

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

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CFEC Releases Results of April 2009 Foreign Exchange Volume Survey

July 27, 2009 - The Canadian Foreign Exchange Committee (CFEC) released today the results of its April 2009 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 2009 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\$ 1.18 trillion. On an average daily basis, total turnover decreased by 15.1% from US\$ 66.4 billion in October 2008 to US\$ 56.4 billion in April.
- On an average daily basis in April, spot and outright forward volumes fell by 30% and 35% respectively compared with the month of October 2008. Foreign exchange swap turnover declined by a much smaller 4% from October to April 2009.
- Compared with the survey one year ago, on an annual basis the average daily turnover of traditional foreign exchange products fell by 11.3%. This is the lowest survey volume in two years, since April 2007.
- The average daily turnover of foreign exchange derivatives (currency swaps and options) totaled US\$ 2.2 billion, down 18.5% on an average daily basis from the survey six months ago. However, looking at individual products on an average daily basis, currency swaps rose by 8% from October to April whereas options fell by 32%.

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

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

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 and they are also releasing their results today on their websites. These include the (London) Foreign Exchange Joint Standing Committee, the (New York) Foreign Exchange Committee, the Tokyo Foreign Exchange Market Committee, the Singapore Foreign Exchange Market Committee and the Australian Foreign Exchange Committee. 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/volumesurvey/>

http://www.fxcomtky.com/index_e.html

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

http://www.rba.gov.au/AFXC/Statistics/FXTurnoverReports/2009/Apr_2009/index.html

The Canadian Foreign Exchange Committee
Semi-annual Foreign Exchange Volume Survey
April, 2009

Summary Tables



July 27, 2009

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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 | 236.5 | 73.8 | 756.0 | 1066.2 | 20 | 53.3 | 8.3 |
| Oct. 2007 | 326.5 | 88.0 | 1023.9 | 1438.4 | 22 | 65.4 | 22.7 |
| Apr. 2008 | 375.0 | 110.3 | 913.0 | 1398.3 | 22 | 63.6 | -2.8 |
| Oct. 2008 | 401.9 | 185.3 | 873.3 | 1460.4 | 22 | 66.4 | 4.4 |
| Apr. 2009 | 270.0 | 115.5 | 798.6 | 1184.1 | 21 | 56.4 | -15.1 |

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 | 22.6 | 36.4 | 59.1 | 20 | 3.0 | 42.9 |
| Oct. 2007 | 24.0 | 44.2 | 68.1 | 22 | 3.1 | 3.3 |
| Apr. 2008 | 23.3 | 35.6 | 58.9 | 22 | 2.7 | -12.9 |
| Oct. 2008 | 21.1 | 39.0 | 60.1 | 22 | 2.7 | 0.0 |
| Apr. 2009 | 21.8 | 25.3 | 47.1 | 21 | 2.2 | -18.5 |

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-08 | Apr-09 | Per cent growth | Oct-08 | Apr-09 | Per cent growth | Oct-08 | Apr-09 | Per cent growth | Oct-08 | Apr-09 | Per cent growth | Oct-08 | Apr-09 | Per cent growth |
| Spot | 241,033 | 139,903 | -42 | 124,611 | 104,609 | -16 | 15,730 | 11,456 | -27 | 20,498 | 14,021 | -32 | 401,871 | 269,988 | -33 |
| Reporting dealers | 40519 | 19895 | -51 | 5,918 | 7,447 | 26 | 644 | 58 | -91 | 693 | 337 | -51 | 47,773 | 27,736 | -42 |
| Other dealers | 123,514 | 83,758 | -32 | 95,487 | 87,110 | -9 | 4,071 | 5,651 | 39 | 18,771 | 13,114 | -30 | 241,844 | 189,633 | -22 |
| Other financial | 31,182 | 13,543 | -57 | 17,227 | 6,686 | -61 | 7,509 | 3,677 | -51 | 527 | 314 | -40 | 56,444 | 24,220 | -57 |
| Non-financial customers | 45,818 | 22,707 | -50 | 5,980 | 3,366 | -44 | 3,506 | 2,070 | -41 | 506 | 256 | -49 | 55,810 | 28,399 | -49 |
| Outright forwards | 85,299 | 52,169 | -39 | 74,123 | 43,325 | -42 | 20,513 | 16,269 | -21 | 5,342 | 3,766 | -29 | 185,277 | 115,529 | -38 |
| Reporting dealers | 4,962 | 5,543 | 12 | 919 | 348 | -62 | 58 | 64 | 9 | 133 | 20 | -85 | 6,072 | 5,975 | -2 |
| Other dealers | 12,386 | 7,821 | -37 | 35,422 | 28,706 | -19 | 1,210 | 2,113 | 75 | 3,595 | 3,043 | -15 | 52,612 | 41,683 | -21 |
| Other financial | 44,433 | 21,049 | -53 | 18,117 | 8,898 | -51 | 16,781 | 12,158 | -28 | 1,414 | 617 | -56 | 80,745 | 42,722 | -47 |
| Non-financial customers | 23,519 | 17,756 | -25 | 19,666 | 5,373 | -73 | 2,463 | 1,934 | -21 | 199 | 86 | -57 | 45,847 | 25,149 | -45 |
| FX swaps | 588,574 | 524,182 | -11 | 255,022 | 249,427 | -2 | 26,816 | 21,876 | -18 | 2,879 | 3,085 | 7 | 873,290 | 798,568 | -9 |
| Reporting dealers | 84,744 | 117,291 | 38 | 14,290 | 18,567 | 30 | 1,766 | 392 | -78 | 10 | 13 | 35 | 100,810 | 136,262 | 35 |
| Other dealers | 390,694 | 325,289 | -17 | 195,357 | 202,946 | 4 | 7,333 | 4,882 | -33 | 1,262 | 1,369 | 8 | 594,647 | 534,486 | -10 |
| Other financial | 76,983 | 53,041 | -31 | 36,424 | 21,307 | -42 | 14,902 | 10,851 | -27 | 213 | 466 | 118 | 128,522 | 85,665 | -33 |
| Non-financial customers | 36,153 | 28,561 | -21 | 8,951 | 6,607 | -26 | 2,815 | 5,751 | 104 | 1,393 | 1,236 | -11 | 49,312 | 42,155 | -15 |
| Total dealers | 656,818 | 559,596 | -15 | 347,391 | 345,123 | -1 | 15,083 | 13,159 | -13 | 24,465 | 17,896 | -27 | 1,043,758 | 935,774 | -10 |
| Reporting | 130,224 | 142,728 | 10 | 21,126 | 26,361 | 25 | 2,469 | 513 | -79 | 836 | 370 | -56 | 154,655 | 169,972 | 10 |
| Other | 526,594 | 416,868 | -21 | 326,265 | 318,762 | -2 | 12,615 | 12,646 | 0 | 23,628 | 17,526 | -26 | 889,103 | 765,802 | -14 |
| Total customers | 258,087 | 156,657 | -39 | 106,365 | 52,237 | -51 | 47,975 | 36,441 | -24 | 4,253 | 2,975 | -30 | 416,680 | 248,310 | -40 |
| Financial | 152,598 | 87,633 | -43 | 71,768 | 36,891 | -49 | 39,191 | 26,686 | -32 | 2,155 | 1,397 | -35 | 265,711 | 152,607 | -43 |
| Non-financial | 105,490 | 69,024 | -35 | 34,597 | 15,346 | -56 | 8,784 | 9,755 | 11 | 2,098 | 1,578 | -25 | 150,969 | 95,703 | -37 |
| Total turnover | 914,906 | 716,253 | -22 | 453,756 | 397,360 | -12 | 63,058 | 49,600 | -21 | 28,718 | 20,871 | -27 | 1,460,438 | 1,184,084 | -19 |
| <i>Currency swaps</i> | 17,193 | 14,842 | -14 | 3,204 | 6,139 | 92 | 807 | 489 | -39 | 139 | 747 | 437 | 21,119 | 21,849 | 3 |
| <i>OTC options</i> | 27,953 | 14,927 | -47 | 13,047 | 10,388 | -20 | 872 | 916 | 5 | 587 | 2,017 | 244 | 38,984 | 25,293 | -35 |

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 | | | | | | | |
|--------|------------|--------|-------------------|--------|------------------------|--------|--------------|--------|-------|--------|-----------|--------|---------------|--------|
| | Spot | | Outright forwards | | Foreign exchange swaps | | Dealers | | | | Customers | | | |
| | | | | | | | 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 | 236 | (22.2) | 74 | (6.9) | 756 | (70.9) | 94 | (8.8) | 698 | (65.5) | 166 | (15.5) | 109 | (10.2) |
| Oct-07 | 326 | (22.7) | 88 | (6.1) | 1024 | (71.2) | 92 | (6.4) | 1024 | (71.2) | 181 | (12.6) | 141 | (9.8) |
| Apr-08 | 375 | (26.8) | 110 | (7.9) | 913 | (65.3) | 154 | (11.0) | 940 | (67.2) | 192 | (13.8) | 112 | (8.0) |
| Oct-08 | 402 | (27.5) | 185 | (12.7) | 873 | (59.8) | 155 | (10.6) | 889 | (60.9) | 266 | (18.2) | 151 | (10.3) |
| Apr-09 | 270 | (22.8) | 116 | (9.8) | 799 | (67.4) | 170 | (14.4) | 766 | (64.7) | 153 | (12.9) | 96 | (8.1) |

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

| Currency | April 2006 | October 2006 | April 2007 | October 2007 | April 2008 | October 2008 | April 2009 |
|-------------------|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| U.S. dollar | 95.6 | 95.7 | 94.8 | 95.4 | 95.4 | 93.7 | 94.0 |
| Canadian dollar | 59.9 | 63.9 | 63.4 | 72.0 | 71.2 | 67.0 | 64.7 |
| Euro | 11.9 | 11.6 | 12.2 | 9.8 | 10.8 | 11.8 | 15.9 |
| U.K. pound | 5.9 | 6.3 | 7.2 | 6.1 | 5.0 | 5.0 | 5.9 |
| Japanese yen | 6.8 | 5.3 | 5.8 | 4.3 | 4.3 | 5.4 | 4.3 |
| Australian dollar | 5.3 | 5.7 | 3.6 | 2.6 | 2.8 | 2.0 | 1.8 |
| Swiss franc | 2.8 | 1.7 | 2.9 | 1.5 | 1.6 | 1.1 | 1.3 |
| Other currencies | 11.9 | 9.9 | 10.1 | 8.4 | 9.0 | 14.0 | 12.0 |
| All currencies[1] | 200.0 | 200.0 | 200.0 | 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 | April-06 | | October-06 | | April-07 | | October-07 | | April-08 | | October-08 | | April-09 | |
|-------------------------------|----------------|--------------|----------------|--------------|----------------|--------------|------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | Amount | % share | Amount | % share | Amount | % share | Amount | % share | Amount | % share | Amount | % share | Amount | % share |
| Outright forwards | | | | | | | | | | | | | | |
| Up to 1 month | 45,619 | 70.0 | 49,262 | 75.9 | 39,657 | 50.7 | 44,800 | 49.7 | 45,817 | 40.6 | 80,421 | 42.0 | 60,763 | 50.0 |
| 1 month to 1 year | 16,243 | 24.9 | 13,428 | 20.7 | 36,874 | 47.1 | 41,595 | 46.1 | 61,957 | 54.9 | 104,077 | 54.4 | 55,120 | 45.4 |
| More than 1 year | 3,303 | 5.1 | 2,201 | 3.4 | 1,684 | 2.2 | 3,785 | 4.2 | 4,991 | 4.4 | 6,852 | 3.6 | 5,618 | 4.6 |
| Total | 65,165 | 100.0 | 64,891 | 100.0 | 78,215 | 100.0 | 90,179 | 100.0 | 112,764 | 100.0 | 191,349 | 100.0 | 121,501 | 100.0 |
| Foreign exchange swaps | | | | | | | | | | | | | | |
| Up to 1 month | 662,480 | 86.0 | 686,896 | 85.9 | 670,283 | 81.8 | 872,910 | 79.7 | 789,189 | 79.7 | 736,124 | 75.6 | 718,697 | 76.9 |
| 1 month to 1 year | 101,078 | 13.1 | 107,722 | 13.5 | 143,605 | 17.5 | 214,868 | 19.6 | 192,035 | 19.4 | 229,050 | 23.5 | 206,097 | 22.0 |
| More than 1 year | 7,062 | 0.9 | 4,687 | 0.6 | 6,017 | 0.7 | 7,562 | 0.7 | 9,125 | 0.9 | 8,926 | 0.9 | 7,848 | 0.8 |
| Total | 770,620 | 100.0 | 799,304 | 100.0 | 819,906 | 100.0 | 1,095,341 | 100.0 | 990,350 | 100.0 | 974,100 | 100.0 | 932,642 | 99.8 |
| OTC options | | | | | | | | | | | | | | |
| Up to 1 month | 12,351 | 42.4 | 13,630 | 43.1 | 20,336 | 46.4 | 29,176 | 54.3 | 18,561 | 41.3 | 13,524 | 28.5 | 15,603 | 48.3 |
| 1 month to 6 months | 12,597 | 43.2 | 15,128 | 47.9 | 19,960 | 45.6 | 18,586 | 34.6 | 17,692 | 39.4 | 21,230 | 44.7 | 11,764 | 36.4 |
| Over 6 months | 4,211 | 14.4 | 2,851 | 9.0 | 3,507 | 8.0 | 6,011 | 11.2 | 8,664 | 19.3 | 12,741 | 26.8 | 4,936 | 15.3 |
| Total | 29,160 | 100.0 | 31,609 | 100.0 | 43,803 | 100.0 | 53,773 | 100.0 | 44,917 | 100.0 | 47,495 | 100.0 | 32,303 | 100.0 |

a. Not adjusted for local double counting.

Table 7: Execution methods
Percent shares
April 2009

| 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 | 49 | 20 | 13 | 15 | 1 | 2 | 100 |
| Other | 23 | 3 | 1 | 61 | 2 | 9 | 100 |
| U.S. Dollar against | | | | | | | |
| EUR | 28 | 46 | 13 | 10 | 1 | 2 | 100 |
| JPY | 23 | 41 | 11 | 22 | 1 | 2 | 100 |
| GBP | 36 | 45 | 6 | 10 | 1 | 2 | 100 |
| Total Currency Pairs | 42 | 27 | 12 | 16 | 1 | 2 | 100 |

| | | | | | | | |
|--------------------------|----|----|----|----|---|---|-----|
| By Instrument: | | | | | | | |
| Spot | 23 | 43 | 13 | 17 | 3 | 1 | 100 |
| Outright forwards | 26 | 15 | 1 | 47 | 3 | 9 | 100 |
| Foreign exchange swaps | 50 | 23 | 14 | 11 | 0 | 1 | 100 |
| Cross currency swaps | 49 | 10 | 12 | 29 | 0 | 0 | 100 |
| Options | 33 | 47 | 3 | 14 | 3 | 0 | 100 |
| Total Instruments | 42 | 27 | 12 | 16 | 1 | 2 | 100 |

| | | | | | | | |
|-----------------------------------|----|----|----|----|---|----|-----|
| By Counterparty: | | | | | | | |
| With reporting dealers | 65 | 26 | 9 | 0 | 0 | 0 | 100 |
| With other dealers | 45 | 36 | 18 | 0 | 1 | 0 | 100 |
| With other financial institutions | 0 | 0 | 0 | 82 | 3 | 15 | 100 |
| With non-financial customers | 0 | 0 | 0 | 91 | 5 | 3 | 100 |
| Total Counterparties | 42 | 27 | 12 | 16 | 1 | 2 | 100 |