

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

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CFEC Releases Results of April 2006 Foreign Exchange Volume Survey

July 17, 2006 - The Canadian Foreign Exchange Committee (CFEC) released today the results of its second 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 April 2006 survey include the following:

- The average daily turnover of traditional foreign exchange products (defined as spot transactions, outright forwards and foreign exchange swaps) totaled \$US 52.6 billion, an increase of 8.5% over the first survey in October 2005.
- The average daily turnover of foreign exchange derivatives (currency swaps and over-the-counter options) totaled \$US 2.9 billion, a decline of 27.5% over the October 2005 survey.

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.

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

The Bank of Canada co-ordinates the CFEC survey on behalf of the market participants. The eight CFEC member 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 and the Singapore Foreign Exchange Market Committee. The Tokyo Foreign Exchange Market Committee is releasing its results on July 18th. The links to their websites can be found on the CFEC website (www.cfec.ca).

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

Summary Tables



July, 2006

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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	8.5
Apr. 2006	235.4	61.1	703.6	1000.1	19	52.6	

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	-27.5
Apr. 2006	27.6	28.0	55.6	19	2.9	

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-05	Apr-06	Per cent growth	Oct-05	Apr-06	Per cent growth	Oct-05	Apr-06	Per cent growth	Oct-05	Apr-06	Per cent growth	Oct-05	Apr-06	Per cent growth
Spot	108,592	132,767	22	95,862	79,833	-17	6,247	11,286	81	13,127	11,540	-12	223,829	235,426	5
Reporting dealers	12,784	28080.5	120	7,542	2,762	-63	155	160	3	687	313	-54	21,169	31,315	48
Other dealers	64,881	68,985	6	79,226	66,088	-17	3,054	5,791	90	11,928	10,934	-8	159,089	151,798	-5
Other financial	9,683	14,169	46	5,446	7,673	41	1,842	3,782	105	261	210	-20	17,232	25,833	50
Non-financial customers	21,245	21,533	1	3,647	3,310	-9	1,195	1,554	30	251	83	-67	26,338	26,479	1
Outright forwards	32,381	32,928	2	19,480	17,249	-11	7,033	8,032	14	1,868	2,887	55	60,905	61,096	0
Reporting dealers	217	3,064	1312	317	605	91	13	335	2476	61	66	7	608	4,069	569
Other dealers	5,414	7,010	29	7,457	9,268	24	839	921	10	847	1,650	95	14,557	18,849	29
Other financial	14,734	12,684	-14	8,493	5,141	-39	5,304	6,129	16	685	607	-11	29,216	24,560	-16
Non-financial customers	12,016	10,170	-15	3,213	2,235	-30	1,020	647	-37	275	565	105	16,524	13,617	-18
FX swaps	416,287	405,208	-3	259,918	287,854	11	6,909	8,376	21	2,361	2,155	-9	685,475	703,593	3
Reporting dealers	54,092	62,520	16	19,820	3,135	-84	34	1,347	3860	37	26	-31	73,983	67,027	-9
Other dealers	268,510	274,029	2	211,636	257,375	22	3,211	1,649	-49	1,250	1,527	22	484,607	534,580	10
Other financial	51,565	41,898	-19	16,603	18,187	10	2,640	4,670	77	406	190	-53	71,214	64,945	-9
Non-financial customers	42,120	26,760	-36	11,859	9,157	-23	1,024	711	-31	668	413	-38	55,671	37,041	-33
Total dealers	405,898	443,688	9	325,999	339,234	4	7,306	10,202	40	14,811	14,515	-2	754,013	807,638	7
Reporting	67,093	93,664	40	27,679	6,502	-77	202	1,841	812	785	404	-49	95,760	102,411	7
Other	338,805	350,024	3	298,319	332,732	12	7,104	8,360	18	14,025	14,111	1	658,253	705,227	7
Total customers	151,363	127,214	-16	49,262	45,703	-7	13,025	17,492	34	2,546	2,067	-19	216,195	192,476	-11
Financial	75,982	68,751	-10	30,542	31,001	2	9,786	14,580	49	1,352	1,006	-26	117,662	115,338	-2
Non-financial	75,381	58,463	-22	18,719	14,702	-21	3,239	2,912	-10	1,194	1,061	-11	98,533	77,138	-22
Total turnover	557,260	570,903	2	375,260	384,937	3	20,331	27,694	36	17,356	16,582	-4	970,208	1,000,115	3
<i>Currency swaps</i>	8,103	9,885	22	6,311	7,525	19	11,831	11,819	0	0	16	#DIV/0!	24,604	27,605	12
<i>OTC options</i>	34,310	18,743	-45	17,149	7,038	-59	2,647	2,092	-21	1,346	308	-77	55,189	28,032	-49

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)

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

Currency	October 2005	April 2006
U.S. dollar	96.1	95.6
Canadian dollar	59.5	59.9
Euro	14.0	11.9
Japanese yen	7.8	6.8
U.K. pound	5.8	5.9
Australian dollar	3.6	5.3
Swiss franc	5.8	2.8
Other currencies	7.4	11.9
All currencies[1]	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	
	Amount	% share	Amount	% share
Outright forwards				
Up to 1 month	42,527	69.1	45,619	70.0
1 month to 1 year	17,230	28.0	16,243	24.9
More than 1 year	1,755	2.9	3,303	5.1
Total	61,512	100.0	65,165	100.0
Foreign exchange swaps				
Up to 1 month	619,313	81.5	662,480	86.0
1 month to 1 year	133,479	17.6	101,078	13.1
More than 1 year	6,666	0.9	7,062	0.9
Total	759,458	100.0	770,620	100.0
OTC options				
Up to 1 month	30,165	52.4	12,351	42.4
1 month to 6 months	18,777	32.6	12,597	43.2
Over 6 months	8,647	15.0	4,211	14.4
Total	57,589	100.0	29,160	100.0

a. Not adjusted for local double counting.

Table 7: Execution methods
percent shares

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	37	27	16	18	0	1	100
Other	35	13	0	47	1	4	100
U.S. Dollar against							
EUR	24	39	21	15	0	1	100
JPY	38	32	21	9	0	1	100
GBP	53	22	11	12	0	2	100
Total Currency Pairs	39	27	15	17	0	1	100
By Instrument:							
Spot	33	43	5	17	1	2	100
Outright forwards	24	12	4	52	1	8	100
Foreign exchange swaps	44	23	20	13	0	1	100
Cross currency swaps	36	12	17	36	0	0	100
Options	12	68	2	18	0	0	100
Total Instruments	39	27	15	17	0	1	100
By Counterparty:							
With reporting dealers	66	17	16	1	0	0	100
With other dealers	43	38	19	0	0	1	100
With other financial institutions	0	1	1	90	1	7	100
With non-financial customers	0	2	0	94	1	3	100
Total Counterparties	39	27	15	17	0	1	100