



## Foreign exchange and OTC derivatives market April 2016

15 December 2016

Banco de Portugal releases today, in Tables [D.2.1](#) to [D.2.6](#) of the *Statistical Bulletin*, the results of the Triennial Central Bank Survey of Foreign Exchange and over-the-counter (OTC) Derivatives Markets in 2016.<sup>1</sup> This survey was coordinated by the Bank for International Settlements (BIS) with the participation of several central banks, including Banco de Portugal, and other authorities, covering 52 jurisdictions.

As in previous editions, the survey focused only on OTC transactions in the **foreign exchange market** (spot transactions, outright forwards, foreign exchange swaps, currency swaps, OTC options and other related products) and in the **interest rate derivatives market** (forward rate agreements (FRA), swaps, OTC options and other related products).

In Portugal, the survey covered 41 banks, of which the five largest accounted for around 75% of the activity in these markets.

This Statistical Press Release presents the main results of the survey in US dollars (USD), the reference currency established by the BIS. The results correspond to daily average turnover in April of each reference year.

### Foreign exchange market

In April 2016, daily turnover in the global foreign exchange market stood at USD 5,088 billion, a drop of 5% from the USD 5,355 billion recorded in the same period in 2013<sup>2</sup>. This was the first decline in activity in this market in 15 years (Chart 1).

In Portugal, the foreign exchange market suffered a stronger contraction: in April 2016, daily average turnover totalled USD 2,269 million, 36% less than in April 2013. More than half of the Portuguese banks reduced their activity in the foreign exchange market.

**By instrument**, the decline in transactions in the global foreign exchange market is mostly the result of spot transactions (-19%). In contrast, foreign exchange swaps (FX swaps) increased by 6% from April 2013. FX swaps remained the most actively traded instruments worldwide, accounting for 47% of daily average turnover in April 2016 (42% in April 2013).

In Portugal, transactions declined in all instruments. The sharpest decline was in spot transactions (more than 50%). FX swaps were also the most actively traded instruments, accounting for 67% of daily average turnover in April 2016 (49% in April 2013).

**By geographical location**, the United Kingdom remained dominant in terms of daily turnover (USD 2,426 billion), followed by the United States (USD 1,272 billion). In April 2016, these two countries accounted for around 57% of the daily

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<sup>1</sup> The survey includes data for 2016: (i) transactions in April; and, (ii) positions in June. Transactions are not consolidated and do not take into account whether the financial derivative was delivered or settled during this period.

<sup>2</sup> For comparison purposes between Portugal and the rest of the world, all of the analyses, with the exception of geographical location, take into account gross nominal or notional amounts of transactions entered into in April, adjusted for the doubling resulting from transactions in the domestic interbank market (net-net).

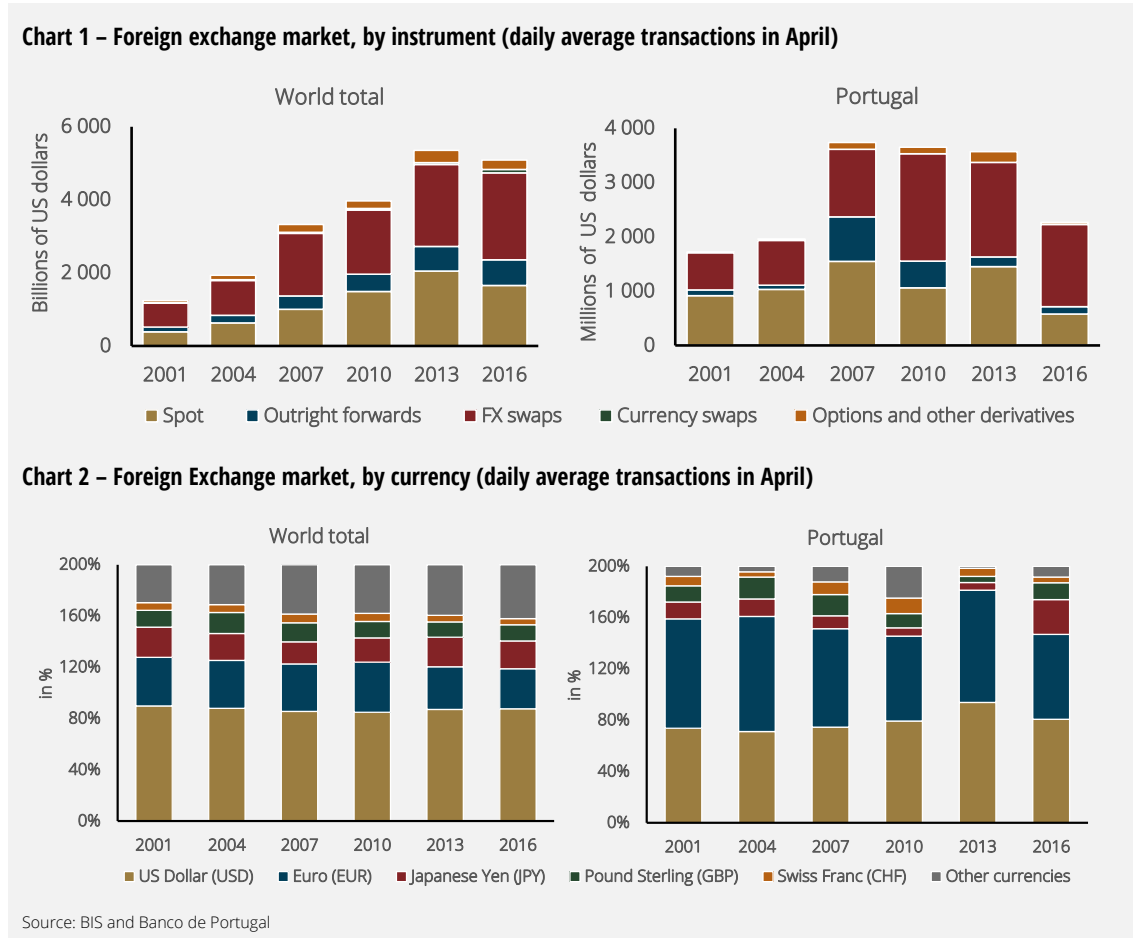
average turnover in the foreign exchange market worldwide (54% in April 2013). The third and fourth largest financial centres recorded particularly significant increases: Singapore [+2 percentage points (p.p.), to 8%]; and Hong Kong SAR (+3 p.p., to 7%).

From April 2013 to April 2016, the share of the group of countries belonging to the euro area<sup>3</sup> in total turnover worldwide decreased from 9% to 8%.

**By currency**, in April 2016, the US dollar remained the most traded currency<sup>4</sup> both in global and domestic terms, accounting for 88% and 81% of total turnover in these markets respectively (Chart

2). The euro and the Japanese yen continued to be the second and third most traded currencies worldwide, although their relative importance decreased slightly: these currencies were used in 31% and 22% of transactions in April 2016 respectively, 2 p.p. and 1 p.p. less than in April 2013.

In Portugal, the euro remained the second most traded currency, used in 66% of transactions, although its relative share declined by 21 p.p. from April 2013. However, contrary to developments worldwide, the use of the yen in Portugal recorded an expansion of 21 p.p., to 27% of total turnover in the foreign exchange market.



<sup>3</sup> The 'euro area' aggregate, derived from Banco de Portugal calculations, does not include data for Malta, Cyprus and Slovenia, as these Member States did not participate in the BIS survey.

<sup>4</sup> In the foreign exchange market, given that each transaction involves two currencies, the breakdown by currency totals 200% of transactions.

### Interest rate derivatives market

In April 2016, a daily average of USD 2,666 billion was traded in the global interest rate derivatives market. In contrast to the decline in the foreign exchange market, total turnover in the interest rate derivatives market increased by 15% from April 2013.

In Portugal, however, turnover decreased by 65%, with daily average turnover of USD 249 million (USD 717 million in April 2013).

**By instrument**, swaps remain the most popular instruments worldwide, followed by forward rate agreements, with 69% and 24% of daily average turnover respectively (Chart 3).

In Portugal, although daily average turnover in swaps has decreased compared with April 2013, the relative share of this instrument increased considerably (+28 p.p. to 80%), as a result of a decline of 89% in activity in forward rate agreements.

**By geographical location**, in April 2016, the United States and the United Kingdom continued to account for most turnover worldwide,

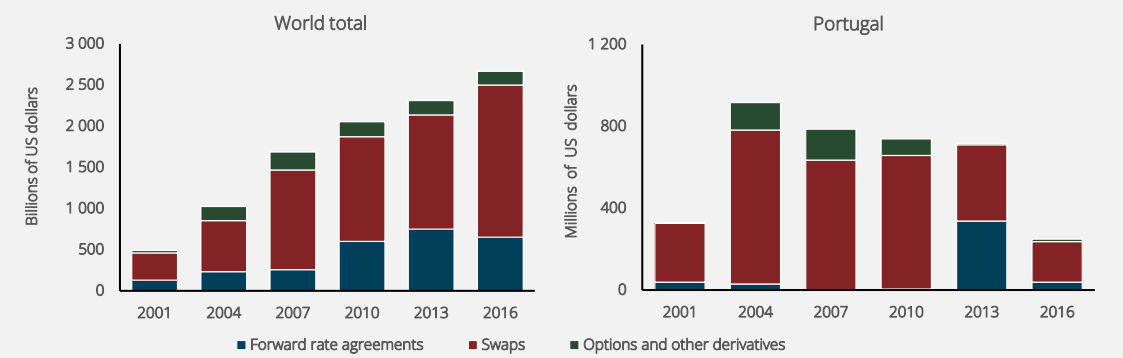
representing around 80% of the daily average (USD 1,241 and 1,180 billion respectively). Nevertheless, compared with April 2013, the relative positions of these countries have changed: the share of the United States increased by 18 p.p. and that of the United Kingdom decreased by 11 p.p.

In the euro area Member States as a whole, daily average turnover totalled USD 232 billion in April 2016. The relative importance of this aggregate declined from 15% in 2010 to 8% in 2016.

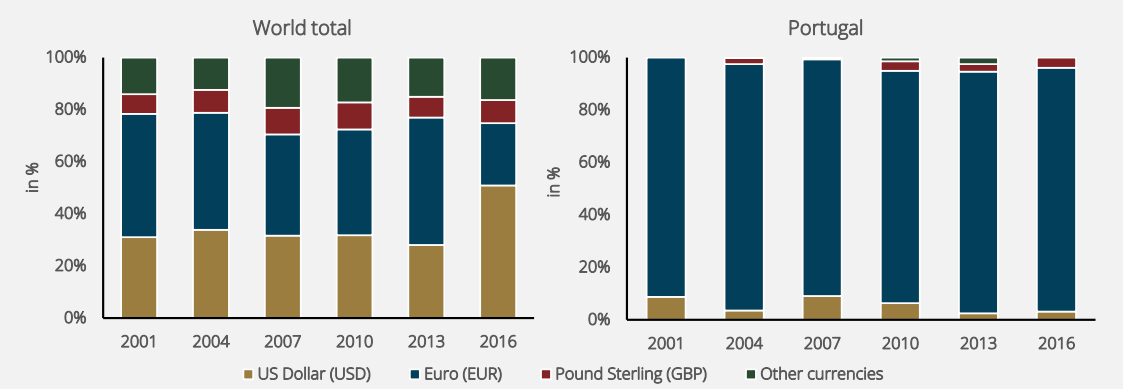
**By currency**, worldwide, there was a reversal in the structure in April 2016: the euro was replaced by the US dollar as the most traded currency in interest rate derivatives transactions (Chart 4).

In Portugal, interest rate derivatives transactions denominated in euro accounted for a relative share of around 90%. The share of interest rate transactions in US dollars (3%) remained stable compared with April 2013. Interest rate transactions in pound sterling made a contribution of 4% to the activity in this market in April 2016 (3% in April 2013).

**Chart 3 – Interest rate derivatives market, by instrument (daily average transactions in April)**



**Chart 4 – Interest rate derivatives market, by currency (daily average transactions in April)**



Source: BIS and Banco de Portugal

For more information, see:

[Chapter D.2 Foreign exchange and derivatives market activity of the Statistical Bulletin](#)

[Institutional website of the Bank for International Settlements](#)