



# Memorandum

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## ■ The Riksbank's survey of the turnover in the foreign exchange and fixed-income markets in Sweden

*Turnover in the foreign exchange market in Sweden has declined over the past three years. During the same period, the interest rate derivatives market has slowed down. This was observed in the survey of turnover in the Swedish foreign exchange and derivatives markets made by the Riksbank in April this year at the initiative of the Bank for International Settlements (BIS).*

The Riksbank's survey is part of a larger survey coordinated by the Bank for International Settlements (BIS). The study covers 53 countries and has been carried out every third year since 1989.<sup>1</sup> The previous study was carried out in 2010. The surveyed turnover comprises foreign exchange contracts in the spot and derivatives markets as well as interest rate derivatives.

In Sweden, the study is based on the turnover of the four largest Swedish participants, that is, Swedbank, Nordea Bank, SEB and Svenska Handelsbanken. The survey covers these banks' total foreign exchange and derivatives trading in Sweden; not merely their trade in Swedish kronor. The total turnover in the Swedish kronor market is described in the BIS preliminary report, see [www.bis.org](http://www.bis.org).

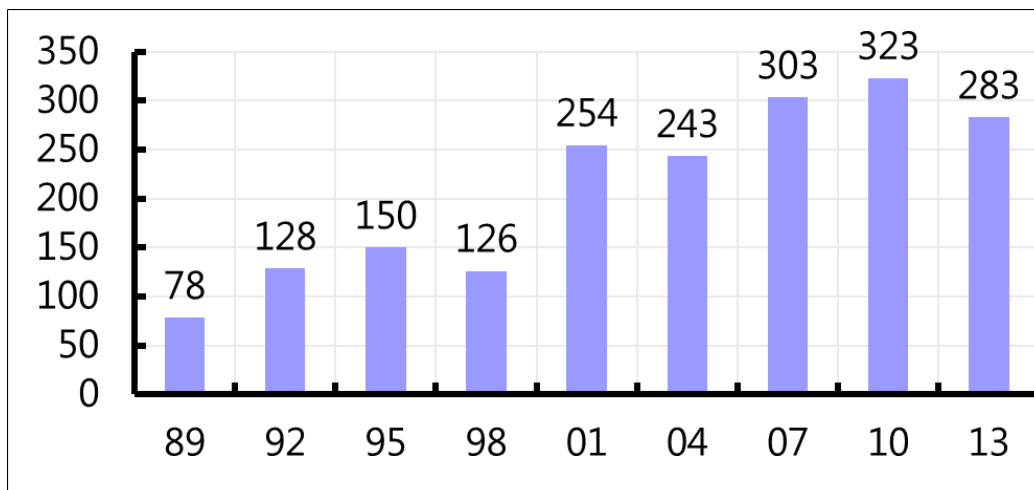
### Foreign exchange market turnover

The foreign exchange market is defined as spot transactions and trade in outright forwards, FX-swaps, currency swaps and foreign exchange options (see the BIS report for definitions of financial instruments). The columns in Figure 1 show the turnover in the foreign exchange market in Sweden expressed in Swedish kronor.

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<sup>1</sup>For a preliminary compilation of all of the countries' surveys, see [www.bis.org](http://www.bis.org).

Figure 1. Turnover in the Swedish foreign exchange market (spot, outright forwards, FX swaps, currency swaps and options), daily average, SEK billion (April 2013).



As the BIS reports its data in US dollars, the change in turnover in the foreign exchange market is reported in Table 1 in both SEK and USD. The difference in the change figures in SEK and USD is due to the strengthening of krona, by 11 per cent, against the US dollar over the past three-year period. FX swaps are the instrument with the highest turnover in the Swedish foreign exchange market. The turnover in FX swaps has declined by just over 2 per cent, when measured in SEK, compared with the study made in 2010. Spot transactions, which have the second highest turnover in the foreign exchange market, have declined by a good 30 per cent during the same period. Also the turnover in outright forwards has declined substantially, by almost 27 per cent, compared with the previous study.

Table 1. Turnover in the Swedish foreign exchange market by type of instrument, daily average (April 2013)

	SEK billion	USD billion	Change in turnover, in SEK, compared with 2010	Change in turnover, in USD, compared with 2010
Spot	59.3	9.1	-30.2%	-22.5%
FX swaps	206.0	31.8	-2.5%	8.4%
Outright forwards	10.3	1.6	-26.6%	-18.4%
Currency swaps	1.2	0.2	77.1%	96.8%
Options	5.8	0.9	-51.0%	45.5%
Total	282.6	43.6	-12.5%	-2.7%

As in previous surveys, the currency pairs with the highest turnover in the Swedish spot market were USD/EUR and SEK/EUR. USD/EUR has the largest share, with 28.1 per cent, which is unchanged. SEK/EUR, on the other hand, has declined by almost 9 percentage points, to 16.8 per cent. The currency pairs that have grown the most are Japanese yen against US dollar and euro, respectively. In the 2010 study they had a share around 2.5 per cent, now they constitute a share of 8.5 and 6.5 per cent, respectively.

- On the FX swap market the most important currency pair was still SEK/USD, with a share of 26.7 per cent which is a decline of almost 9 per cent. The number two in this market is EUR/USD, with an unchanged share of almost 25 per cent. Norwegian krone against US dollar and British pound are the currency pairs which have grown the most. (See Table 2).

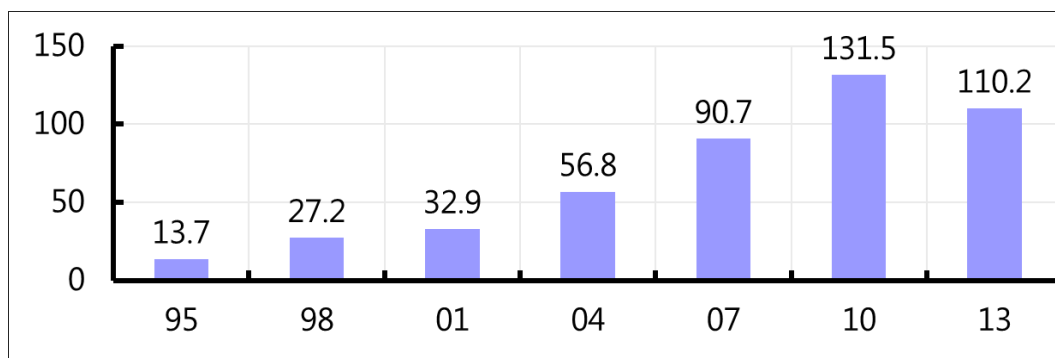
*Table 2. The most frequent currency pairs in the Swedish market, daily average (April 2013)*

Spot	SEK billion		Percentage	FX swaps	SEK billion		Percentage
USD/EUR	16.6		28.1%	SEK/USD	56.9		27.6%
SEK/EUR	9.9		16.8%	USD/EUR	52.5		25.5%
JPY/USD	5.1		8.5%	SEK/EUR	25.1		12.2%
JPY/EUR	3.8		6.5%	USD/GBP	21.9		10.6%
USD/GBP	2.9		4.9%	NOK/USD	20.1		9.7%
SEK/USD	2.5		4.3%	CHF/USD	5.8		2.8%
USD/AUD	2.5		4.2%	NOK/EUR	2.2		1.1%
GBP/EUR	1.3		2.2%	USD/AUD	1.8		0.9%
			75.3%				90.5%

### Interest rate derivative turnover

Trade in interest rate derivatives in Sweden has declined over the past three years. In April 2013 the daily average turnover amounted to just over SEK 110 billion (see Figure 2). When measured in SEK, the decline is just over 16 per cent (see Table 3). The corresponding decline in USD is almost 7 per cent, which is in line with international developments (see the BIS preliminary report).

*Figure 2. Total turnover in interest rate derivatives in the Swedish market, daily average, SEK billion (April 2013)*



The study shows that FRAs have increased their share of interest rate derivatives by 6 percentage points, to 44 per cent, and are now of equal size with interest rate swaps, which have largely the same share as they had in 2010.

Table 3. *Turnover in derivatives in the Swedish market by type of instrument, daily average (April 2013)*

	SEK billion	USD billion	Percentage	Change in turnover, in SEK, compared with 2010	Change in turnover, in USD, compared with 2010
FRA's	48.5	7.5	44%	-3.7%	7.0%
Interest rate swaps	46.8	7.2	43%	-18.9%	-9.8%
Interest-rate options	14.9	2.3	13%	-36.5%	-29.4%
Total	110.2	17.0	100%	-16.2%	-6.9%

The Swedish interest rate derivative market (FRA's, interest rate swaps and interest rate options) is dominated by instruments tied to interest rates in Swedish kronor. Interest rate derivatives denominated in euro have taken over second places for those in Norwegian krone.

Table 4. *Turnover in interest rate derivatives (FRA's, interest rate swaps and interest rate options) in the Swedish market by currency, daily average (April 2013)*

Currency	Billions SEK	Billions USD	Percentage
SEK	85.8	13.2	78%
EUR	18.4	2.8	17%
NOK	5.0	0.8	5%
USD	0.4	0.1	0%
DKK	0.4	0.1	0%
Övriga	0.1	0.0	0%
Total	110.2	17.0	100%