

THE CANADIAN FOREIGN EXCHANGE COMMITTEE LE COMITÉ CANADIEN DU MARCHÉ DES CHANGES

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CFEC Releases Results of April 2007 Foreign Exchange Volume Survey

July 31, 2007 - The Canadian Foreign Exchange Committee (CFEC) released today the results of its April semi-annual survey of foreign exchange volumes in Canada. The purpose of the survey is to provide information on the size and structure of the foreign exchange and foreign exchange derivatives market in Canada. Volumes are broken down by product, currency, counterparty, maturity and execution method. The eight banks with the largest foreign exchange activity in Canada participate.

The survey is similar in nature to the Bank for International Settlements' (BIS) Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity. However, the two surveys may not be directly comparable because of some differences in reporting methodology. Most importantly, in the CFEC survey the basis for reporting is the location of the trading desk in Canada, i.e., it includes all transactions that are priced and executed by traders in Canada. In contrast, in the global BIS survey the basis for reporting is the location of the sales desk of any trade.¹

The summary highlights of the April 2007 survey include the following:

- The monthly turnover in April of traditional foreign exchange products (defined as spot transactions, outright forwards and foreign exchange swaps) totaled \$US 1.1 trillion, an increase of 7.3% over October 2006.
- Moreover, with 20 business days in April versus 21 days in October, the average daily turnover of traditional foreign exchange products amounted to \$US 55.5 billion in April 2007 compared with \$US 49.2 billion in October 2006, an increase of 12.8%.
- Compared with the survey from one year ago, on an annual basis the average daily turnover of traditional foreign exchange products was 5.5% higher, at \$US 55.5 billion in 2007 versus \$US 52.6 billion in April 2006.
- After declining last year, the average daily turnover of foreign exchange derivatives (currency swaps and over-the-counter options) totaled \$US 3.0 billion, an increase of almost 43% over the amount of \$US 2.1 billion in the October 2006 survey, and just above the average daily level of \$US 2.9 billion in April 2006.

The detailed results of the survey are presented in the summary tables attached.

¹ Where no sales desk is involved in a transaction, for example in an interbank deal, volumes are based on the trading desk.

The CFEC is an industry group composed of senior representatives from financial institutions actively involved in the foreign exchange market in Canada and the U.S. dollar/Canadian dollar market globally. Formed in 1989, its objective is to provide a forum for the regular discussion of issues and developments pertinent to the foreign exchange market. This includes the review of market practices and procedures, and the promotion of professionalism and integrity in the industry. The Bank of Canada chairs the CFEC and provides secretariat services to the Committee.

The Bank of Canada also co-ordinates the CFEC survey on behalf of the market participants. The eight banks that participate in the survey are:

- Bank of Nova Scotia
- BMO Capital Markets
- CIBC World Markets
- HSBC Bank Canada
- National Bank of Canada
- RBC Capital Markets
- State Street (Canada)
- TD Securities

Globally a number of other foreign exchange committees conduct similar surveys, most of whom are also releasing their results today on their websites. These include the (London) Foreign Exchange Joint Standing Committee, the (New York) Foreign Exchange Committee and the Singapore Foreign Exchange Market Committee. The Tokyo Foreign Exchange Market Committee released its results on July 26th. Links to the websites of the other foreign exchange committees can be found on the CFEC website (www.cfec.ca). Alternatively, the direct links to their survey results are provided below:

<http://www.bankofengland.co.uk/markets/forex/fxjsc/index.htm>

<http://www.newyorkfed.org/fxc/2007/fxc073107.pdf>

http://www.fxcomtky.com/reports/pdf_file/announce56_e.pdf

<http://www.sfemc.org/statistics.asp>

The Canadian Foreign Exchange Committee
Semi-annual Foreign Exchange Volume Survey
April, 2007

Summary Tables



July 31, 2007

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Table 1: Traditional foreign exchange turnover in Canada
Summary of surveys
Billions of U.S. dollars

| | Traditional foreign exchange turnover | | | | Number of business days | Average total daily turnover | Per cent change |
|-----------|---------------------------------------|-------------------|----------|--------|-------------------------|------------------------------|-----------------|
| | Spot | Outright forwards | FX swaps | Total | | | |
| Oct. 2005 | 223.8 | 60.9 | 685.5 | 970.2 | 20 | 48.5 | |
| Apr. 2006 | 235.4 | 61.1 | 703.6 | 1000.1 | 19 | 52.6 | 8.5 |
| Oct. 2006 | 238.9 | 63.3 | 732.0 | 1034.1 | 21 | 49.2 | -6.4 |
| Apr. 2007 | 248.5 | 77.7 | 783.9 | 1110.1 | 20 | 55.5 | 12.8 |

Table 2: Over-the-counter (OTC) derivatives market turnover in Canada
Summary of surveys
Billions of U.S. dollars

| | Foreign exchange derivatives | | | Number of business days | Average total daily turnover | Per cent change |
|-----------|------------------------------|---------|-------|-------------------------|------------------------------|-----------------|
| | Currency swaps | Options | Total | | | |
| Oct. 2005 | 24.6 | 55.2 | 79.8 | 20 | 4.0 | |
| Apr. 2006 | 27.6 | 28.0 | 55.6 | 19 | 2.9 | -27.5 |
| Oct. 2006 | 18.5 | 25.5 | 44.0 | 21 | 2.1 | -27.6 |
| Apr. 2007 | 24.5 | 36.4 | 60.9 | 20 | 3.0 | 42.9 |

Table 3: Total reported foreign exchange turnover in Canada
Millions of U.S. dollars

| Instrument and counterparty | Canadian dollar against U.S. dollar | | | U.S. dollar against currencies other than the Canadian dollar | | | Canadian dollar against currencies other than the U.S. dollar | | | All other currency pairs | | | All currencies | | |
|-----------------------------|-------------------------------------|---------|-----------------|---|---------|-----------------|---|--------|-----------------|--------------------------|--------|-----------------|----------------|-----------|-----------------|
| | Oct-06 | Apr-07 | Per cent growth | Oct-06 | Apr-07 | Per cent growth | Oct-06 | Apr-07 | Per cent growth | Oct-06 | Apr-07 | Per cent growth | Oct-06 | Apr-07 | Per cent growth |
| Spot | 141,326 | 139,873 | -1 | 72,390 | 84,152 | 16 | 15,540 | 11,947 | -23 | 9,613 | 12,487 | 30 | 238,868 | 248,459 | 4 |
| Reporting dealers | 25003 | 24666 | -1 | 5,338 | 853 | -84 | 51 | 522 | 934 | 395 | 90 | -77 | 30,786 | 26,131 | -15 |
| Other dealers | 77,304 | 74,479 | -4 | 57,193 | 72,431 | 27 | 11,843 | 6,605 | -44 | 8,434 | 11,804 | 40 | 154,774 | 165,319 | 7 |
| Other financial | 16,419 | 15,622 | -5 | 5,709 | 7,760 | 36 | 2,025 | 2,420 | 20 | 389 | 264 | -32 | 24,542 | 26,066 | 6 |
| Non-financial customers | 22,600 | 25,106 | 11 | 4,150 | 3,108 | -25 | 1,621 | 2,399 | 48 | 395 | 329 | -17 | 28,766 | 30,943 | 8 |
| Outright forwards | 36,218 | 36,648 | 1 | 18,665 | 25,825 | 38 | 6,585 | 12,401 | 88 | 1,824 | 2,874 | 58 | 63,291 | 77,749 | 23 |
| Reporting dealers | 1,287 | 1,393 | 8 | 173 | 553 | 221 | 11 | 2,478 | 22427 | 130 | 102 | -21 | 1,600 | 4,527 | 183 |
| Other dealers | 12,807 | 8,972 | -30 | 8,440 | 12,738 | 51 | 1,196 | 2,880 | 141 | 1,218 | 1,738 | 43 | 23,661 | 26,329 | 11 |
| Other financial | 11,022 | 11,217 | 2 | 6,060 | 8,512 | 40 | 4,520 | 5,743 | 27 | 277 | 363 | 31 | 21,879 | 25,835 | 18 |
| Non-financial customers | 11,102 | 15,065 | 36 | 3,992 | 4,022 | 1 | 858 | 1,300 | 52 | 199 | 671 | 237 | 16,151 | 21,059 | 30 |
| FX swaps | 450,583 | 451,859 | 0 | 270,494 | 314,633 | 16 | 10,154 | 15,884 | 56 | 755 | 1,537 | 104 | 731,985 | 783,913 | 7 |
| Reporting dealers | 60,127 | 59,690 | -1 | 6,501 | 3,829 | -41 | 650 | 1,104 | 70 | 42 | 196 | 365 | 67,319 | 64,818 | -4 |
| Other dealers | 301,384 | 292,025 | -3 | 228,033 | 250,924 | 10 | 2,103 | 3,712 | 77 | 42 | 179 | 326 | 531,562 | 546,840 | 3 |
| Other financial | 56,266 | 54,831 | -3 | 28,973 | 52,585 | 81 | 5,921 | 7,910 | 34 | 299 | 138 | -54 | 91,459 | 115,464 | 26 |
| Non-financial customers | 32,806 | 45,313 | 38 | 6,987 | 7,295 | 4 | 1,480 | 3,158 | 113 | 372 | 1,025 | 175 | 41,645 | 56,791 | 36 |
| Total dealers | 477,912 | 461,226 | -3 | 305,677 | 341,328 | 12 | 15,853 | 17,301 | 9 | 10,260 | 14,108 | 38 | 809,702 | 833,963 | 3 |
| Reporting | 86,417 | 85,749 | -1 | 12,011 | 5,235 | -56 | 711 | 4,104 | 477 | 566 | 387 | -32 | 99,705 | 95,475 | -4 |
| Other | 391,495 | 375,477 | -4 | 293,666 | 336,093 | 14 | 15,142 | 13,197 | -13 | 9,694 | 13,721 | 42 | 709,997 | 738,488 | 4 |
| Total customers | 150,215 | 167,155 | 11 | 55,871 | 83,282 | 49 | 16,425 | 22,931 | 40 | 1,931 | 2,791 | 45 | 224,442 | 276,158 | 23 |
| Financial | 83,707 | 81,670 | -2 | 40,742 | 68,857 | 69 | 12,466 | 16,073 | 29 | 965 | 765 | -21 | 137,880 | 167,365 | 21 |
| Non-financial | 66,508 | 85,485 | 29 | 15,129 | 14,425 | -5 | 3,959 | 6,857 | 73 | 966 | 2,026 | 110 | 86,562 | 108,793 | 26 |
| Total turnover | 628,127 | 628,380 | 0 | 361,548 | 424,610 | 17 | 32,278 | 40,232 | 25 | 12,191 | 16,899 | 39 | 1,034,144 | 1,110,121 | 7 |
| <i>Currency swaps</i> | 7,442 | 7,788 | 5 | 5,155 | 5,069 | -2 | 5,918 | 8,523 | 44 | 0 | 4,638 | - | 18,514 | 24,483 | 32 |
| <i>OTC options</i> | 17,500 | 29,551 | 69 | 6,969 | 6,599 | -5 | 635 | 837 | 32 | 1,813 | 817 | -55 | 25,514 | 36,439 | 43 |

Table 4: Reported traditional foreign exchange turnover in Canada by instrument and by counterparty
Summary of surveys
 Billions of U.S. dollars (and percent shares)

| | Instrument | | | | | | Counterparty | | | | | | | |
|--------|------------|--------|-------------------|-------|------------------------|--------|--------------|--------|-------|--------|-----------|--------|---------------|--------|
| | | | | | | | Dealers | | | | Customers | | | |
| | Spot | | Outright forwards | | Foreign exchange swaps | | Reporting | | Other | | Financial | | Non-financial | |
| Oct-05 | 224 | (23.1) | 61 | (6.3) | 685 | (70.7) | 96 | (9.9) | 658 | (67.8) | 118 | (12.1) | 99 | (10.2) |
| Apr-06 | 235 | (23.5) | 61 | (6.1) | 704 | (70.4) | 102 | (10.2) | 705 | (70.5) | 115 | (11.5) | 77 | (7.7) |
| Oct-06 | 239 | (23.1) | 63 | (6.1) | 732 | (70.8) | 100 | (9.6) | 710 | (68.7) | 138 | (13.3) | 87 | (8.4) |
| Apr-07 | 248 | (22.4) | 78 | (7.0) | 784 | (70.6) | 95 | (8.6) | 738 | (66.5) | 167 | (15.1) | 109 | (9.8) |

**Table 5: Currency distribution of traditional
foreign exchange market turnover in Canada**
Summary of surveys
Percent shares

| Currency | October 2005 | April 2006 | October 2006 | April 2007 |
|-------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| U.S. dollar | 96.1 | 95.6 | 95.7 | 94.9 |
| Canadian dollar | 59.5 | 59.9 | 63.9 | 60.2 |
| Euro | 14.0 | 11.9 | 11.6 | 11.4 |
| Japanese yen | 7.8 | 6.8 | 5.3 | 5.6 |
| U.K. pound | 5.8 | 5.9 | 6.3 | 7.3 |
| Australian dollar | 3.6 | 5.3 | 5.7 | 7.6 |
| Swiss franc | 5.8 | 2.8 | 1.7 | 3.0 |
| Other currencies | 7.4 | 11.9 | 9.9 | 10.1 |
| All currencies[1] | 200.0 | 200.0 | 200.0 | 200.0 |

- (1) Since every foreign exchange transaction involves two currencies, the reporting of all currencies necessarily sums to 200 per cent.

**Table 6: Reported foreign exchange
market turnover in Canada by maturity^a**
Millions of U.S. dollars

| Instrument | October-05 | | April-06 | | October-06 | | April-07 | |
|-------------------------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | Amount | % share | Amount | % share | Amount | % share | Amount | % share |
| Outright forwards | | | | | | | | |
| Up to 1 month | 42,527 | 69.1 | 45,619 | 70.0 | 49,262 | 75.9 | 41,690 | 50.7 |
| 1 month to 1 year | 17,230 | 28.0 | 16,243 | 24.9 | 13,428 | 20.7 | 38,899 | 47.3 |
| More than 1 year | 1,755 | 2.9 | 3,303 | 5.1 | 2,201 | 3.4 | 1,687 | 2.1 |
| Total | 61,512 | 100.0 | 65,165 | 100.0 | 64,891 | 100.0 | 82,276 | 100.0 |
| Foreign exchange swaps | | | | | | | | |
| Up to 1 month | 619,313 | 81.5 | 662,480 | 86.0 | 686,896 | 85.9 | 702,951 | 82.8 |
| 1 month to 1 year | 133,479 | 17.6 | 101,078 | 13.1 | 107,722 | 13.5 | 139,710 | 16.5 |
| More than 1 year | 6,666 | 0.9 | 7,062 | 0.9 | 4,687 | 0.6 | 6,070 | 0.7 |
| Total | 759,458 | 100.0 | 770,620 | 100.0 | 799,304 | 100.0 | 848,731 | 100.0 |
| OTC options | | | | | | | | |
| Up to 1 month | 30,165 | 52.4 | 12,351 | 42.4 | 13,630 | 43.1 | 20,336 | 46.4 |
| 1 month to 6 months | 18,777 | 32.6 | 12,597 | 43.2 | 15,128 | 47.9 | 19,960 | 45.6 |
| Over 6 months | 8,647 | 15.0 | 4,211 | 14.4 | 2,851 | 9.0 | 3,507 | 8.0 |
| Total | 57,589 | 100.0 | 29,160 | 100.0 | 31,609 | 100.0 | 43,803 | 100.0 |

a. Not adjusted for local double counting.

Table 7: Execution methods
percent shares
April 2007

| Classification | Execution Methods Primarily for Dealers | | | Execution Methods Primarily for Customers | | | TOTAL |
|--------------------------------|---|--------------------|---------------|---|-----------------------------------|----------------------------|------------|
| | Dealer Direct | Electronic Broking | Voice Broking | Customer Direct | Single-bank Proprietary Platforms | Multi-bank Dealing Systems | |
| By Currency Pair: | | | | | | | |
| Canadian Dollar against | | | | | | | |
| USD | 35 | 30 | 13 | 20 | 1 | 2 | 100 |
| Other | 29 | 4 | 1 | 57 | 2 | 8 | 100 |
| U.S. Dollar against | | | | | | | |
| EUR | 28 | 40 | 18 | 7 | 1 | 6 | 100 |
| JPY | 27 | 38 | 9 | 24 | 1 | 1 | 100 |
| GBP | 26 | 34 | 23 | 15 | 1 | 2 | 100 |
| Total Currency Pairs | 33 | 32 | 13 | 20 | 1 | 2 | 100 |

| | | | | | | | |
|--------------------------|-----------|-----------|-----------|-----------|----------|----------|------------|
| By Instrument: | | | | | | | |
| Spot | 32 | 39 | 8 | 18 | 2 | 1 | 100 |
| Outright forwards | 31 | 8 | 1 | 47 | 3 | 10 | 100 |
| Foreign exchange swaps | 35 | 31 | 15 | 17 | 0 | 2 | 100 |
| Cross currency swaps | 7 | 24 | 11 | 58 | 0 | 0 | 100 |
| Options | 18 | 59 | 6 | 17 | 0 | 0 | 100 |
| Total Instruments | 33 | 32 | 13 | 20 | 1 | 2 | 100 |

| | | | | | | | |
|-----------------------------------|-----------|-----------|-----------|-----------|----------|----------|------------|
| By Counterparty: | | | | | | | |
| With reporting dealers | 63 | 29 | 8 | 0 | 0 | 0 | 100 |
| With other dealers | 36 | 45 | 18 | 0 | 0 | 0 | 100 |
| With other financial institutions | 0 | 1 | 0 | 85 | 2 | 12 | 100 |
| With non-financial customers | 0 | 0 | 2 | 90 | 5 | 3 | 100 |
| Total Counterparties | 33 | 32 | 13 | 20 | 1 | 2 | 100 |