



PRESS RELEASE

DATE 28 September 2004

NO.

CONTACT Antti Koivisto, Market Operations Department

SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel +46 8 787 00 00
Fax +46 8 21 05 31
registratorn@riksbank.se
www.riksbank.se

■ Riksbank survey of turnover in Swedish foreign exchange and derivatives markets

Turnover in the foreign exchange market in Sweden has stabilised at historically high levels over the past three years. At the same time, the derivatives market has shown robust growth. This was observed in the survey of turnover in the Swedish foreign exchange and derivatives markets made by the Riksbank in April 2004.

The survey is part of a larger international survey coordinated by the Bank for International Settlements (BIS), covering a total of 52 countries.¹ The survey has been carried out on five previous occasions, most recently in 2001. The surveyed turnover comprises foreign exchange contracts in the spot and derivatives markets as well as interest rate derivatives.

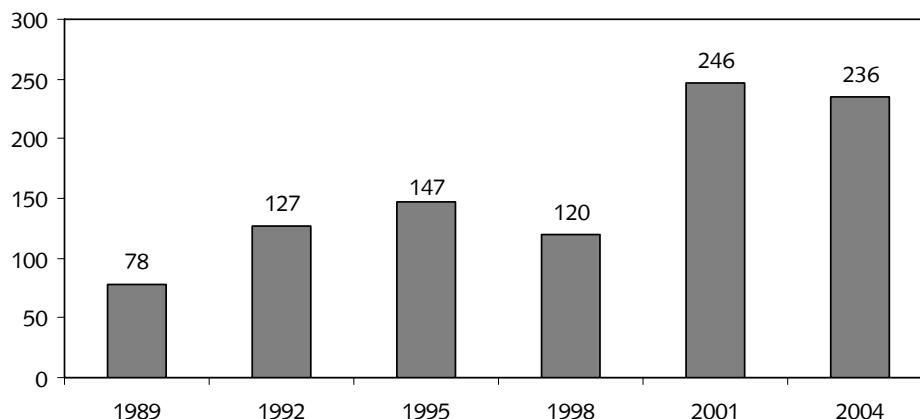
The Swedish survey is based on the turnover of the four largest Swedish agents, i.e. FöreningsSparbanken, Nordea Bank, SEB and Svenska Handelsbanken. The survey covers these banks' total foreign exchange and derivatives trading in Sweden; not merely their trade in Swedish kronor. The total turnover in the Swedish kronor market is reported in the BIS preliminary report.

Foreign exchange market turnover

The foreign exchange market is defined as in previous BIS surveys and is represented by spot transactions and trade in outright forwards and FX swaps (see the BIS report for definitions of the financial instruments). The bars in Figure 1 show that turnover in the foreign exchange market in Sweden has declined marginally, compared with the previous survey in 2001. Turnover has thus stabilised at a high level, compared with the surveys in the 1980s and 1990s.

¹ BIS is publishing a preliminary compilation of all the country surveys today, 28 September 2004.

Figure 1. Turnover in the Swedish foreign exchange market (spot, outright forwards and FX swaps), daily average, SEK billion (April 2004).



FX swaps are the instrument with the highest turnover in the Swedish foreign exchange market. Turnover in FX swaps remains at the same level as that recorded in the 2001 survey. On the other hand, spot transactions, which have the second highest turnover, have declined by around 9 per cent and outright forwards have declined by approximately 30 per cent since the previous survey. 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 differences in development in the table reflect the fact that the krona has appreciated considerably against the US dollar over the past three years.

Table 1. Turnover in the Swedish foreign exchange market by type of instrument, daily average (April 2004)

	SEK billion	USD billion	Change in turnover, calculated in SEK, since 2001	Change in turnover, calculated in USD, since 2001	Percentage share
Spot	54.7	7.1	-8.7%	22.0%	23%
FX swap	171.9	22.5	-0.7%	32.7%	73%
Outright forward	9.1	1.2	-30.0%	-6.5%	4%
Total	235.7	30.8	-4.2%	28.0%	100%

As in previous surveys, the currency pairs with the highest turnover in the Swedish spot market were SEK/EUR and EUR/USD. However, their percentage of the total turnover has declined since the previous survey, partly in favour of SEK/USD.

On the FX swap market the most important currency pair was SEK/USD, as it was in the 2001 survey. This currency pair accounts for more than one third of the total turnover in the FX swap market (see Table 2).



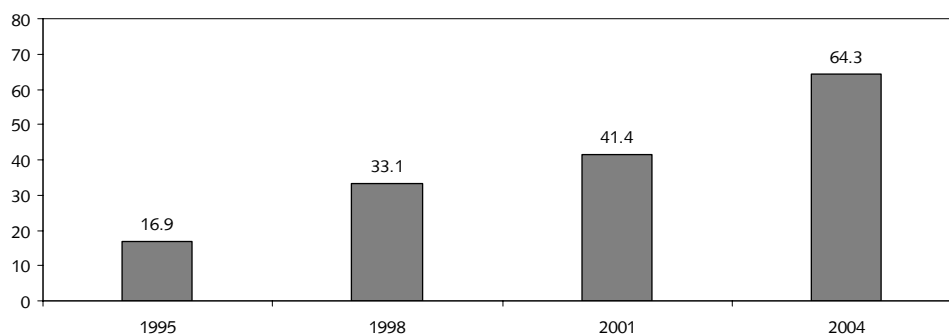
Table 2. *The most frequent currency pairs in the Swedish market, daily average (April 2004)*

Spot			FX swaps		
	SEK billion	Share per cent		SEK billion	Share per cent
SEK/EUR	14.3	26.2%	SEK/USD	64.6	37.6%
EUR/USD	13.4	24.5%	EUR/USD	24.5	14.3%
SEK/USD	5.4	9.9%	SEK/EUR	10.5	6.1%
USD/GBP	1.9	3.5%	GBP/USD	10.0	5.8%
EUR/GBP	1.5	2.7%	CHF/USD	3.4	2.0%
JPY/EUR	1.3	2.3%	JPY/USD	3.2	1.9%
JPY/USD	0.9	1.6%	SEK/GBP	1.6	0.9%
EUR/CHF	0.9	1.6%	CAD/USD	0.9	0.5%
		72.3%			69.1%

Derivatives market turnover

Following a global trend, trade in derivatives in Sweden has increased substantially since the previous survey. When measured in SEK, the increase is just over 55 per cent (see Table 3). Measured in USD, the increase is just under 110 per cent, which is in line with international developments (see the BIS preliminary report). In April 2004 trade amounted to an average of just over SEK 64 billion a day (see Figure 2).

Figure 2. *Total turnover in derivatives in the Swedish market, daily average, SEK billion (April 2004)*



The survey shows that forward rate agreements (FRAs) comprise just over half of the total turnover in derivatives, and that they have increased since the previous survey. However, the instrument that has shown the largest increase since the previous survey is interest rate swaps, which now comprise around 30 per cent of the derivatives turnover.



Table 3. Turnover in derivatives in the Swedish market by type of instrument, daily average (April 2004)

	SEK billion	USD billion	Share (per cent)	Change in turnover, calculated in SEK, since 2001	Change in turnover, calculated in USD, since 2001
FRA	36.0	4.7	56%	28.1%	71.2 %
Interest rate swap	19.4	2.5	30%	352.1%	503.9 %
Interest rate option	1.5	0.2	2%	155.9%	241.8 %
FX option	7.4	1.0	12%	-9.1%	21.4 %
Currency swap	0.1	0.0	0%	-65.3%	-53.7 %
Total	64.3	8.4	100%	55.3%	107.4 %

The Swedish interest rate derivative market (FRAs, interest rate swaps and interest rate options) is dominated by contracts in Swedish interest rates. These account for just over 55 per cent of the total turnover. They are followed by interest rate derivatives in Norwegian kronor, and in euro, which have increased their percentages by around 7 and 4 percentage points respectively.

Table 4. Turnover in interest rate derivatives (FRAs, interest rate swaps and interest rate options) in the Swedish market by currency, daily average (April 2004)

Currency	SEK billion	USD billion	Share (per cent)
SEK	32.0	4.2	56%
NOK	12.4	1.6	22%
EUR	8.5	1.1	15%
USD	2.6	0.3	5%
GBP	0.5	0.1	1%
DKK	0.5	0.1	1%
Others	0.4	0.0	1%
Total	56.8	7.4	100%