

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

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CFEC Releases Results of October 2006 Foreign Exchange Volume Survey (Revised)

January 22, 2007 - The Canadian Foreign Exchange Committee (CFEC) released today the results of its third semi-annual survey of foreign exchange volumes in Canada. The purpose of the survey is to provide reasonably comprehensive 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 are not 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 October 2006 survey include the following:

- The monthly turnover in October of traditional foreign exchange products (defined as spot transactions, outright forwards and foreign exchange swaps) totaled over \$US 1 trillion, an increase of 3.4% over April 2006.
- However, with 21 business days in October versus only 19 days in April, the average daily turnover of traditional foreign exchange products amounted to \$US 49.2 billion in October compared with \$US 52.6 billion in April, a decline of 6.4%.
- Compared with the first survey, which was conducted one year ago in October 2005, on an annual basis the average daily turnover of traditional foreign exchange products increased 1.4% to \$US 49.2 billion in 2006 versus \$US 48.5 billion in 2005.
- The average daily turnover of foreign exchange derivatives (currency swaps and over-the-counter options) totaled \$US 2.1 billion, a decline of 27.6% over the April 2006 survey.

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 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 and the Singapore Foreign Exchange Market Committee. Links to their websites 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/mshare.html>

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

<http://www.sfemc.org>

The Canadian Foreign Exchange Committee
Semi-annual Foreign Exchange Volume Survey
October, 2006

Summary Tables
Revised



January 22, 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

Table 2: Over-the-counter (OTC) derivatives market turnover in Canada
Summary of surveys
Average daily turnover in 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

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		
	Apr-06	Oct-06	Per cent growth	Apr-06	Oct-06	Per cent growth	Apr-06	Oct-06	Per cent growth	Apr-06	Oct-06	Per cent growth	Apr-06	Oct-06	Per cent growth
Spot	132,767	141,326	6	79,833	72,390	-9	11,286	15,540	38	11,540	9,613	-17	235,426	238,868	1
Reporting dealers	28,081	25003	-11	2,762	5,338	93	160	51	-68	313	395	26	31,315	30,786	-2
Other dealers	68,985	77,304	12	66,088	57,193	-13	5,791	11,843	105	10,934	8,434	-23	151,798	154,774	2
Other financial	14,169	16,419	16	7,673	5,709	-26	3,782	2,025	-46	210	389	85	25,833	24,542	-5
Non-financial customers	21,533	22,600	5	3,310	4,150	25	1,554	1,621	4	83	395	376	26,479	28,766	9
Outright forwards	32,928	36,218	10	17,249	18,665	8	8,032	6,585	-18	2,887	1,824	-37	61,096	63,291	4
Reporting dealers	3,064	1,287	-58	605	173	-71	335	11	-97	66	130	96	4,069	1,600	-61
Other dealers	7,010	12,807	83	9,268	8,440	-9	921	1,196	30	1,650	1,218	-26	18,849	23,661	26
Other financial	12,684	11,022	-13	5,141	6,060	18	6,129	4,520	-26	607	277	-54	24,560	21,879	-11
Non-financial customers	10,170	11,102	9	2,235	3,992	79	647	858	33	565	199	-65	13,617	16,151	19
FX swaps	405,208	450,583	11	287,854	270,494	-6	8,376	10,154	21	2,155	755	-65	703,593	731,985	4
Reporting dealers	62,520	60,127	-4	3,135	6,501	107	1,347	650	-52	26	42	62	67,027	67,319	0
Other dealers	274,029	301,384	10	257,375	228,033	-11	1,649	2,103	28	1,527	42	-97	534,580	531,562	-1
Other financial	41,898	56,266	34	18,187	28,973	59	4,670	5,921	27	190	299	57	64,945	91,459	41
Non-financial customers	26,760	32,806	23	9,157	6,987	-24	711	1,480	108	413	372	-10	37,041	41,645	12
Total dealers	443,688	477,912	8	339,234	305,677	-10	10,202	15,853	55	14,515	10,260	-29	807,638	809,702	0
Reporting	93,664	86,417	-8	6,502	12,011	85	1,841	711	-61	404	566	40	102,411	99,705	-3
Other	350,024	391,495	12	332,732	293,666	-12	8,360	15,142	81	14,111	9,694	-31	705,227	709,997	1
Total customers	127,214	150,215	18	45,703	55,871	22	17,492	16,425	-6	2,067	1,931	-7	192,476	224,442	17
Financial	68,751	83,707	22	31,001	40,742	31	14,580	12,466	-14	1,006	965	-4	115,338	137,880	20
Non-financial	58,463	66,508	14	14,702	15,129	3	2,912	3,959	36	1,061	966	-9	77,138	86,562	12
Total turnover	570,903	628,127	10	384,937	361,548	-6	27,694	32,278	17	16,582	12,191	-26	1,000,115	1,034,144	3
<i>Currency swaps</i>	9,885	7,442	-25	7,525	5,155	-31	11,819	5,918	-50	16	0	-100	27,605	18,514	-33
<i>OTC options</i>	18,743	17,500	-7	7,038	6,969	-1	2,092	635	-70	308	1,813	489	28,032	25,514	-9

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)

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

Currency	October 2005	April 2006	October 2006
U.S. dollar	96.1	95.6	95.7
Canadian dollar	59.5	59.9	63.9
Euro	14.0	11.9	11.6
Japanese yen	7.8	6.8	5.3
U.K. pound	5.8	5.9	6.3
Australian dollar	3.6	5.3	5.7
Swiss franc	5.8	2.8	1.7
Other currencies	7.4	11.9	9.9
All currencies[1]	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	
	Amount	% share	Amount	% share	Amount	% share
Outright forwards						
Up to 1 month	42,527	69.1	45,619	70.0	49,262	75.9
1 month to 1 year	17,230	28.0	16,243	24.9	13,428	20.7
More than 1 year	1,755	2.9	3,303	5.1	2,201	3.4
Total	61,512	100.0	65,165	100.0	64,891	100.0
Foreign exchange swaps						
Up to 1 month	619,313	81.5	662,480	86.0	686,896	85.9
1 month to 1 year	133,479	17.6	101,078	13.1	107,722	13.5
More than 1 year	6,666	0.9	7,062	0.9	4,687	0.6
Total	759,458	100.0	770,620	100.0	799,304	100.0
OTC options						
Up to 1 month	30,165	52.4	12,351	42.4	13,630	43.1
1 month to 6 months	18,777	32.6	12,597	43.2	15,128	47.9
Over 6 months	8,647	15.0	4,211	14.4	2,851	9.0
Total	57,589	100.0	29,160	100.0	31,609	100.0

a. Not adjusted for local double counting.

Table 7: Execution methods
 percent shares
 October 2006

Classification	Execution Methods Primarily for Dealers			Execution Methods Primarily for Customers			TOTAL
	Direct	Electronic Broking	Voice Broking	Direct	Single-bank Proprietary Platforms	Multi-bank Dealing Systems	
By Currency Pair:							
Canadian Dollar against							
USD	32	32	14	19	1	1	100
Other	39	14	1	36	1	8	100
U.S. Dollar against							
EUR	19	44	21	13	0	2	100
JPY	22	40	19	17	0	2	100
GBP	14	40	29	13	0	3	100
Total Currency Pairs	29	36	15	18	1	2	100
By Instrument:							
Spot	29	46	6	17	2	1	100
Outright forwards	24	12	5	50	1	7	100
Foreign exchange swaps	30	34	20	15	0	1	100
Cross currency swaps	22	49	4	25	0	0	100
Options	19	54	9	18	0	0	100
Total Instruments	29	36	15	18	1	2	100
By Counterparty:							
With reporting dealers	52	32	16	0	0	0	100
With other dealers	32	48	19	0	0	0	100
With other financial institutions	0	0	1	87	2	9	100
With non-financial customers	0	2	1	91	3	3	100
Total Counterparties	29	36	15	18	1	2	100