



# Memorandum

DATE: 1 September 2010  
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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 stabilised at all-time high levels over the past three years. At the same time, the derivatives market has continued to show robust growth. 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 2007. 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).

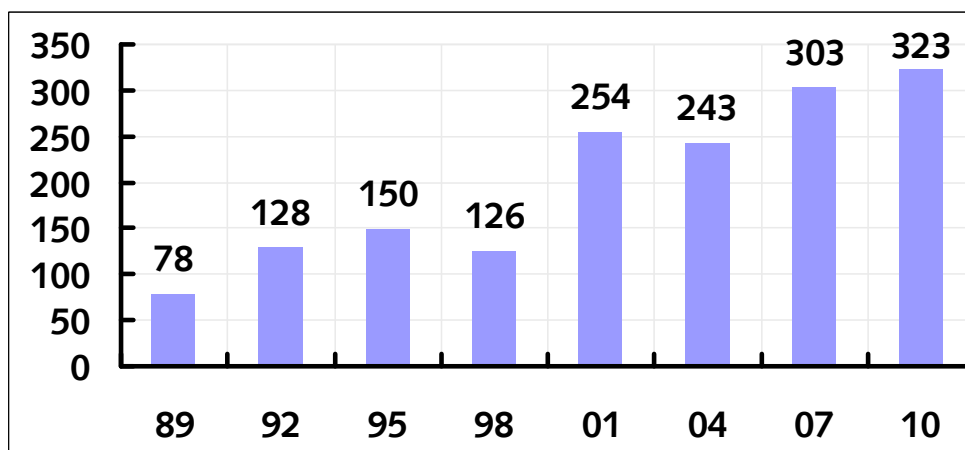
### Foreign exchange market turnover

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 2010).



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 krona having weakened 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 6 per cent, when measured in SEK, compared with the study made in 2007. However, spot transactions, which have the second highest turnover in the foreign exchange market, have increased by 54 per cent during the same period. The turnover in outright forwards has also increased substantially, by almost 31 per cent, compared with the previous study.

Table 1. Turnover in the Swedish foreign exchange market by type of instrument, daily average (April 2010)

	SEK billion	USD billion	Change in turnover, in SEK, compared with 2007	Change in turnover, in USD, compared with 2007
Spot	85.0	11.8	54.1%	46.1%
FX swaps	211.3	29.3	-6.1%	-11.0%
Outright forwards	14.0	1.9	30.6%	23.9%
Currency swaps	0.7	0.1	-45.3%	-48.2%
Options	11.9	1.7	9.3%	3.6%
Total	322.9	44.8	6.5%	1.0%

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 an increase of almost 6 percentage points. SEK/EUR, on the other hand, has declined by almost 3 percentage points, to 25.4 per cent.

On the FX swap market the most important currency pair was still SEK/USD, with a share of 36 per cent. The number two in this market is EUR/USD, with almost 25 per cent. (See Table 2).

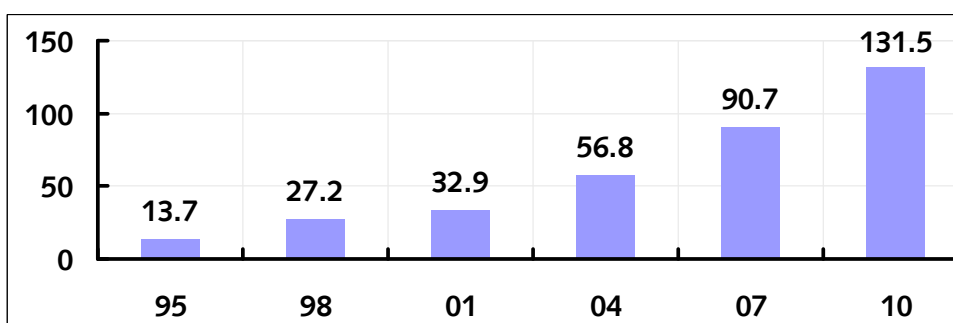
Table 2. The most frequent currency pairs in the Swedish market, daily average (April 2010)

Spot			FX swaps		
	SEK billion	Percentage		SEK billion	Percentage
USD/EUR	23.9	28.1%	SEK/USD	76.1	36.0%
SEK/EUR	21.6	25.4%	USD/EUR	52.1	24.7%
SEK/USD	7.9	9.3%	SEK/EUR	28.1	13.3%
GBP/EUR	2.3	2.7%	CHF/USD	4.8	2.3%
USD/GBP	2.0	2.4%	USD/GBP	6.0	2.8%
JPY/USD	2.0	2.3%	JPY/USD	2.8	1.3%
JPY/EUR	2.0	2.4%	SEK/GBP	2.7	1.3%
CHF/EUR	1.1	1.3%	CAD/USD	2.2	1.1%
		72.5%			82.7%

### Interest rate derivative turnover

Trade in interest rate derivatives in Sweden has continued to increase markedly over the past three years. In April 2010 the daily average turnover amounted to just over SEK 131 billion (see Figure 2). When measured in SEK, the increase is almost 28 per cent (see Table 3). The corresponding increase in USD is just over 21 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 2010)



The study shows that interest rate swaps comprise 44 per cent of the total turnover of interest rate derivatives and that they have increased substantially since the previous survey in 2007. On the other hand, the turnover in FRAs in Sweden has declined since the previous survey and comprises 38 per cent of the turnover in interest rate derivatives.

*Table 3. Turnover in derivatives in the Swedish market by type of instrument, daily average (April 2010)*

	SEK billion	USD billion	Percentage	Change in turnover, in SEK, compared with 2007	Change in turnover, in USD, compared with 2007
FRAs	50.4	7.0	38%	-16.5%	-20.9%
Interest rate swaps	57.7	8.0	44%	243.9%	226.2%
Interest-rate options	23.4	3.2	18%	72.5%	63.6%
Total	131.5	18.2	100%	27.9%	21.3%

The Swedish interest rate derivative market (FRAs, interest rate swaps and interest rate options) is dominated by instruments tied to interest rates in Swedish kronor. Moreover, the share has increased slightly and accounts for just over two thirds of the turnover. Interest rate derivatives in Norwegian kronor have retained their second place.

*Table 4. Turnover in interest rate derivatives (FRAs, interest rate swaps and interest rate options) in the Swedish market by currency, daily average (April 2010)*

Currency	Billions SEK	Billions USD	Percentage
SEK	90.0	12.5	68%
NOK	20.8	2.9	16%
EUR	9.5	1.3	7%
USD	8.8	1.2	7%
DKK	0.5	0.1	0%
CHF	0.5	0.1	0%
Other	1.3	0.2	1%
Total	131.5	18.2	100%