

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 increased over the past three years. During the same period, the interest rate derivatives market has remained largely unchanged. 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).

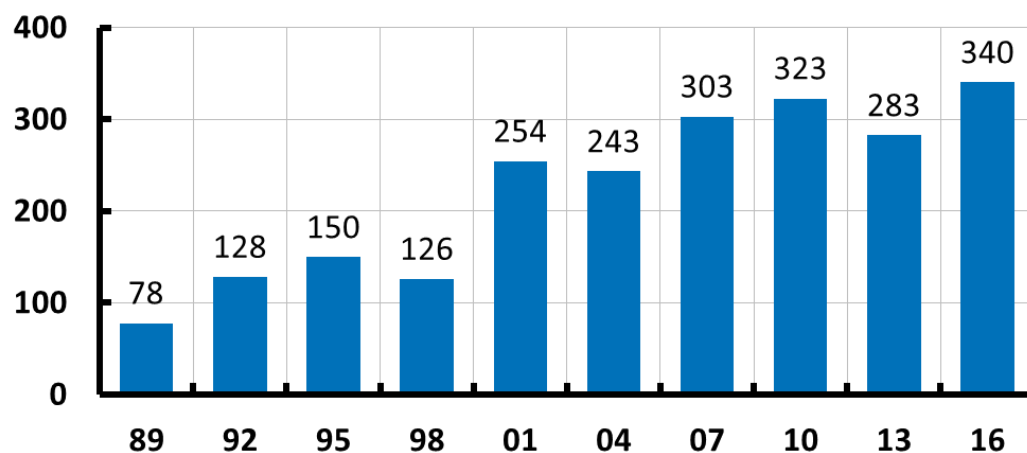
The Riksbank's survey is part of a larger survey (Triennial Central Bank Survey) coordinated by the Bank for International Settlements (BIS). The study covers 52 countries and has been carried out every third year since 1989. The previous study was carried out in 2013. The surveyed turnover comprises 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.

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.

Figure 1. Turnover in the Swedish foreign exchange market (spot, outright forwards, FX swaps, currency swaps and options), daily average, SEK billion (April 2016).



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 total turnover on the foreign exchange market in Sweden has, measured in Swedish kronor, increased by about 20 percent compared with the survey in April 2013. Measured in US dollars, however, the total turnover decreased by about 4 percent. The difference in the change figures in SEK and USD is due to the weakening of krona, by around 20 percent, against the US dollar between April 2013 and April 2016.

FX swaps are by far the most traded instrument in the Swedish foreign exchange market. The turnover in FX swaps has increased by over 26 percent, when measured in SEK, compared with the study made in 2013. We can see a similar development for currency options and currency swaps.

The turnover of outright forwards has increased even more, nearly 68 percent since the previous survey. Spot transactions, which have the second highest turnover in the foreign exchange market, have declined by about 9 percent over the same period.

Table 1. Turnover in the Swedish foreign exchange market by type of instrument, daily average (April 2016)

	SEK billion	USD billion	Change in turnover, in SEK, compared with 2013	Change in turnover, in USD, compared with 2013
Spot	53.7	6.6	-9.4%	-27.6%
FX swaps	260.5	32.1	26.4%	1.0%
Outright forwards	17.3	2.1	67.7%	34.0%
Currency swaps	1.5	0.2	24.0%	-0.9%
Options	7.4	0.9	27.3%	1.7%
Total	340.3	41.9	20.4%	-3.8%

As in previous surveys, the currency pairs with the highest turnover in the Swedish spot market were USD/EUR and SEK/EUR but now in reverse order. SEK/EUR has the largest share, with 24.4 percent, an increase of about 8 percentage points. USD/EUR, on the other

hand, has declined by almost 4 percentage points, to 24.1 percent. In third place we find NOK/EUR with a share of about 12 percent.

On the FX swap market the most important currency pair was still SEK/USD, with a share of 37.5 percent which is an increase of 10 percent. The number two in this market is EUR/USD, which has increased by around 2 percentage points to almost 28 percent. In third place we have SEK/EUR with a share of around 9 percent, which is a decline of about 3 percentage points. (See Table 2).

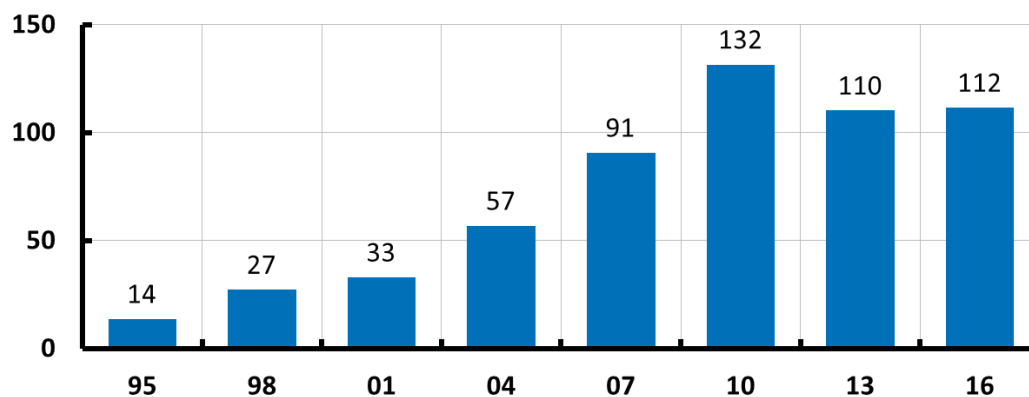
Table 2. The most frequent currency pairs in the Swedish foreign exchange market, daily average (April 2016)

Spot	SEK billion		Percentage	FX swaps	SEK billion		Percentage
SEK/EUR	13.1		24.4%	SEK/USD	97.8		37.5%
USD/EUR	13.0		24.1%	USD/EUR	72.2		27.7%
NOK/EUR	6.5		12.1%	SEK/EUR	22.9		8.8%
SEK/USD	4.5		8.3%	NOK/USD	12.5		4.8%
USD/GBP	2.3		4.2%	USD/GBP	11.7		4.5%
GBP/EUR	2.0		3.7%	CHF/USD	4.9		1.9%
JPY/USD	1.9		3.5%	JPY/USD	4.4		1.7%
USD/AUD	1.0		1.9%	CAD/USD	4.0		1.5%
			82.3%				88.5%

Interest rate derivative turnover

Trade in interest rate derivatives in Sweden has been almost unchanged since the previous survey. In April 2016, the daily average turnover amounted to about SEK 112 billion (see Figure 2). When measured in SEK, the turnover was roughly unchanged (see Table 3). When measured in USD, however, turnover has declined by 19 percent.

Figure 2. Total turnover in interest rate derivatives in the Swedish market, daily average, SEK billion (April 2016)



The study shows that FRAs have increased their share of interest rate derivatives by a good 18 percentage points, to around 62 percent. However, turnover in interest rate swaps has

declined by 8 percentage points to 35 percent, at the same time as turnover in options has declined dramatically. Their share of the turnover in interest rate derivatives has fallen from 13 to 2 percent since the 2013 study.

Table 3. Turnover in derivatives in the Swedish market by type of instrument, daily average (April 2016)

	SEK billion	USD billion	Percentage	Change in turnover, in SEK, compared with 2013	Change in turnover, in USD, compared with 2013
FRA's	69.6	8.6	62%	43.6%	14.7%
Interest rate swaps	39.3	4.8	35%	-16.1%	-33.0%
Interest-rate options	2.6	0.3	2%	-82.4%	-85.9%
Total	111.5	13.7	100%	1.2%	-19.1%

The greater part of the Swedish interest rate derivative market (FRAs, interest rate swaps and interest rate options), 57 percent, is dominated by instruments tied to interest rates in Swedish kronor. However, this share has declined by a quarter, in favour of interest rate derivatives denominated in euro and in US dollars, which account for 22 and 16 percent respectively of the interest rate derivative market in Sweden.

Table 4. Turnover in interest rate derivatives (FRAs, interest rate swaps and interest rate options) in the Swedish market by currency, daily average (April 2016)

Currency	Billions	Billions	Percentage
	SEK	USD	
SEK	63.5	7.8	57%
EUR	24.8	3.1	22%
USD	17.6	2.2	16%
NOK	4.9	0.6	4%
Others	0.8	0.1	1%
Total	111.5	13.7	100%