

Press Relations

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Press release

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Turnover in foreign exchange and derivatives markets in Switzerland - 1998 survey

Slight decline in Swiss franc share compared to 1995

In April and June 1998, the central banks of the industrialised countries again participated in a survey, coordinated by the Bank for International Settlements (BIS), on turnover in the foreign exchange and derivatives markets. The objective of the reporting was to obtain an overview of the size and structure of these markets, the role of individual financial centres and currencies, and the type and maturities of transactions. The previous survey dates back to April 1995.

The 1998 survey was conducted in two consecutive steps:

- The first part, which will be dealt with in this press notice, covers turnover in the foreign exchange and derivatives markets during the month of April and only includes the transactions of domestic bank offices. Double countings were eliminated. The BIS, in turn, will eliminate doubly recorded operations on an international level and publish results on international business. It is intending to publish its findings in October. These will also permit conclusions to be drawn concerning the significance of various international financial centres.
- The second part of the survey covers the outstanding amounts relating to derivatives products (notional amounts and replacement values) as per 30 June 1998. Other than in 1995, data has also been compiled on a consolidated basis. The BIS will undertake the task of analysing and publishing the results; the time for this has not yet been fixed.

The Swiss National Bank participated for the fourth time in the survey of turnover in the foreign exchange markets. 63 banks in Switzerland (1995: 114 banks) provided data. The number of participating banks was deliberately limited. Data was only requested from institutions with a significant share in this field of business. The data collected was arranged according to type of business, business partners (domestic and foreign banks participating or not participating in the survey, and domestic and foreign customers), currencies and term of the contracts.

Revised data collection methods, changes in the selection of reporting banks and restructuring in the Swiss banking industry as a result of takeovers and mergers only permit a limited comparison of the 1998 results with those of previous surveys. This applies notably to the supplementary section on derivative currency and interest rate contracts, which was only introduced for the 1995 survey. For these reasons, the interpretation of the 1998 results is occasionally complex and requires a cautious approach.

1. Foreign exchange market (classic transactions)

Gross turnover in the Swiss foreign exchange market (spot, outright and swap transactions) totalled Sfr 2,735 billion in April 1998 compared with Sfr 2,022 billion in April 1995 (table 1). After the elimination of double countings resulting from domestic interbank statistics, the net volume amounts to Sfr 2,460 billion (April 1995: Sfr 1,765 billion), equivalent to a trading volume of Sfr 123 billion (April 1995: Sfr 98 billion) per working day. Compared with the previous survey, the volume expanded by 25%.

Expressed in US dollars, net turnover amounted to Sfr 1,634 billion, as against Sfr 1,556 billion in 1995 (table 1 and table 9). The appreciation of the dollar between 1995 and 1998 explains why the trading volume, when calculated in dollars, increased less markedly than the volume in terms of Swiss francs. If the results are adjusted for the number of working days, this even leads to a decline in the trading volume in terms of dollars.

1.1 Currencies traded

The US dollar still occupies a dominant position in the Swiss foreign exchange market. It was the countercurrency in 83% (1995: 72%) of all transactions. The Swiss franc gained in significance in relation to the D-mark. Measured by total turnover, however, the share of the Swiss franc declined slightly from 41% to 39%. The proportion of D-mark transactions fell from 47% to 35% (table 3). The reduction is due to the smaller volume of transactions in DM against Swiss francs and dollars against DM. Turnover in dollars against Swiss francs, on the other hand, showed an increase (tables 4, 5 and graph 1). The Swiss franc was particularly in demand in forward transactions, while it played a less dominant role in spot transactions.

Of lesser significance were transactions both in French francs (5%, 1995: 8%) and in Ecus (0.6%, 1995: 2.3%), while turnover involving the pound sterling doubled to 8%.

1.2 Types of transactions

The 1998 survey confirmed the trend towards a growing expansion of forward contracts to the detriment of spot transactions. The share of spot transactions in total turnover dropped to 42% in April 1998 (table 6, graph 2), after already having declined to 51% in the period 1992 to 1995. Forward transactions accounted for a higher proportion due to a vigorous rise in foreign exchange swaps to 58% (1995: 49%). Their share of total transactions was 51% (1995: 39%), while outright transactions fell to 7% (1995: 10%). The increasing significance of swaps may be interpreted as a sign of growing investor confidence in dealing with liquidity considerations and the exchange rate risk.

1.3 Maturities of forward market transactions

In forward transactions the proportion of transactions with a duration of up to a week fell to 75% in April 1998 (table 7, graph 4). The share of transactions with a maturity of one week to a year increased to 23%, while that of transactions with a duration of more than a year totalled 2%. The average maturity of foreign exchange swaps is shorter than that of outright transactions. Three-quarters of the turnover of foreign exchange swap transactions had a maturity of less than a week, whereas this type of business accounted for a mere 37% of all outright transactions. By limiting the maturities of swaps to a few days only and constantly renewing the transactions, market participants are in a position to react more flexibly to market events.

1.4 Trading partners

The transactions with foreign banks accounted for 70% of total turnover compared with 71% in 1995 (table 1, graph 3). The share of transactions with domestic banks decreased from 15% to 14%. Trades with customers amounted to 16%, as against 15% three years earlier. Half of these transactions were concluded with foreign customers.

In the 1998 survey banks were, moreover, grouped under "banks participating in the survey" and "other banks". This additional information made it possible to establish net turnover more accurately. Only the transactions of banks participating in the survey were adjusted for double countings.

1.5 Market shares of the banks

Measured by the gross turnover in the foreign exchange market, the market share of the Swiss big banks (excluding subsidiaries) stood at 67% in April 1998 compared with 72% in April 1995 (table 8). By contrast, the share accounted for by foreign-controlled banks and the branches of foreign banks rose to 18% (1995: 15%). The share of the cantonal banks has also expanded to 5% (1995: 2%), whereas the market share of the other institutions has contracted to 10% (1995: 12%).

As already in 1995, the big banks were considerably less active in spot and outright transactions than in the field of foreign exchange swaps. In 1998, they suffered a further decline of their market share both in spot transactions (from 64% to 54%) and in outright trading (from 52% to 44%), while their swap position rose from 80% to 86%.

2. Other foreign exchange derivative and interest rate contracts

In 1998, statistics were collected for the second time on currency swaps, foreign exchange options and interest rate contracts. Unlike in 1995, the survey concentrated on over-the-counter (OTC) trading. The 1998 survey covered the derivative market activities of 64 banks (1995: 50 banks).

2.1 Foreign exchange derivative contracts

In April 1998, turnover in the sectors currency swaps and foreign exchange options expanded considerably compared with the results of the 1995 survey. The net turnover of foreign exchange options increased to \$ 198 billion compared with \$ 35 billion in April 1995 (table 9). With a net volume of almost \$ 10 billion per working day, options took second place after foreign exchange swaps. 17% of total derivatives turnover is attributable to options. Despite a marked rise since 1995 compared with other types of business, the net trading volume of currency swaps per working day has remained modest.

The US dollar was the countercurrency in almost 74% of all transactions in the segment foreign exchange options. The D-mark was employed in 40% of all transactions, and the Swiss franc accounted for 24%. The proportion of transactions with "other currencies" on both sides was 62%.

The three major currency relations in options transactions were US dollar/yen (30%), US dollar/D-mark (24%) and US dollar/Swiss franc (10%). The transactions in D-mark/ Swiss francs accounted for 4.4%, followed by transactions in pounds sterling/D-marks with a share of 4%.

2.2 Interest rate contracts

The net turnover of interest rate contracts (forward rate agreements, swaps and OTC options) totalled \$ 118 billion in April

1998 compared with \$ 44 billion in April 1995 (table 9). While in 1995 forward rate agreements had represented the main segment, interest rate swaps dominated in 1998, accounting for two-thirds of all transactions compared with a mere 20% in April 1995. Net turnover per trading day amounted to almost \$ 4 billion for swaps and \$ 2 billion for forward transactions. The turnover of OTC options per trading day, i.e. \$ 53 million, fell considerably short of the 1995 level.

In the field of interest rate contracts, activities were concentrated largely in the Swiss franc. In relation to total turnover of interest rate business, it accounted for 87%. 99% of swap transactions, 64% of forward transactions and 90% of options were Swiss franc denominated. Transactions involving the yen accounted for almost 6%. The other currencies played an insignificant role in this segment.

Swiss National Bank

Table 1:

Foreign exchange turnover in Switzerland

Comparison of the results of April 1989 / 92 / 95 / 98

	1989	1992	1995	1998
Number of banks	67	105	114	64
	in billions of CHF	in billions of CHF	in billions of CHF	in billions of CHF
Gross turnover	2,206	2,325	2,022	2,735
Daily turnover	110	116	112	137
Net turnover	1,844	1,987	1,765	2,460
Daily turnover	92	99	98	123
	in billions of USD	in billions of USD	in billions of USD	in billions of USD
Gross turnover	1,341	1,534	1,783	1,817
Daily turnover	67	77	99	91
Net turnover	1,121	1,311	1,556	1,634
Daily turnover	56	66	86	82

Daily net turnover (in brackets share of total turnover)

	in millions of USD		in millions of USD		in millions of USD		in millions of USD	
Types of transactions								
Spot	30,250	(54%)	36,855	(56%)	44,186	(51%)	34,464	(42%)
Forward market transactions	25,820	(46%)	28,694	(44%)	42,276	(49%)	47,255	(58%)
<i>Outright forwards</i>	3,056	(5%)	5,999	(9%)	8,351	(10%)	5,465	(7%)
<i>Foreign exchange swaps</i>	22,764	(41%)	22,695	(35%)	33,925	(39%)	41,790	(51%)
Counterparty								
Banks: <i>Domestic</i>	10,973	(20%)	11,154	(17%)	12,584	(15%)	11,146	(14%)
<i>Foreign</i>	36,310	(65%)	42,153	(64%)	61,010	(71%)	57,435	(70%)
Customer: <i>Domestic</i>	5,054	(9%)	5,705	(9%)	5,630	(7%)	6,332	(8%)
<i>Foreign</i>	3,733	(7%)	6,536	(10%)	7,237	(8%)	6,807	(8%)
Currency pairs								
USD/CHF	22,300	(40%)	19,943	(30%)	22,876	(27%)	23,811	(29%)
USD/DEM	10,110	(18%)	14,920	(23%)	20,231	(23%)	17,349	(21%)
USD/JPY	3,853	(7%)	4,154	(6%)	6,326	(7%)	8,895	(11%)
DEM/CHF	7,920	(14%)	7,275	(11%)	9,830	(11%)	5,574	(7%)

Average foreign exchange rates in April

USD/CHF	1.6450	1.5156	1.1342	1.5054
USD/DEM	1.8689	1.6482	1.3775	1.8137
USD/JPY	132.02	133.51	83.61	132.03

Table 2:

(in millions USD)

	CHF against						USD against				Others	TOTAL
	USD	DEM	EMS without DEM	XEU	Others	TOTAL	DEM	EMS without DEM	JPY	Others		
I. Spot transactions	6,356.5	4,891.0	766.3	48.0	231.8	12,293.6	9,792.8	2,030.2	4,927.7	655.7	4,763.5	34,463.5
Banks	5,098.6	4,364.5	472.5	34.5	181.9	10,152.0	8,314.9	1,517.9	3,353.3	521.3	3,903.3	27,762.7
Customers	1,257.9	526.5	293.7	13.6	49.9	2,141.6	1,477.9	512.4	1,574.4	134.4	860.2	6,700.8
II. Forward transactions	17,454.4	682.6	473.9	11.8	695.0	19,317.7	7,556.1	12,962.3	3,967.2	2,244.5	1,207.5	47,255.3
A. Outright forwards	1,143.1	287.3	211.1	6.3	120.6	1,768.4	1,588.3	641.7	735.9	157.1	573.8	5,465.1
Banks	387.5	79.1	86.9	2.6	43.4	599.5	508.6	401.7	304.8	90.2	272.1	2,176.7
Customers	755.5	208.1	124.2	3.8	77.2	1,168.9	1,079.7	240.0	431.1	67.0	301.7	3,288.4
B. Foreign exchange swaps	16,311.4	395.3	262.8	5.5	574.4	17,549.4	5,967.8	12,320.6	3,231.4	2,087.3	633.7	41,790.2
Banks	15,154.1	214.8	128.7	3.8	516.3	16,017.6	5,372.1	11,992.1	2,828.1	1,996.3	434.8	38,641.0
Customers	1,157.3	180.6	134.2	1.7	58.1	1,531.8	595.7	328.5	403.2	91.1	198.9	3,149.2
TOTAL	23810.9	5,573.6	1,240.2	59.8	926.8	31611.4	17348.9	14992.5	8,894.9	2,900.2	5,971.0	81718.9

Table 3:

Currencies traded - Shares in total net turnover

	USD	DEM	CHF	Others	Total
1992	73%	43%	47%	37%	200%
1995	72%	47%	41%	39%	200%
1998	83%	35%	39%	43%	200%

Tables 4 and 5:

Currency pairs - Shares in total net turnover

	USD/CHF	USD/DEM	DEM/CHF	USD/JPY	Others	Total
1989	40%	18%	14%	7%	21%	100%
1992	30%	23%	11%	6%	29%	100%
1995	26%	23%	11%	7%	31%	100%
1998	29%	21%	7%	11%	32%	100%

Currency pairs - Shares in total net turnover

	USD / GBP	DEM/GBP	CHF/GBP	DEM/JPY	CHF/JPY
1992	5.4%	1.4%	1.3%	1.4%	0.9%
1995	2.3%	1.8%	0.3%	1.3%	0.7%
1998	4.7%	2.3%	0.6%	1.8%	0.4%

Table 6:

Types of transactions - Shares in total net turnover

	Spot	Foreign exchange swaps	Outright forwards	Total
1989	54%	41%	5%	100%
1992	56%	35%	9%	100%
1995	51%	39%	10%	100%
1998	42%	51%	7%	100%

Table 7:

Maturities of forward market transactions - Shares in total net turnover

	Up to 7 days	> 7 days and up to 1 year	> 1 year	Total
1995	80%	19%	1%	100%
1998	75%	23%	2%	100%

Table 8:

Selected groups of banks - Shares in total gross turnover

	Big Banks	Foreign banks	Cantonal banks	Other banks	Total
1995	72%	15%	2%	12%	100%
1998	67%	18%	5%	10%	100%

Table 9:

Turnover in foreign exchange and derivatives markets

Comparison of the results of April 1995 and April 1998

	1995		1998	
	Gross	Net	Gross	Net
	in billions USD		in billions USD	
1. Foreign exchange turnover	1,783	1,556	1,817	1,634
Spot	927	795	772	689
Outright forwards	162	150	116	109
Foreign exchange swaps	694	611	928	836
2. OTC-FX-Derivatives turnover	39	35	211	198
Currency swaps	1	0	6	5
Options	38	35	205	193
3. OTC-Interest rate contracts turnover	51	44	137	118
Forward Rate Agreements (FRA's)	35	29	56	38
Swaps	10	9	80	78
Options	7	6	1	1
	in millions USD		in millions USD	
	per day (18)		per day (20)	
1. Foreign exchange turnover	99,047	86,462	90,827	81,719
Spot transactions	51,484	44,186	38,623	34,464
Forward market transactions	47,563	42,276	52,204	47,255
<i>Outright forwards</i>	9,013	8,351	5,816	5,465
<i>Foreign exchange swaps</i>	38,550	33,925	46,387	41,790
2. OTC-FX-Derivatives turnover	2,158	1,969	10,534	9,900
Currency swaps	30	23	276	250
Options	2,128	1,946	10,258	9,650
3. OTC-Interest rate contracts turnover	2,856	2,442	6,860	5,883
Forward Rate Agreements (FRA's)	1,944	1,623	2,802	1,922
Swaps	541	483	3,996	3,908
Options	371	336	63	53

OTC = over-the-counter

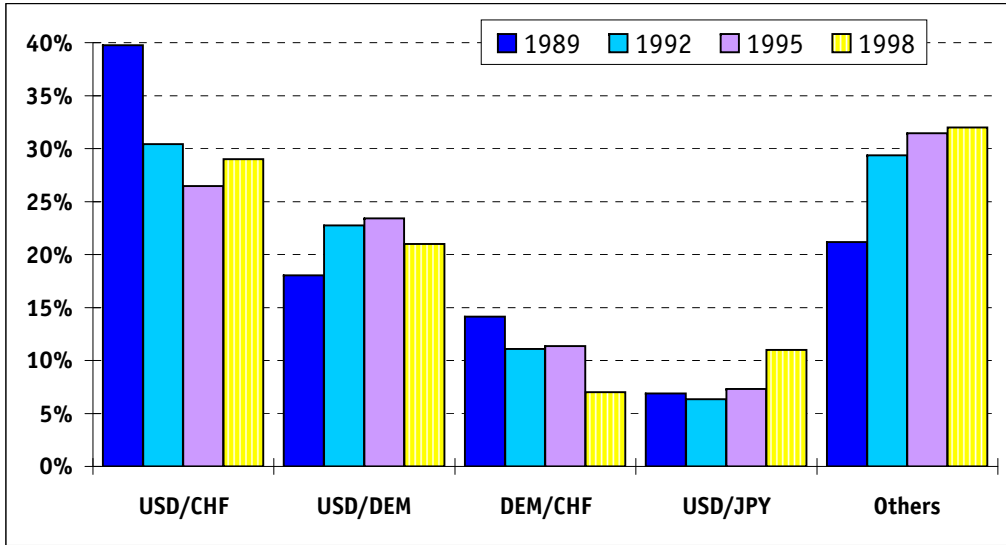
Foreign exchange turnover in Switzerland

(survey of april 1998)

Graphs

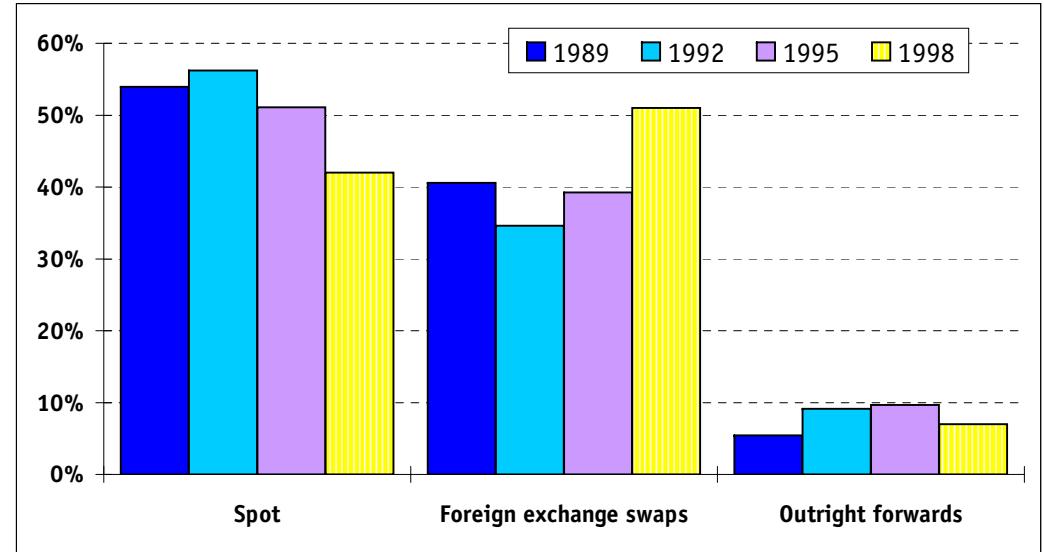
Graph 1 - Currency pairs

(in % of the total net turnover)



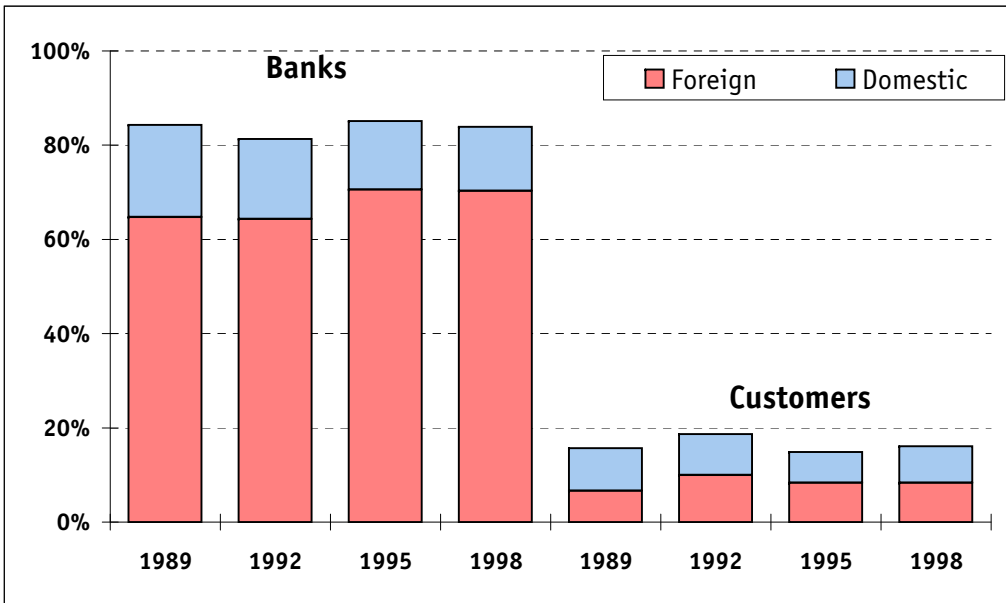
Graph 2 - Types of transactions

(in % of the total net turnover)



Graph 3 - Counterparties

(in % of the total net turnover)



Graph 4 - Maturities of forward market transactions

(in % of the total net turnover)

