



BANK OF ENGLAND

News release

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The UK Foreign Exchange and Over-the-Counter Derivatives Markets in April 2001

In April this year, central banks and monetary authorities in 48 countries, including the UK, conducted the latest three-yearly survey of turnover in the markets for foreign exchange (spot, forwards and foreign exchange swaps) and over-the-counter (OTC) currency and interest rate derivatives. They are 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 institutions operating within the UK in these markets.

The main findings of the UK survey are:

- Average daily spot and forward foreign exchange turnover was \$504bn per day, 21% lower than the \$637bn per day recorded in 1998, or a fall of 15% at constant 2001 exchange rates. This fall is in contrast to previous surveys, which have shown a strong increase in foreign exchange business.
- This decline in activity is more than accounted for by a fall in inter-dealer business, and is consistent with the increase in the use of electronic broking systems, particularly in the spot market where turnover fell by 30%. Underlying customer business in the foreign exchange market as a whole grew by 54%.
- The euro accounted for a larger proportion of the market in London than the Deutsche Mark did in 1998, but less than the sum of all legacy currencies.
- Average daily turnover in OTC currency and interest rate derivatives was \$275bn, 61% higher than the \$171bn recorded by the previous survey in April 1998.
- This was driven by an increase in OTC interest rate swap business, and reflects the increasing importance of swaps as a trading and pricing benchmark.
- Many other central bank participants are also publishing their own survey results today, and the BIS are publishing preliminary global results (see the BIS website www.bis.org/publ/rpfx01.htm). The November issue of the Bank of England Quarterly Bulletin will provide further analysis and more comprehensive statistics for the UK. The UK's press release is also available on the Bank's website (www.bankofengland.co.uk/statistics/bis-survey).

Notes for Editors

A total of 257 banks and securities houses participated in the UK survey. The institutions approached were mainly banks that reported regularly to the Bank of England in respect of their exposures, as well as a number of securities firms. Other institutions active in the markets were not directly involved in the survey, but their transactions with participating principals will have been recorded by those institutions.

For the nineteen business days in April 2001, participants were asked to provide details of their gross turnover in each market, broken down in terms of specified categories of currency, transaction and counterparty. Gross turnover (measured in nominal values) is defined as the absolute total value of all deals contracted - i.e. there is no netting of purchases against sales. Data were requested in terms of US dollar equivalents, rounded to the nearest million. The basis of reporting was the location of the trade regardless of where it was booked. The turnover figures are published here on a net basis, after adjustment for the fact that trades between participants in the UK survey will have been reported by both parties to the transaction; other countries have also adjusted their data in this way. The BIS will, in addition, adjust the global data for cross-border double counting prior to publication. Aggregating published national results would overstate global turnover due to crossborder double counting.

Publications

A survey of the London foreign exchange market has been conducted on a triennial basis since 1986. The results were published in the September 1986 edition of the Bank of England Quarterly Bulletin, and subsequently in the November editions of the Bulletin (1989, 1992, 1995 and 1998). Since 1995, a parallel triennial survey of the OTC derivatives market has been conducted; the results were first published in the Bulletin in February 1996.

Further details of the 2001 foreign exchange and derivatives survey will be published in the November 2001 Bulletin. A detailed analysis of the global results will be published by the BIS early next year.

A survey of global outstanding positions in the derivative markets (measured at the end of June 2001) is also being undertaken and global results for this will be released by the BIS.

All comparisons are with the previous survey in 1998 and are in US\$bn, unless otherwise stated.