

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

150 King Street West
Suite 2000
Toronto, Ontario
M5H 1J9

Contact: Rob Ogrodnick
Telephone: (416) 542-1339
Email: rogridnick@bankofcanada.ca

CFEC Releases Results of October 2008 Foreign Exchange Volume Survey

January 27, 2009 - The Canadian Foreign Exchange Committee (CFEC) released today the results of its October 2008 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 October 2008 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 US\$ 1.46 trillion. On an average daily basis, total turnover increased by 4.4% from US\$ 63.6 billion in April 2008 to US\$ 66.4 billion in October.
- For the month of October, spot and outright forward volumes rose by 7% and 68% respectively compared with the month of April 2008. However, monthly foreign exchange swap turnover declined by over 4% from April to October 2008.
- Compared with the survey one year ago, on an annual basis the average daily turnover of traditional foreign exchange products was only slightly higher (1.5%), at US\$ 66.4 billion in October 2008 versus US\$ 65.4 billion in October 2007.
- The average daily turnover of foreign exchange derivatives (currency swaps and options) totaled US\$ 2.7 billion, unchanged on an average daily basis from the survey six months ago. However, looking at individual products, currency swaps fell over 9% from April to October whereas options rose by over 9%.

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 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.sfemc.org/statistics.asp>

http://www.rba.gov.au/AFXC/Statistics/FXTurnoverReports/2008/Oct_2008/index.html

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

Summary Tables

January 27, 2009

Table of Contents

Summary turnover data for October, 2008

Table 1	Traditional foreign exchange turnover in Canada - Summary of surveys
Table 2	Over-the-counter (OTC) derivatives market turnover in Canada - Summary of surveys
Table 3	Total reported foreign exchange turnover in Canada
Table 4	Reported traditional foreign exchange turnover in Canada by instrument and by counterparty - Summary of surveys
Table 5	Currency distribution of traditional foreign exchange market turnover in Canada - Summary of surveys
Table 6	Reported foreign exchange market turnover in Canada by maturity
Table 7	Execution methods

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

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

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-08	Oct-08	Per cent growth	Apr-08	Oct-08	Per cent growth	Apr-08	Oct-08	Per cent growth	Apr-08	Oct-08	Per cent growth	Apr-08	Oct-08	Per cent growth
Spot	221,017	241,033	9	124,707	124,611	0	16,118	15,730	-2	13,109	20,498	56	374,951	401,871	7
Reporting dealers	73,131	40,519	-45	1,175	5,918	404	77	644	736	93	693	648	74,476	47,773	-36
Other dealers	96,057	123,514	29	98,573	95,487	-3	7,299	4,071	-44	11,141	18,771	68	213,070	241,844	14
Other financial institutions	20,856	31,182	50	18,646	17,227	-8	4,822	7,509	56	1,284	527	-59	45,609	56,444	24
Non-financial customers	30,973	45,818	48	6,312	5,980	-5	3,920	3,506	-11	591	506	-14	41,795	55,810	34
Outright forwards	57,383	85,299	49	37,255	74,123	99	12,056	20,513	70	3,579	5,342	49	110,274	185,277	68
Reporting dealers	2,109	4,962	135	312	919	194	58	58	1	12	133	1057	2,491	6,072	144
Other dealers	11,554	12,386	7	19,749	35,422	79	2,013	1,210	-40	2,224	3,595	62	35,540	52,612	48
Other financial institutions	23,720	44,433	87	14,413	18,117	26	8,259	16,781	103	1,132	1,414	25	47,523	80,745	70
Non-financial customers	20,001	23,519	18	2,781	19,666	607	1,726	2,463	43	212	199	-6	24,720	45,847	85
FX swaps	670,335	588,574	-12	223,226	255,022	14	18,243	26,816	47	1,230	2,879	134	913,034	873,290	-4
Reporting dealers	73,118	84,744	16	3,870	14,290	269	226	1,766	682	102	10	-90	77,316	100,810	30
Other dealers	501,656	390,694	-22	186,285	195,357	5	2,976	7,333	146	610	1,262	107	691,528	594,647	-14
Other financial institutions	62,008	76,983	24	26,066	36,424	40	10,709	14,902	39	389	213	-45	99,171	128,522	30
Non-financial customers	33,554	36,153	8	7,005	8,951	28	4,332	2,815	-35	129	1,393	980	45,019	49,312	10
Total dealers	757,625	656,818	-13	309,966	347,391	12	12,649	15,083	19	14,180	24,465	73	1,094,420	1,043,758	-5
Reporting	148,358	130,224	-12	5,358	21,126	294	361	2,469	584	206	836	307	154,283	154,655	0
Other	609,266	526,594	-14	304,608	326,265	7	12,288	12,615	3	13,974	23,628	69	940,137	889,103	-5
Total customers	191,111	258,087	35	75,222	106,365	41	33,768	47,975	42	3,737	4,253	14	303,838	416,680	37
Financial	106,584	152,598	43	59,124	71,768	21	23,790	39,191	65	2,805	2,155	-23	192,303	265,711	38
Non-financial	84,527	105,490	25	16,098	34,597	115	9,978	8,784	-12	932	2,098	125	111,535	150,969	35
Total turnover	948,735	914,906	-4	385,188	453,756	18	46,417	63,058	36	17,918	28,718	60	1,398,258	1,460,438	4
<i>Currency swaps</i>	17,231	17,193	0	7,098	3,204	-55	863	807	-6	42	139	235	23,329	21,119	-9
<i>OTC options</i>	28,526	27,953	-2	7,081	13,047	84	1,852	872	-53	168	587	250	35,550	38,984	10

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)

**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	October 2007	April 2008	October 2008
U.S. dollar	96.1	95.6	95.7	94.8	95.4	95.4	93.7
Canadian dollar	59.5	59.9	63.9	63.4	72.0	71.2	67.0
Euro	14.0	11.9	11.6	12.2	9.8	10.8	11.8
U.K. pound	5.8	5.9	6.3	7.2	6.1	5.0	5.0
Japanese yen	7.8	6.8	5.3	5.8	4.3	4.3	5.4
Australian dollar	3.6	5.3	5.7	3.6	2.6	2.8	2.0
Swiss franc	5.8	2.8	1.7	2.9	1.5	1.6	1.1
Other currencies	7.4	11.9	9.9	10.1	8.4	9.0	14.0
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	October-05		April-06		October-06		April-07		October-07		April-08		October-08	
	Amount	% share	Amount	% share	Amount	% share	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	39,657	50.7	44,800	49.7	45,817	40.6	80,421	42.0
1 month to 1 year	17,230	28.0	16,243	24.9	13,428	20.7	36,874	47.1	41,595	46.1	61,957	54.9	104,077	54.4
More than 1 year	1,755	2.9	3,303	5.1	2,201	3.4	1,684	2.2	3,785	4.2	4,991	4.4	6,852	3.6
Total	61,512	100.0	65,165	100.0	64,891	100.0	78,215	100.0	90,179	100.0	112,764	100.0	191,349	100.0
Foreign exchange swaps														
Up to 1 month	619,313	81.5	662,480	86.0	686,896	85.9	670,283	81.8	872,910	79.7	789,189	79.7	736,124	75.6
1 month to 1 year	133,479	17.6	101,078	13.1	107,722	13.5	143,605	17.5	214,868	19.6	192,035	19.4	229,050	23.5
More than 1 year	6,666	0.9	7,062	0.9	4,687	0.6	6,017	0.7	7,562	0.7	9,125	0.9	8,926	0.9
Total	759,458	100.0	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
OTC options														
Up to 1 month	30,165	52.4	12,351	42.4	13,630	43.1	20,336	46.4	29,176	54.3	18,561	41.3	13,524	28.5
1 month to 6 months	18,777	32.6	12,597	43.2	15,128	47.9	19,960	45.6	18,586	34.6	17,692	39.4	21,230	44.7
Over 6 months	8,647	15.0	4,211	14.4	2,851	9.0	3,507	8.0	6,011	11.2	8,664	19.3	12,741	26.8
Total	57,589	100.0	29,160	100.0	31,609	100.0	43,803	100.0	53,773	100.0	44,917	100.0	47,495	100.0

a. Not adjusted for local double counting.

Table 7: Execution methods
Percent shares
October 2008

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	37	26	12	21	1	3	100
Other	23	5	0	56	2	14	100
U.S. Dollar against							
EUR	32	36	10	17	1	4	100
JPY	38	28	16	14	1	4	100
GBP	30	34	8	23	1	3	100
Total Currency Pairs	35	27	11	22	1	4	100

By Instrument:							
Spot	22	41	9	23	3	2	100
Outright forwards	24	8	1	56	2	10	100
Foreign exchange swaps	44	24	15	14	0	3	100
Cross currency swaps	40	7	15	38	0	0	100
Options	32	39	2	27	0	0	100
Total Instruments	35	27	11	22	1	4	100

By Counterparty:							
With reporting dealers	58	32	10	0	0	0	100
With other dealers	44	38	17	0	1	1	100
With other financial institutions	0	0	0	79	2	19	100
With non-financial customers	0	0	0	93	5	2	100
Total Counterparties	35	27	11	22	1	4	100