<i>Turnover at April 2013 exchange rates³</i>	<i>303</i>	<i>587</i>	<i>918</i>	<i>1,215</i>	<i>1,348</i>

1 Adjusted for local double-counting. 2 Single-currency interest rate contracts only. 3 Non-US dollar transactions were converted into original currency amounts at average exchange rates for April of each survey year and then reconverted into US dollar amounts at average April 2013 exchange rates.

Table 6

OTC interest rate derivatives turnover by instrument, counterparty¹

Daily averages in April, in billions of US dollars and percentages

Instrument/counterparty	2004		2007		2010		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
FRAs	170	30	154	16	382	31	473	35
with reporting dealers	89	16	100	10	233	19	203	15
with other financial institutions	78	14	36	4	125	10	263	20
with non-financial customers	2	0	18	2	25	2	7	1
Swaps	299	53	710	74	739	60	796	59
with reporting dealers	198	35	329	34	377	31	314	23
with other financial institutions	87	15	347	36	268	22	431	32
with non-financial customers	15	3	34	4	93	8	50	4
Options and other instruments²	94	17	93	10	114	9	80	6
with reporting dealers	42	8	52	5	57	5	36	3
with other financial institutions	44	8	33	3	47	4	40	3
with non-financial customers	7	1	7	1	10	1	4	0
Total	563	100	957	100	1,235	100	1,348	100
with reporting dealers	329	59	481	50	668	54	552	41
with other financial institutions	209	37	417	44	440	36	734	54
with non-financial customers	24	4	59	6	127	10	61	5
Local	189	34	242	25	427	35	731	54
Cross-border	374	66	715	75	808	65	617	46

1 Adjusted for local double-counting. Single-currency interest rate contracts only. 2 The category "other instruments" covers highly leveraged transactions and/or trades whose notional amount is variable and where a decomposition into individual plain vanilla components was impractical or impossible.

Table 7
OTC interest rate derivatives turnover by currency¹

Daily averages in April, in billions of US dollars

Currency	2001	2004	2007	2010	2013
FRAs	83	170	154	382	473
US dollar	25	28	43	99	54
Euro	34	104	40	197	290
Japanese yen	3	0	1	1	0
Pound sterling	13	24	44	59	87
Swiss franc	1	1	2	7	8
Canadian dollar	0	0	0	1	0
Australian dollar	0	1	1	2	1
Swedish krona	0	0	0	7	13
Other	7	11	23	10	19
Swaps	142	299	710	739	796
US dollar	35	58	76	67	47
Euro	71	168	391	405	582
Japanese yen	4	11	62	82	11
Pound sterling	25	48	119	154	97
Swiss franc	2	4	4	5	4
Canadian dollar	0	1	0	5	1
Australian dollar	2	3	2	4	24
Swedish krona	0	0	0	2	11
Other	3	7	56	15	20
Options	13	94	93	114	77
US dollar	2	31	25	20	10
Euro	9	53	56	65	56
Japanese yen	0	2	3	3	2
Pound sterling	1	6	6	21	6
Swiss franc	0	1	0	0	0
Canadian dollar	0	0	0	0	0
Australian dollar	0	1	0	0	1
Swedish krona	0	0	0	0	0
Other	0	1	2	3	1
Other products	0	0	0	0	3
Total	238	563	957	1,235	1,348
US dollar	62	116	144	186	110
Euro	113	325	487	668	928
Japanese yen	7	13	66	86	13
Pound sterling	40	78	169	234	190
Swiss franc	3	6	6	12	12
Canadian dollar	0	2	1	6	1
Australian dollar	2	4	3	7	26
Swedish krona	0	0	0	9	24
Other ²	10	18	81	29	43

1 Adjusted for local double-counting. Single-currency interest rate contracts only. 2 Includes 'other products' where a currency breakdown is not available.

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.

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.

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.

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.

Forward Rate Agreement (FRA)

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.

Interest Rate Swap

Agreement to exchange periodic payments related to interest rates on a single currency. Interest rate swaps 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.

Interest Rate Option

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

Reporting dealers

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.

Other financial institutions

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.

Non-financial customers

This category covers any counterparty other than those described above, i.e. mainly non-financial end-users, such as corporates and non-financial government entities.