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### Press release

# Turnover in foreign exchange and derivatives markets in Switzerland - 2001 survey

## Declining turnover and diminishing importance of the Swiss franc

In April and June 2001, the central banks of the industrialised countries again participated in a survey, coordinated by the Bank for International Settlements (BIS), on the foreign exchange and derivatives markets. The objective of this survey was to obtain an overview of the size and structure of these markets, the role of the individual financial centres and currencies, and the types and maturities of transactions. The last survey dates back to April 1998.

The 2001 survey was conducted in two consecutive steps:

- The first part covers *turnovers* of domestic bank offices in the foreign exchange and derivatives markets during the month of April. This press release specifically discusses the results for Switzerland. Also today, the figures on global turnovers will be published by the BIS (<http://www.bis.org/publ/rpfx01.htm>).
- The second part of the survey deals with the *outstanding amounts* relating to derivatives products (notional amounts and replacement values) as per 30 June 2001. Unlike the survey on turnovers, this part only includes the transactions of internationally operating banking groups. The BIS will publish the global results at a later date.

The Swiss National Bank participated in the survey for the fifth time. 42 banks in Switzerland (1998: 63 banks) provided data on their turnovers. Data was only requested from banks with a sizeable share in this business sector. The data collected was broken down according to type of business, business partners, currencies and term of the contracts.

### 1. Foreign exchange market (classic transactions)

Gross turnover in the Swiss foreign exchange market (spot, outright and swap transactions) totalled Sfr 2,527 billion in April 2001 (table 1), slightly down from Sfr 2,735 billion recorded in 1998. This result reflects the global trend towards lower turnovers in foreign exchange markets. After the elimination of double countings resulting from domestic interbank statistics, the net volume amounted to Sfr 2,304 billion (April 1998: Sfr 2,460 billion). The trading volume per working day thus fell from Sfr 123 billion recorded in the last survey to Sfr 121 billion in April 2001.

Expressed in US dollars, net turnover totalled 1,346 billion (tables 1 and 9), significantly less than in April 1998 (1,634 billion). This decline is mainly due to the sharp appreciation of the US dollar.

#### 1.1 Currencies traded<sup>1</sup>

The US dollar has maintained its dominant position in the Swiss foreign exchange market even after the launch of the euro. The dollar was the countercurrency in 86% (1998: 83%) of all transactions (table 3), the euro in 45%. In 1998 the share of the currencies participating in the European Monetary System (EMS) had still amounted to 52%. However, this figure also included transactions between EMS currencies; the two values can, therefore, not be compared directly. The proportion of the Swiss franc continued to shrink. After still recording 41% in 1995 and 39% in 1998, it was down to 34% in 2001. This decline was, in particular, accounted for by transactions against the US dollar. The share of the other currencies contracted from 43% to 35% between 1998 and 2001. Among the other currencies the yen and the pound sterling achieved considerable shares (15% and 8% respectively); as regards foreign exchange swaps in this category, the sharp rise exhibited by Scandinavian currencies since the last survey is particularly striking.

#### 1.2 Types of transactions

The latest survey confirmed the trend towards an increase in forward contracts to the detriment of spot transactions (table 6).

The share of spot transactions dropped to 33% from 42% recorded in 1998. The share of foreign exchange swaps rose markedly in 2001. At 58%, it was seven percentage points higher than in 1998. The increasing proportion of swaps indicates that investors have gained further experience in dealing with exchange rate risks and in managing liquidity.

### **1.3 Maturities of forward transactions**

The proportion of transactions with a maturity of up to one week fell from 75% in 1998 to 62% in April 2001 (table 7). By contrast, the share of transactions with a maturity of one week to a year expanded from 23% to 39%. Transactions with longer maturities were negligible. While outright transactions predominantly exhibited medium-term maturities (72%), almost 66% of foreign exchange swaps had short-term maturities. This difference is due to market participants using foreign exchange swaps to react flexibly to market events. The average maturity of swaps is, therefore, very short.

### **1.4 Trading partners**

Transactions with foreign banks accounted for 68% (1998: 70%) of total turnover (table 1). The share of transactions with domestic banks decreased from 14% to 13%. Trades with customers amounted to 19%, as against 16% three years earlier. More than half of these transactions were concluded with domestic customers.

### **1.5 Market shares of the banks**

Measured by the gross turnover, the market share of the Swiss big banks (excluding subsidiaries) totalled 61% in April 2001 compared with 67% in 1998 (table 8). By contrast, the share accounted for by foreign-controlled banks and the branches of foreign banks rose slightly to 19% (1998: 18%). The share of the cantonal banks also expanded to 7% (1998: 5%), that of other banks to 13% (1998: 10%).

As in 1998, the big banks were the most active participants in the market for foreign exchange swaps. In 2001, they recorded a decline in their share of spot transactions (from 54% to 44%) and a stabilisation in outright transactions (from 44% to 45%); their swap position contracted from 86% to 75%.

## **2. Other foreign exchange derivative and interest rate contracts**

This year's survey again includes data on currency swaps, foreign exchange options and interest rate contracts. The survey concentrated on over-the-counter (OTC) trading.

### **2.1 Foreign exchange derivative contracts**

Turnover in the sectors currency swaps and foreign exchange options shrank compared with 1998. While net turnover had totalled \$ 198 billion in 1998, it amounted to a mere \$ 105 billion in April 2001. This decline is only to a limited degree attributable to the appreciation of the US currency; it was largely due to an actual reduction in the trading volume.

The US dollar was the countercurrency in 78% of all transactions. This corresponds to an increase of 4 percentage points compared with 1998. The euro was employed in 65% of all transactions. Since the last survey, the proportion of Swiss franc transactions slipped from 24% to approximately 19%.

### **2.2 Interest rate contracts**

The net turnover of interest rate contracts (forward rate agreements, swaps and OTC options) totalled \$ 183 billion in April 2001, which is a sharp rise compared with the 1998 result (\$ 118 billion). Unlike 1998, forward rate agreements predominated, their share expanding from 33% to almost 82%. The reason for the strong increase in the net turnover of interest rate contracts as well as for the predominance of forward rate agreements was the massive expansion of yen-denominated forward rate agreements compared with the 1998 survey. Yen-denominated forward rate agreements accounted for almost 71% of total turnover in the field of interest rate contracts. The proportion of the Swiss franc amounted to 21%, down from 87% in 1998.

<sup>1</sup>Since every transaction in the foreign exchange market involves two currencies, a partition of transactions into pairs of currencies yields a result of 100%. If, however, both sides of every transaction are counted separately, the sum of all shares must amount to 200%.

## Foreign exchange turnover in Switzerland

Comparison of the results of April 1989 / 92 / 95 / 98 / 01

	1989	1992	1995	1998	2001
<b>Number of banks</b>	67	105	114	63	42
	in billions of CHF	in billions of CHF	in billions of CHF	in billions of CHF	in billions of CHF
<b>Gross turnover</b>	2'206	2'325	2'022	2'735	2'527
<b>Daily turnover</b>	110	116	112	137	133
<b>Net turnover</b>	1'844	1'987	1'765	2'460	2'304
<b>Daily turnover</b>	92	99	98	123	121
	in billions of USD	in billions of USD	in billions of USD	in billions of USD	in billions of USD
<b>Gross turnover</b>	1'341	1'534	1'783	1'817	1'476
<b>Daily turnover</b>	67	77	99	91	78
<b>Net turnover</b>	1'121	1'311	1'556	1'634	1'346
<b>Daily turnover</b>	56	66	86	82	71

### Daily net turnover (in brackets share of total turnover)

	1989	1992	1995	1998	2001
	in millions of USD	in millions of USD	in millions of USD	in millions of USD	in millions of USD
<b>Types of transactions</b>					
Spot	30'250 (54%)	36'855 (56%)	44'186 (51%)	34'464 (42%)	23'388 (33%)
Forward market transactions	25'820 (46%)	28'694 (44%)	42'276 (49%)	47'255 (58%)	47'435 (67%)
<i>Outright forwards</i>	3'056 (5%)	5'999 (9%)	8'351 (10%)	5'465 (7%)	6'331 (9%)
<i>Foreign exchange swaps</i>	22'764 (41%)	22'695 (35%)	33'925 (39%)	41'790 (51%)	41'104 (58%)
<b>Counterparty</b>					
Banks <i>Domestic</i>	10'973 (20%)	11'154 (17%)	12'584 (15%)	11'146 (14%)	9'220 (13%)
<i>Foreign</i>	36'310 (65%)	42'153 (64%)	61'010 (71%)	57'435 (70%)	48'457 (68%)
Customer <i>Domestic</i>	5'054 (9%)	5'705 (9%)	5'630 (7%)	6'332 (8%)	7'694 (11%)
<i>Foreign</i>	3'733 (7%)	6'536 (10%)	7'237 (8%)	6'807 (8%)	5'453 (8%)
<b>Currency pairs</b>					
USD/CHF	22'300 (40%)	19'943 (30%)	22'876 (27%)	23'811 (29%)	18'664 (26%)
USD/DEM(from 2001 USD/EUR)	10'110 (18%)	14'920 (23%)	20'231 (23%)	17'349 (21%)	24'595 (35%)
USD/JPY	3'853 (7%)	4'154 (6%)	6'326 (7%)	8'895 (11%)	8'458 (12%)
DEM/CHF (from 2001 EUR/CHF)	7'920 (14%)	7'275 (11%)	9'830 (11%)	5'574 (7%)	4'446 (6%)

### Average foreign exchange rates in April

USD/CHF	1.6450	1.5156	1.1342	1.5054	1.7120
USD/DEM(from 2001 USD/EUR)	1.8689	1.6482	1.3775	1.8137	0.8929
USD/JPY	132.02	133.51	83.61	132.03	123.73

# Daily net foreign exchange turnover in Switzerland

(in millions USD)

	CHF against						USD against				Others	TOTAL
	USD	EUR	JPY	GBP	Others	TOTAL	EUR	JPY	GBP	Others		
<b>I. Spot transactions</b>	<b>6'151.0</b>	<b>3'350.9</b>	<b>196.0</b>	<b>210.9</b>	<b>72.5</b>	<b>9'981.3</b>	<b>5'950.8</b>	<b>2'725.1</b>	<b>968.2</b>	<b>771.0</b>	<b>2'991.9</b>	<b>23'388.3</b>
Banks	4'992.3	2'955.3	124.0	142.9	40.5	<b>8'254.9</b>	4'743.6	2'123.8	803.2	489.7	2'429.0	<b>18'844.1</b>
Customers	1'158.7	395.7	72.1	68.0	32.0	<b>1'726.5</b>	1'207.2	601.3	165.0	281.3	562.9	<b>4'544.2</b>
<b>II. Forward transactions</b>	<b>12'512.9</b>	<b>1'095.5</b>	<b>223.1</b>	<b>322.5</b>	<b>79.3</b>	<b>14'233.4</b>	<b>18'644.6</b>	<b>5'733.4</b>	<b>3'592.0</b>	<b>3'744.4</b>	<b>1'487.3</b>	<b>47'435.2</b>
<b>A. Outright forwards</b>	<b>1'386.5</b>	<b>459.4</b>	<b>68.5</b>	<b>72.1</b>	<b>29.4</b>	<b>2'015.9</b>	<b>2'403.0</b>	<b>635.7</b>	<b>249.2</b>	<b>329.5</b>	<b>698.2</b>	<b>6'331.4</b>
Banks	583.7	111.7	23.4	9.8	5.4	<b>734.0</b>	1'260.6	367.5	127.1	169.1	350.2	<b>3'008.5</b>
Customers	802.9	347.6	45.1	62.3	24.0	<b>1'281.8</b>	1'142.5	268.2	122.1	160.5	348.0	<b>3'322.9</b>
<b>B. Foreign exchange swaps</b>	<b>11'126.4</b>	<b>636.2</b>	<b>154.7</b>	<b>250.4</b>	<b>49.9</b>	<b>12'217.5</b>	<b>16'241.6</b>	<b>5'097.7</b>	<b>3'342.8</b>	<b>3'414.9</b>	<b>789.2</b>	<b>41'103.8</b>
Banks	10'176.4	445.8	69.2	47.7	8.9	<b>10'748.0</b>	14'309.9	4'332.2	2'744.2	3'151.7	537.8	<b>35'823.8</b>
Customers	949.9	190.3	85.4	202.8	41.0	<b>1'469.5</b>	1'931.7	765.6	598.7	263.2	251.4	<b>5'280.0</b>
<b>TOTAL</b>	<b>18'663.9</b>	<b>4'446.4</b>	<b>419.2</b>	<b>533.4</b>	<b>151.8</b>	<b>24'214.7</b>	<b>24'595.4</b>	<b>8'458.4</b>	<b>4'560.2</b>	<b>4'515.4</b>	<b>4'479.2</b>	<b>70'823.5</b>

Table 3

Currencies traded - Shares in total net turnover

	USD	DEM	EUR	CHF	Others	Total
1992	73%	43%	-	47%	37%	200%
1995	72%	47%	-	41%	39%	200%
1998	83%	35%	-	39%	43%	200%
2001	86%	-	45%	34%	35%	200%

Table 4

Currency pairs - Shares in total net turnover

	USD/CHF	USD/DEM	USD/EUR	DEM/CHF	EUR/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%
2001	26%	-	35%	-	6%	12%	21%	100%

Table 5

Currency pairs - Shares in total net turnover

	USD /GBP	DEM/GBP	EUR/GBP	CHF/GBP	DEM/JPY	EUR/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%
2001	6.4%	-	0.9%	0.8%	-	2.3%	0.6%

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%
2001	33%	58%	9%	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%
2001	60%	39%	1%	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%
2001	61%	19%	7%	13%	100%

# Foreign exchange turnover in Switzerland

Comparison of the results of April 1995 / 1998 / 2001

	1995		1998		2001	
	Gross	Net	Gross	Net	Gross	Net
	in billions USD		in billions USD		in billions USD	
<b>1. Foreign exchange turnover</b>	<b>1'783</b>	<b>1'556</b>	<b>1'817</b>	<b>1'634</b>	<b>1'476</b>	<b>1'346</b>
Spot	927	795	772	689	510	444
Outright forwards	162	150	116	109	125	120
Foreign exchange swaps	694	611	928	836	841	781
<b>2. OTC-FX-Derivatives turnover</b>	<b>39</b>	<b>35</b>	<b>211</b>	<b>198</b>	<b>112</b>	<b>105</b>
Currency swaps	1	0	6	5	1	1
Options	38	35	205	193	111	104
<b>3. OTC-Interest rate contracts turnover</b>	<b>51</b>	<b>44</b>	<b>137</b>	<b>118</b>	<b>189</b>	<b>183</b>
Forward Rate Agreements (FRA's)	35	29	56	38	150	149
Swaps	10	9	80	78	38	33
Options	7	6	1	1	1	1
	in millions USD		in millions USD		in millions USD	
	per day (18)		per day (20)		per day (19)	
<b>1. Foreign exchange turnover</b>	<b>99'047</b>	<b>86'462</b>	<b>90'827</b>	<b>81'719</b>	<b>77'684</b>	<b>70'823</b>
Spot transactions	51'484	44'186	38'623	34'464	26'868	23'388
Forward market transactions	47'563	42'276	52'204	47'255	50'815	47'435
<i>Outright forwards</i>	9'013	8'351	5'816	5'465	6'573	6'331
<i>Foreign exchange swaps</i>	38'550	33'925	46'387	41'790	44'242	41'104
<b>2. OTC-FX-Derivatives turnover</b>	<b>2'158</b>	<b>1'969</b>	<b>10'534</b>	<b>9'900</b>	<b>5'909</b>	<b>5'516</b>
Currency swaps	30	23	276	250	78	62
Options	2'128	1'946	10'258	9'650	5'831	5'453
<b>3. OTC-Interest rate contracts turnover</b>	<b>2'856</b>	<b>2'442</b>	<b>6'860</b>	<b>5'883</b>	<b>9'939</b>	<b>9'615</b>
Forward Rate Agreements (FRA's)	1'944	1'623	2'802	1'922	7'908	7'846
Swaps	541	483	3'996	3'908	1'976	1'729
Options	371	336	63	53	55	40

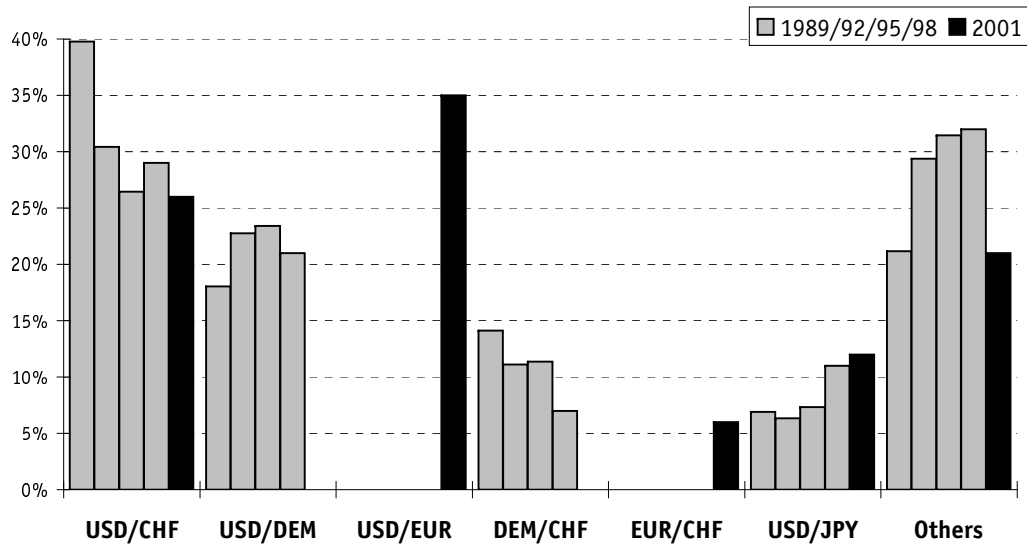
OTC = over-the-counter

# Foreign exchange turnover in Switzerland

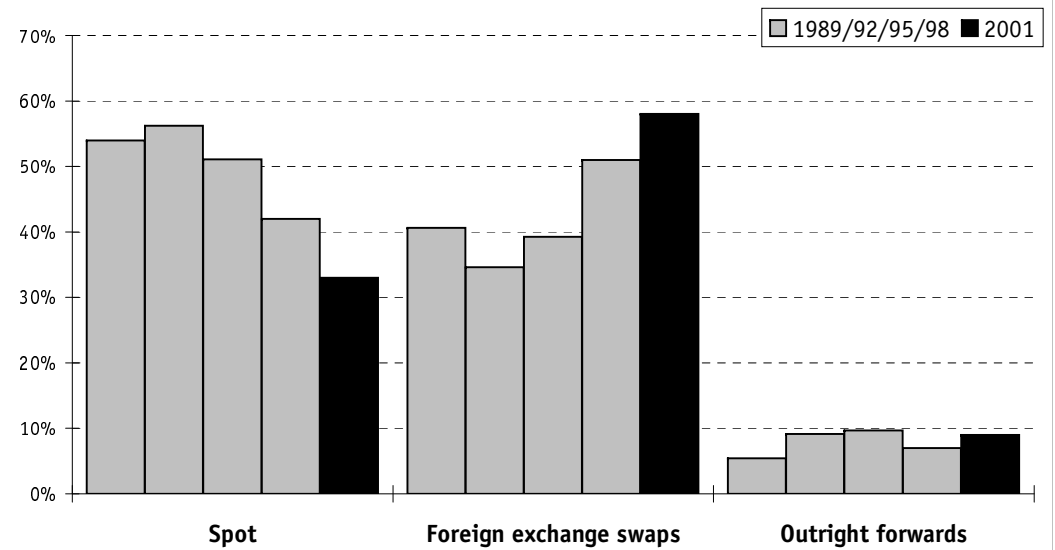
(in % of the total net turnover)

Graphs

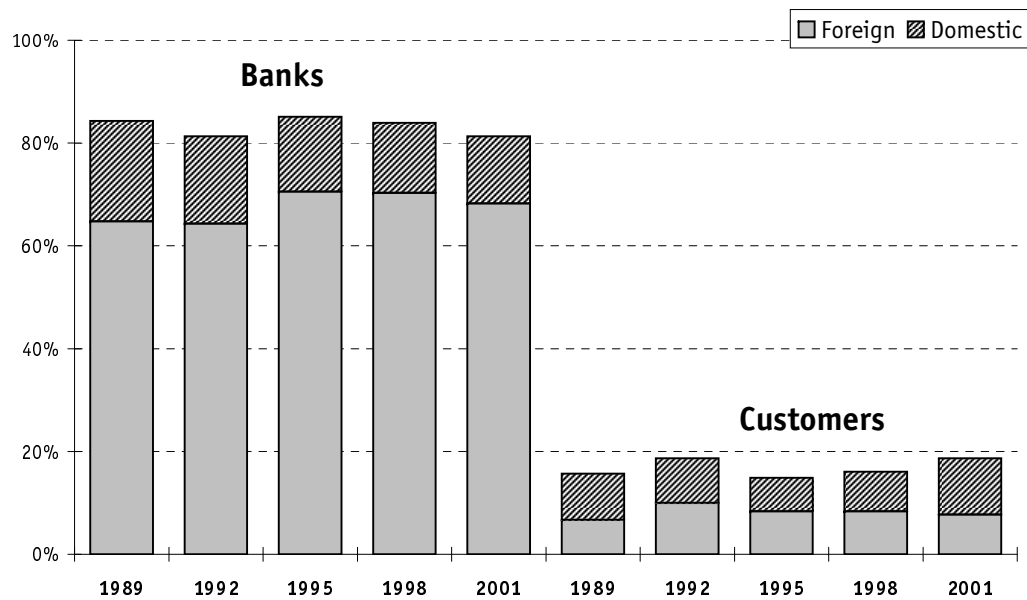
### Graph 1 - Currency pairs



### Graph 2 - Types of transactions



### Graph 3 - Counterparties



### Graph 4 - Maturities of forward market transactions

