

Instructions for Central Bank Survey of Foreign Exchange and Derivatives Market Activity

Turnover Survey Financial Firms

**FR 3036
OMB No. 7100-0285**

This report is authorized by law [12 U.S.C. §§ 248(a)(2), 353-359, and 3105(c)]. Your voluntary cooperation in submitting this report is needed to make the results comprehensive, accurate and timely. The Federal Reserve may not conduct or sponsor, and an organization is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The Federal Reserve System regards the individual institution information provided by each respondent as confidential [5 U.S.C. § 552(b)(4)]. If it should be determined that any information collected on this form must be released, other than in the aggregate in ways that will not reveal the amounts reported by any one institution, respondents will be notified.

Public reporting burden for this collection of information is estimated to be 50 hours per response, including time to gather and maintain data in the proper form, to review instructions and to complete the information collection. Send comments regarding this burden estimate to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project, (7100-0285), Washington, DC 20503.

March 13, 1998

**Central Bank Survey of Foreign Exchange and Derivatives Market Activity
Turnover Survey
Instructions
Financial Firms**

The Central Bank Survey of Foreign Exchange and Derivatives Market Activity is a coordinated effort by more than 40 Central Banks worldwide. The attached Survey form is the United States portion of the global turnover survey. The data requested in the US survey are for transactions executed by traders physically located in the US, regardless of the location of the office in whose name a transaction is ultimately booked.

The Survey covers the volume of transactions (turnover) during April 1998 in the foreign exchange cash market, the foreign exchange derivatives market, and the interest rate derivatives market. The purpose of these statistics is to increase market transparency and provide central banks, other authorities, and market participants with information about activity in the global financial system. This survey is not intended to obtain information about the market risk profile of individual market participants.

The Federal Reserve System regards the individual information provided by each respondent as confidential. Aggregate US market totals will be published by the Federal Reserve Bank of New York, and aggregate world-wide market totals will be published by the Bank for International Settlements.

These instructions cover both the Foreign Exchange and Interest Rate Derivative turnover sections of the Survey. A diskette containing an Excel spreadsheet is provided for your response.

1. Coverage

Market categories.

The survey collects data on foreign exchange and derivative contracts broken down by the following classifications:

- foreign exchange contracts including derivatives (Tables A1 to A5);
- single-currency interest rate derivatives (Tables B1 to B2).

Foreign exchange contracts include all deals involving exposure to more than one currency, whether in interest rates or exchange rates.

Single currency interest rate derivatives include all contracts exposed to one and only one currency's interest rate.

Product types.

The Survey uses the following instrument breakdown:

Foreign exchange (Tables A1 - A5)

spot;
outright forwards (FX forward contracts);
foreign exchange swaps;
currency swaps (cross currency interest rate swaps);
OTC options;
Other products.

Single-currency interest rate derivatives (Tables B1 - B2)

forward rate agreements;
swaps;
OTC Options (interest rate caps, floors, collars, and swaptions);
Other products.

Section 5 contains further details regarding individual instrument definitions and reporting conventions.

In the product classifications, an option takes precedence over other product categories. Thus, any transaction with an embedded option should be classified as an option. The transactions covered by the survey are over-the-counter (OTC) transactions only. Exchange traded products should not be reported. Currency and counterparty breakdowns are requested for all products except for *other products*, for which only a total figure is requested.

Type of data requested.

To gauge the size of the market, the survey collects the following types of data regarding activity in the United States:

- Foreign exchange related turnover in notional amounts (Tables A1 to A4);
- Number of foreign exchange deals and settlement flows (Table A5);
- Interest rate derivatives turnover in notional amounts (Tables B1 to B2).

(For the definition of activity in the United States, see the section *Reporting basis* below.)

Turnover Data.

Turnover is defined as all new deals entered into (regardless of whether or not settled) during April 1998. Turnover should be reported in terms of nominal or notional amount.

Data collected for the survey should reflect the gross amount of transactions entered into during April 1998, before the effects of any netting arrangements and offsets. The notional amount of each transaction should be recorded once, regardless of whether delivery or settlement is made during that month. In the case of transactions with variable notional amounts, the basis for reporting should be the notional amount on the transaction date. Options should be broken out by options bought and options sold. For all other products, the gross amount of both bought and sold transactions should be reported in aggregate.

Reporting basis.

The reporting should include all transactions entered into by the reporting institution's trading offices in the US, regardless of the location of the office in whose name the transaction is ultimately booked and regardless of the counterparty's location. (See also the section on *Location* below.)

Arm's-length transactions.

Reporting institutions are asked to include the aggregate gross value of all arm's-length transactions concluded by their offices. An arm's-length transaction is defined as a transaction where the dealer is indifferent to the counterparty. In other words, in-house deals and deals with other offices of the same institution should be included if the trader would have been equally willing to conclude the deal in question with a fully independent market participant.

Reporting units and currency conversion.

Turnover is to be reported in US dollar equivalents. For non-US dollar amounts, the exchange rates prevailing on the transaction date should be applied. However, if this is impractical or impossible, turnover data may be reported using average or end-of-period rates.

Transactions which involve the direct exchange of two currencies other than the US dollar should be measured by totaling the US dollar equivalent of only the purchased side of the transaction. Cross-currency deals passing through a vehicle currency should be recorded as two separate transactions against the vehicle currency.

Reporting units.

The monthly total data entered on the report form should be reported in millions of US dollars of notional amount, after rounding to the nearest million (do not use decimals).

2. Currency and market risk breakdowns

Foreign exchange related turnover.

US dollar and Deutsche mark transactions are broken down against each other and also against seven other individual currencies.

- JPY (Japanese yen)
- GBP (Pound sterling)
- FRF (French franc)
- CHF (Swiss franc)
- CAD (Canadian dollar)
- AUD (Australian dollar)
- ECU (European Currency Unit);

and also against three currency groups:

- OMS (Other European Monetary System currencies),
- OTH (Currencies other than those listed above)
- TOT (Total).

The OMS currencies include the following European currencies:

- ATS (Austrian schilling)
- BEF (Belgian franc)
- DKK (Danish kroner)
- ESP (Spanish peseta)
- FIM (Finnish markka)
- GRD (Greek Drachma)
- IEP (Irish pound)
- ITL (Italian lira)
- LUF (Luxembourg franc)
- NLG (Dutch guilder)
- PTE (Portuguese escudo)
- SEK (Swedish kroner).

US dollar transactions.

USD transactions are broken down against eight individual currencies (the Deutsche mark plus the seven listed above) and the three currency groups. See Tables A1 and A3.

Deutsche Mark transactions.

DEM transactions are broken down against the seven currencies listed above and three currency groups. See Tables A2 and A4.

Residual transactions.

Transactions that do not involve either the USD or the DEM (i.e. all deals not yet reported) are included in the RESIDUAL category. See right hand side of Tables A2 and A4.

Other currencies

In addition to the detailed currency breakdowns in Tables A1 to A4, the memorandum Table A5 requests a breakdown of the currencies in the OTHER category into regional groups in terms of aggregate turnover without any counterparty or product detail.

Single currency interest rate derivatives turnover.

Data on turnover of *single-currency interest rate derivatives* follow a similar currency breakdown as for foreign exchange turnover:

- USD (US dollar)
- DEM (Deutsche mark)
- JPY (Japanese yen)
- GBP (Pound sterling)
- FRF (French franc)
- CHF (Swiss franc)
- CAD (Canadian dollar)
- AUD (Australian dollar)
- ECU (European Currency Unit);
- OMS (as defined above)
- OTH (Currencies other than those listed above)
- TOT (Total).

3. Counterparties

Counterparties are classified as *reporting dealers*, *other financial institutions*, and *non-financial customers*. The counterparty types, are further broken down by local or cross-border location. The location of the counterparty is determined by the location of the trading office executing the trade, regardless of the nationality of the parent institution.

Reporting dealers are defined as dealers either in the same country, or in another country, who are reporters in the global survey.

Other financial institutions are defined as all financial institutions not participating in the Survey, including banks, funds and non-bank financial institutions that can be considered financial end-users (e.g. mutual funds, pension funds, hedge funds, currency funds, money market funds, leasing companies, insurance companies, and central banks).

Non-financial customers are defined as any other counterparty, mainly corporate firms and governments.

The *local reporting dealers* category covers counterparties in the United States that are participants in the US survey. This category includes deals between the US trading offices of all the firms participating in the US survey. This category is defined by the list of reporting dealers.

The *cross border reporting dealers* category applies to any dealer counterparty outside the US. To simplify the reporting, the list of *cross border* reporting dealers will not be provided because of its very large size. As a practical rule, any counterparty located outside the US that is considered to be a dealer by the reporter should be assigned to the *cross border* reporting dealer category. For example, an affiliate outside the US of any reporting dealer in the US survey should be assigned to the *cross border* reporting dealer category. Thus, "arm's-length" trades between the reporter's US trading office and the reporter's foreign affiliates should be assigned to the *cross border* reporting dealer category (see *Arm's-length* transactions at the end of Section 1.) In addition, the trading office outside the US of any large bank should also be assigned to this category.

Location.

The *local* and *cross border* categories are determined by the location of the trading office of the counterparty regardless of the nationality of the parent firm.

- A trade between a reporting dealer in the US survey and the US trading office of a counterparty would be a *local* trade, regardless of the nationality of either firm's parent company, and regardless of the location of the office in whose name the deal is ultimately booked.
- A trade between a reporter in the US survey and a trading office outside the US of a counterparty would be a *cross-border* trade, regardless of the nationality of either firm's parent company, and regardless of the location of the office in whose name the deal is ultimately booked.

Elimination of double-counting.

To adjust the data for double-counting in the aggregation of the national and global totals,

transactions with other dealers must be reported separately. Thus, in order to allow for the accurate elimination of both local and cross-border double-counting, reporting institutions should identify transactions with reporting dealers to the best of their ability.

Both legs of “arm ½-length” transactions between affiliates or subsidiaries (independent of whether the reporting is done individually or on a consolidated basis) of firms within the US should be included under reporting dealers.

4. Maturities

The following maturity breakdown is requested for foreign exchange forward and swap transactions:

- up to seven days;
- over seven days and up to one year;
- over one year.

In the case of transactions where the first leg has not come due, the remaining maturity is determined by the difference between the near and far-end dates of the transaction and not by the date of conclusion of the deal.

No maturity breakdowns are requested for any of the other derivatives transactions.

5. Instrument Definitions and Reporting Conventions

This section contains a glossary of product definitions for the instruments included in the survey. Note that the data collected include only over-the-counter (OTC) transactions and do not cover exchange-traded products.

Foreign exchange related transactions (Tables A1 - A5)

Outright forward: Currency trade to be settled at some time in the future (more than two business days).

Non-deliverable (cash settled) forwards: Report under outright forward. Forward transaction where settlement is made by a cash payment reflecting the market value of the contract instead of the exchange of currencies. Also report as a proportion of all forwards (without counterparty or currency breakdowns) in Table A5.

Foreign exchange swap: Transaction which involves the simultaneous exchange of two currencies on a specific date at a rate agreed at the time of the contract, and a reverse exchange of the same two currencies at a date further in the future at a rate agreed at the time of the contract. Both spot/forward and forward/forward swaps are included in this category. Short-term swaps carried out as "tomorrow/next day" transactions should also be included in this category.

Currency swap:	Contract which commits two counterparties to exchange streams of interest payments in different currencies for an agreed period of time and to exchange principal amounts in different currencies at an agreed exchange rate at maturity.
Cross-currency interest rate swap:	Report under currency swap. Variation of a currency swap.
Currency option:	Report under OTC options. Option contract that gives the right to buy or sell a currency with another currency at a specified exchange rate during a specified period. This category should include currency warrants and multi-currency swaptions, as well as exotic foreign exchange options such as average rate options and barrier options.
Currency warrant:	Report under OTC options. Variation of a currency option.
Currency swaption:	Report under OTC options. Option to enter into a currency swap option.
Tomorrow/next transactions:	Report under foreign exchange swaps.
Other products:	Any instrument where the transaction is highly leveraged and/or the notional amount is variable and where a decomposition into individual "plain vanilla" components is impractical or impossible. For these products, currency and counterparty breakdowns are not requested.

Single currency interest rate derivatives transactions (Tables B1 - B2)

Forward rate agreement (FRA):	Interest rate forward contract in which the rate to be paid or received on a specific obligation for a set period of time, beginning at some time in the future, is determined at contract initiation.
Interest rate swap:	Agreement to exchange periodic payments related to interest rates on a single currency; can be fixed for floating, or floating for floating based on different indices. This group includes those swaps whose notional principal is amortized according to a fixed schedule independent of interest rates.
Interest rate option:	Report under OTC options. Option contract that conveys the right to pay or receive a specific interest rate on a predetermined principal for a set period of time.
Interest rate cap:	Report under OTC options. Option that pays the difference between a floating interest rate and the cap rate.
Interest rate floor:	Report under OTC options. Option that pays the difference between the floor rate and a floating interest rate.

Interest rate collar: Report under OTC options. Combination of cap and floor.

Interest rate swaption: Report under OTC options. Option to enter into an interest rate swap contract.

Interest rate warrant: Report under OTC options. Long-dated (over one year) interest rate option.

Bond options: Report under OTC options. Option on a fixed income security. However, do not report options embedded in bonds or notes.

Other products: Any instrument where the transaction is highly leveraged and/or the notional amount is variable and where a decomposition into individual "plain vanilla" components is impractical or impossible. For these products, currency and counterparty breakdowns are not requested.

Instructions for Central Bank Survey of Foreign Exchange and Derivatives Market Activity

Turnover Survey Brokers

**FR 3036
OMB No. 7100-0285**

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January 21, 1998

**Central Bank Survey of Foreign Exchange and Derivatives Market Activity
Turnover Survey
Instructions
Brokers**

The Central Bank Survey of Foreign Exchange and Derivatives Market Activity is a coordinated effort by more than 40 Central Banks worldwide. The attached Survey form is the United States portion of the global turnover survey that applies to brokers. The data requested in the US survey are for transactions executed in the US.

The Survey covers the volume of transactions (turnover) during April 1998 in the foreign exchange cash market, the foreign exchange derivatives market, and the interest rate derivatives market. The purpose of these statistics is to increase market transparency and provide central banks, other authorities, and market participants with information about activity in the global financial system. This survey is not intended to obtain information about the market risk profile of individual market participants.

The Federal Reserve System regards the individual information provided by each respondent as confidential. Aggregate US market totals will be published by the Federal Reserve Bank of New York, and aggregate world-wide market totals will be published by the Bank for International Settlements.

These instructions cover both the Foreign Exchange and Interest Rate Derivative turnover sections of the Survey. A diskette containing an Excel spreadsheet is provided for your response.

1. Coverage

Market categories.

The survey collects data on foreign exchange and derivative contracts broken down by the following classifications:

- foreign exchange contracts including derivatives (Tables A1 to A4);
- single-currency interest rate derivatives (Tables B1 to B2).

Foreign exchange contracts include all deals involving exposure to more than one currency, whether in interest rates or exchange rates.

Single currency interest rate derivatives include all contracts exposed to one and only one currency's interest rate.

Product types.

The Survey uses the following instrument breakdown:

Foreign exchange (Tables A1 - A4)

spot;
outright forwards (FX forward contracts);
foreign exchange swaps;
currency swaps (cross currency interest rate swaps);
OTC options;
Other products.

Single-currency interest rate derivatives (Tables B1 - B2)

forward rate agreements;
swaps;
OTC Options (interest rate caps, floors, collars, and swaptions);
Other products.

Section 5 contains further details regarding individual instrument definitions and reporting conventions.

In the product classifications, an option takes precedence over other product categories. Thus, any transaction with an embedded option should be classified as an option. The transactions covered by the survey are over-the-counter (OTC) transactions only. Exchange traded products should not be reported. Currency and counterparty breakdowns are requested for all products except for *other products*, for which only a total figure is requested.

Type of data requested.

To gauge the size of the market, the survey collects the following types of data regarding activity in the United States:

- Foreign exchange related turnover in notional amounts (Tables A1 to A4);
- Interest rate derivatives turnover in notional amounts (Tables B1 to B2).

(For the definition of activity in the United States, see the section *Reporting basis* below.)

Turnover Data.

Turnover is defined as all new deals entered into (regardless of whether or not settled) during April 1998. Turnover should be reported in terms of nominal or notional amount.

Data collected for the survey should reflect the gross amount of brokered transactions during April 1998. The notional amount of each transaction should be recorded once, regardless of whether delivery or settlement is made during that month. In the case of transactions with variable notional amounts, the basis for reporting should be the notional amount on the transaction date.

Reporting basis.

The reporting should include all transactions brokered by the reporting institution's offices in the US, regardless of the counterparties' location. (See also *Location* in Section 3 below.).

Reporting units and currency conversion.

Turnover is to be reported in US dollar equivalents. For non-US dollar amounts, the exchange rates prevailing on the transaction date should be applied. However, if this is impractical or impossible, turnover data may be reported using average or end-of-period rates.

Transactions which involve the direct exchange of two currencies other than the US dollar should be measured by totaling the US dollar equivalent of only the purchased side of the transaction. Cross-currency deals passing through a vehicle currency should be recorded as two separate transactions against the vehicle currency.

Reporting units.

The monthly total data entered on the report form should be reported in millions of US dollars of notional amount, after rounding to the nearest million (do not use decimals).

2. Currency and market risk breakdowns

Foreign exchange related turnover.

US dollar and Deutsche mark transactions are broken down against each other and also against seven other individual currencies.

- JPY (Japanese yen)
- GBP (Pound sterling)
- FRF (French franc)
- CHF (Swiss franc)
- CAD (Canadian dollar)
- AUD (Australian dollar)
- ECU (European Currency Unit);

and also against three currency groups:

- OMS (Other European Monetary System currencies),
- OTH (Currencies other than those listed above)
- TOT (Total).

The OMS currencies include the following European currencies:

- ATS (Austrian schilling)
- BEF (Belgian franc)
- DKK (Danish kroner)
- ESP (Spanish peseta)
- FIM (Finnish markka)
- GRD (Greek Drachma)
- IEP (Irish pound)
- ITL (Italian lira)

LUF (Luxembourg franc)
NLG (Dutch guilder)
PTE (Portuguese escudo)
SEK (Swedish kroner).

US dollar transactions.

USD transactions are broken down against eight individual currencies (the Deutsche mark plus the seven listed above) and the three currency groups. See Tables A1 and A3.

Deutsche Mark transactions.

DEM transactions are broken down against the seven currencies listed above and three currency groups. See Tables A2 and A4.

Residual transactions.

Transactions that do not involve either the USD or the DEM (i.e. all deals not yet reported) are included in the RESIDUAL category. See right hand side of Tables A2 and A4.

Single currency interest rate derivatives turnover.

Data on turnover of *single-currency interest rate derivatives* follow a similar currency breakdown as for foreign exchange turnover:

USD (US dollar)
DEM (Deutsche mark)
JPY (Japanese yen)
GBP (Pound sterling)
FRF (French franc)
CHF (Swiss franc)
CAD (Canadian dollar)
AUD (Australian dollar)
ECU (European Currency Unit);

OMS (as defined above)
OTH (Currencies other than those listed above)
TOT (Total).

3. Counterparties

The following counterparty breakdowns are requested for all brokered deals:

- trades between two dealers in the U.S.;
- trades between a dealer in the U.S. and a dealer abroad;
- trades between two dealers abroad.

Location.

In the Survey, the location of the dealer is determined by the location of the trading office executing the trade, regardless of the nationality of the parent firm.

4. Maturities

The following maturity breakdowns are requested for foreign exchange forward and swap transactions:

- up to seven days;
- over seven days and up to one year;
- over one year.

In the case of transactions where the first leg has not come due, the remaining maturity is determined by the difference between the near and far-end dates of the transaction and not by the date of conclusion of the deal.

No maturity breakdowns are requested for any of the other derivatives transactions.

5. Instrument Definitions and Reporting Conventions

This section contains a glossary of product definitions for the instruments included in the survey. Note that the data collected include only over-the-counter (OTC) transactions and do not cover exchange-traded products.

Foreign exchange related transactions (Tables A1 - A4)

Outright forward: Currency trade to be settled at some time in the future (more than two business days).

Foreign exchange swap: Transaction which involves the simultaneous exchange of two currencies on a specific date at a rate agreed at the time of the contract, and a reverse exchange of the same two currencies at a date further in the future at a rate agreed at the time of the contract. Both spot/forward and forward/forward swaps are included in this category. Short-term swaps carried out as "tomorrow/next day" transactions should also be included in this category.

Currency swap: Contract which commits two counterparties to exchange streams of interest payments in different currencies for an agreed period of time and to exchange principal amounts in different currencies at an agreed exchange rate at maturity.

Cross-currency interest rate swap: Report under currency swap. Variation of a currency swap.

Currency option: Report under OTC options. Option contract that gives the right to buy or sell a currency with another currency at a specified exchange rate during a specified period. This category should include currency warrants and multi-currency

swaptions, as well as exotic foreign exchange options such as average rate options and barrier options.

Currency warrant: Report under OTC options. Variation of a currency option.

Currency swaption: Report under OTC options. Option to enter into a currency swap option.

Tomorrow/next transactions: Report under foreign exchange swaps.

Other products: Any instrument where the transaction is highly leveraged and/or the notional amount is variable and where a decomposition into individual "plain vanilla" components is impractical or impossible. For these products, currency and counterparty breakdowns are not requested.

Single currency interest rate derivatives transactions (Tables B1 - B2)

Forward rate agreement (FRA): Interest rate forward contract in which the rate to be paid or received on a specific obligation for a set period of time, beginning at some time in the future, is determined at contract initiation.

Interest rate swap: Agreement to exchange periodic payments related to interest rates on a single currency; can be fixed for floating, or floating for floating based on different indices. This group includes those swaps whose notional principal is amortized according to a fixed schedule independent of interest rates.

Interest rate option: Report under OTC options. Option contract that conveys the right to pay or receive a specific interest rate on a predetermined principal for a set period of time.

Interest rate cap: Report under OTC options. Option that pays the difference between a floating interest rate and the cap rate.

Interest rate floor: Report under OTC options. Option that pays the difference between the floor rate and a floating interest rate.

Interest rate collar: Report under OTC options. Combination of cap and floor.

Interest rate swaption: Report under OTC options. Option to enter into an interest rate swap contract.

Interest rate warrant: Report under OTC options. Long-dated (over one year) interest rate option.

Bond options: Report under OTC options. Option on a fixed income security. However, do not report options embedded in bonds or notes.

Other products: Any instrument where the transaction is highly leveraged and/or the notional amount is variable and where a decomposition into individual "plain vanilla" components is impractical or impossible. For these products, currency and counterparty breakdowns are not requested.

Instructions for Central Bank Survey of Foreign Exchange and Derivatives Market Activity

Derivatives Outstanding Survey For those who report on the Semiannual Report of Derivatives Activity (FR2436)

**FR 3036
OMB No. 7100-0285**

This report is authorized by law [12 U.S.C. §§ 248(a)(2), 353-359, and 3105(c)]. Your voluntary cooperation in submitting this report is needed to make the results comprehensive, accurate and timely. The Federal Reserve may not conduct or sponsor, and an organization is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The Federal Reserve System regards the individual institution information provided by each respondent as confidential [5 U.S.C. § 552(b)(4)]. If it should be determined that any information collected on this form must be released, other than in the aggregate in ways that will not reveal the amounts reported by any one institution, respondents will be notified.

Public reporting burden for this collection of information is estimated to be 15 hours per response, including time to gather and maintain data in the proper form, to review instructions and to complete the information collection. Send comments regarding this burden estimate to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project, (71000-0285), Washington, DC 20503.

March 11, 1998

**Central Bank Survey of Foreign Exchange and Derivatives Market Activity
Derivatives Outstanding Survey
Semiannual Reporters
Instructions**

The Central Bank Survey of Foreign Exchange and Derivatives Market Activity is a coordinated effort by more than 40 Central Banks worldwide. The attached survey forms include memoranda items from the United States portion of the global Derivatives Outstanding Survey. The U.S. portion of the Derivatives Outstandings Survey requests data on outstanding derivatives contracts, reported on a consolidated global basis, from institutions that are headquartered in the United States.

To minimize the reporting burden, the Derivatives Outstanding Survey has been aligned with the Semiannual Report of Derivatives Activity (FR 2436), and most of the survey data will be taken from that reporting program. The enclosed Survey forms request a small amount of additional information not included in the semiannual report.

The Federal Reserve System regards the individual information provided by each respondent as confidential. Aggregate world-wide market totals will be published by the Bank for International Settlements. A diskette containing an Excel spreadsheet is provided for your response.

1. Additional memorandum items

We are requesting a small number of memorandum items in addition to the data included in the semiannual report. The purpose of this is twofold: 1) to maintain comparability with the previous survey; and 2) to obtain additional information on derivative products not captured in the semiannual report:

Inter-affiliate trades

Tables 1-3A request data on trades executed with an institution's own branches and subsidiaries. This type of data is not captured in a consolidated report, and is needed to maintain comparability with the previous survey.

Other products

Tables 1 and 2 request data on trades in "other" products. This category includes instruments where the transaction is highly leveraged and/or the notional amount is variable and where a decomposition into individual "plain-vanilla" components is impractical or impossible.

It is requested only in the aggregate for foreign exchange, gold and single-currency interest rate derivatives and does not need to be broken down by currency.

Credit derivatives and "Other" derivatives

Table 3B requests data on credit and "other" derivatives in nominal or notional principal amounts, broken down into the following categories:

- forwards and swaps
- OTC options sold
- OTC options bought

It also requests gross positive and gross negative market values in the aggregate for credit and "other" derivatives.

Credit derivatives are contracts in which the payout is linked primarily to some measure of the creditworthiness of a particular reference credit. The contracts specify an exchange of payments in which at least one of the two legs is determined by the performance of the reference credit. A list of some of the more common credit derivative products is included in section 4.

The "other" derivatives category includes all derivative instruments which do not involve exposure to foreign exchange, interest rate, equity, commodity or credit risk.

2. Reporting basis

Reporting should be on a consolidated basis. This means that data from all branches and (majority-owned) subsidiaries worldwide. In order to allow comparisons with aggregates derived from the 1995 triennial survey, reporting institutions are requested to provide aggregate data on notional amounts outstanding of arm's-length transactions vis-à-vis own branches and subsidiaries.

3. Counterparty types

Institutions are requested to provide a breakdown of contracts by counterparty only in Table 3B. These counterparty types are identical to the ones used in the semiannual report: *semiannual reporting dealers*, *other financial institutions*, and *non-financial customers*.

Semiannual reporting dealer is defined as a firm either in the same country, or in another country, that contributes to the semiannual derivatives reporting. (A list of the "semiannual reporting dealers" is being provided for this purpose.) The reasons for not including all reporting institutions in the category of "reporting dealers" in the amounts outstanding part of the survey are to ensure consistency with the semiannual derivatives reporting data, and to limit the

reporting burden.

Other financial institutions covers all categories of financial institutions not classified as "semiannual reporting dealers," including banks, funds and non-bank financial institutions that may be considered as financial end-users (e.g. mutual funds, pension funds, hedge funds, currency funds, money market funds, leasing companies, insurance companies, and central banks).

Non-financial customer is any counterparty other than those described above, in practice mainly corporate firms and governments.

4. Product definitions

Below is a list and short description of some of the more typical credit derivatives:

Credit spread forward:	Agreement to pay or receive at some time in the future a cash payment that depends on the difference between a spread (i.e. the difference in yields between two financial assets) agreed at contract initiation and that prevailing at settlement.
Credit event/default swap:	Contract committing two counterparties to exchange a periodic fee in exchange for a payment contingent on a default event or any other agreed change in the credit quality of a reference asset for an agreed period of time.
Total return swap:	Contract committing two counterparties to exchange the total economic performance of a financial asset (defined to include all interest payments, fees and any capital appreciation or depreciation) in exchange for a floating rate payout based on a reference index (usually LIBOR plus a spread reflecting the creditworthiness of the counterparty as well as the credit rating and liquidity of the underlying asset).
Credit spread option:	Option contract that gives the right to receive a cash payment if a spread, i.e. the difference in yields between two financial assets, widens beyond an agreed strike level during a specific period.

Instructions for Central Bank Survey of Foreign Exchange and Derivatives Market Activity

Derivatives Outstanding Survey For those who do not report on the Semiannual Report of Derivatives Activity (FR2436)

**FR 3036
OMB No. 7100-0285**

This report is authorized by law [12 U.S.C. §§ 248(a)(2), 353-359, and 3105(c)]. Your voluntary cooperation in submitting this report is needed to make the results comprehensive, accurate and timely. The Federal Reserve may not conduct or sponsor, and an organization is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The Federal Reserve System regards the individual institution information provided by each respondent as confidential [5 U.S.C. § 552(b)(4)]. If it should be determined that any information collected on this form must be released, other than in the aggregate in ways that will not reveal the amounts reported by any one institution, respondents will be notified.

Public reporting burden for this collection of information is estimated to be 60 hours per response, including time to gather and maintain data in the proper form, to review instructions and to complete the information collection. Send comments regarding this burden estimate to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project, (71000-0285), Washington, DC 20503.

January 15, 1998

**Central Bank Survey of Foreign Exchange and Derivatives Market Activity
Derivatives Outstanding Survey
Non-semiannual Reporters
Instructions**

The Central Bank Survey of Foreign Exchange and Derivatives Market Activity is a coordinated effort by more than 40 Central Banks worldwide. The attached Survey forms are the United States portion of the global Derivatives Outstanding Survey. The data requested in the US survey are for outstanding derivatives contracts (reported on a consolidated basis) of financial institutions that are headquartered in the United States and are participating in the survey.

Data to be reported in the Derivatives Outstanding Survey are notional amounts and gross market values of outstanding foreign exchange, interest rate, equity, commodity, and credit over-the-counter (OTC) derivative contracts as of the end of June 1998. The purpose of these statistics is to increase market transparency and to provide central banks, other authorities, and market participants with information about activity in the global financial system. This survey is not intended to obtain information about the market risk profile of individual market participants.

The Federal Reserve System regards the individual information provided by each respondent as confidential. Aggregate US market totals will be published by the Federal Reserve Bank of New York, and aggregate world-wide market totals will be published by the Bank for International Settlements. A diskette containing an Excel spreadsheet is provided for your response.

1. Coverage

The survey collects data on over-the-counter derivative contracts broken down by the following classifications:

- foreign exchange and gold contracts;
- single-currency interest rate derivatives;
- equity, commodity, credit and "other " derivatives.

The *foreign exchange* category includes all deals involving exposure to more than one currency, whether in interest rates or exchange rates, including outright forwards, foreign exchange swaps, currency swaps (including cross-currency interest rate swaps) and currency options.

The *single-currency interest rate* category includes all contracts related to an interest-bearing financial instrument whose cash flows are determined by referencing interest rates or another interest rate contract. Interest rate contracts include forward rate agreements,

single-currency interest rate swaps and interest rate options, including caps, floors, collars and corridors. This category is restricted to those deals where all the legs are exposed to only one currency's interest rate. Thus it excludes contracts involving more than one currency (e.g. cross-currency interest rate swaps).

The equity, commodity, credit and "other" derivatives category equity derivative contracts that have a return, or a portion of their return, linked to the price of a particular equity or to an index of equity prices. It also includes commodity contracts that have a return, or a portion of their return, linked to the price of, or to a price index of, a commodity such as a precious metal (other than gold), petroleum, lumber or agricultural products. Please note that contracts with a return, or a portion of their return, linked to the price of precious metals (other than gold) should be reported separately from other commodity-linked contracts.

Credit derivatives are contracts in which the payout is linked primarily to some measure of the creditworthiness of a particular reference credit. The contracts specify an exchange of payments in which at least one of the two legs is determined by the performance of the reference credit.

Other derivatives are any other derivative contract that does not involve an exposure to foreign exchange, interest rate, equity, commodity or credit risk.

2. Product types

For Derivatives Outstanding, the following instrument breakdown is requested:

- forwards
- swaps
- OTC options
- other products

Section 9 contains further details regarding individual instrument definitions and reporting conventions.

3. Type of data requested

To gauge the size of the OTC derivatives markets, the survey will collect data on outstanding positions for both proprietary and customer business of each reporting institution. Market size in terms of amounts outstanding for OTC derivatives products is measured by notional amount and gross market value. Taken together these measures provide a more meaningful indication of market size and structure than either measure in isolation.

For reporting in the survey, notional amount outstanding is defined as the gross notional value of all deals concluded and not yet settled at the reporting date. For contracts with variable nominal or notional principal amounts, the basis for reporting should be the nominal or notional principal amounts as of June 30. The notional amount or par value to be reported for an off-balance-sheet derivative contract with a multiplier component is the contract's effective

notional amount or par value. For example, a swap contract with a stated notional amount of \$1,000,000 whose terms called for quarterly settlement of the difference between 5% and LIBOR multiplied by ten has an effective notional amount of \$10,000,000. Reporting should be on the basis of gross amounts of all contracts outstanding before netting.

4. Reporting basis

For amounts outstanding, reporting should be on a consolidated basis. This means that data from all branches and (majority-owned) subsidiaries worldwide of financial institutions headquartered in the U.S. should be added together and reported by the parent. Deals between affiliates of the same institution should not be reported (except as a memorandum item). The memorandum items on the bottom of Tables 1-3 that request data on notional amounts outstanding of arm's-length transactions vis-à-vis a firm's own branches and subsidiaries, allow us to make comparisons with data derived from the 1995 triennial survey.

5. Currency conversion and reporting units

Transactions are to be reported in US dollar equivalents, using exchange rates at the reporting date (end of June 1998). For practical reasons, reporting institutions may also use their internal (book-keeping) exchange rates to convert amounts outstanding booked in non-dollar currencies, as long as these exchange rates correspond closely to market rates. All data entered on the report form should be rounded to the nearest million US dollars (do not use decimals).

Market values

Report as market value the gross amount at which a contract could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The term gross is used to indicate that contracts with positive and negative values with the same counterparty should not be netted. Do not offset against each other, the sums of the positive and negative contract values within a market risk category.

The gross positive market value is the sum of the values of a firm's outstanding contracts that are in a current gain position to the reporter at current market prices (and which therefore, if they were immediately settled, would represent claims on counterparties). The gross negative market value is the sum of the values of all contracts that have a negative value on the reporting date (that is, they are in a current loss position and which therefore, if immediately settled, would represent liabilities of the firm to its counterparties).

6. Counterparty types

Institutions are requested to provide a breakdown of contracts by counterparty as follows: *semiannual reporting dealers*, *other financial institutions*, and *non-financial customers*.

Semiannual reporting dealer is defined as a firm either in the same country, or in another country, that contributes to the semiannual derivatives reporting. (A list of the "semiannual

reporting dealers" is being provided for this purpose.) The reasons for not including all reporting institutions in the category of "reporting dealers" in the amounts outstanding part of the survey are to ensure consistency with the semiannual derivatives reporting data, and to limit the reporting burden.

Other financial institutions covers all categories of financial institution not classified as "semiannual reporting dealers," including banks, funds and non-bank financial institutions that may be considered as financial end-users (e.g. mutual funds, pension funds, hedge funds, currency funds, money market funds, leasing companies, insurance companies, and central banks).

Non-financial customer is any counterparty other than those described above, in practice mainly corporate firms and governments.

7. Risk factor breakdowns

Amounts outstanding of foreign exchange contracts are to be broken down on a single-currency basis. This means that the notional amount outstanding and the gross positive or negative market value of each contract will be reported twice, according to the currencies making up the two "legs" of the contract. The total of the amounts reported for individual currencies will thus be 200% of total amounts outstanding. For example, a reporting institution entering into a forward contract to purchase French francs in exchange for Deutsche marks with a notional principal amount of \$100 million would report \$100 million in the FRF column and another \$100 million in the DEM column.

Equity-linked contracts must be categorized according to whether they are related to US, Japanese, European (excluding countries in Eastern Europe), Latin American, other Asian or other countries' equity and stock indices. For commodity, credit and "other" derivatives, no further breakdown by risk factor is required.

For amounts outstanding of foreign exchange (including gold), interest rate and equity-linked contracts, a breakdown is requested by remaining maturity according to the following bands (Table 4):

- one year or less
- over one year and up to five years
- over five years.

In the case of transactions where the first leg has not come due, the remaining maturity is to be determined by the difference between the near and far-end dates of the transaction and not by the date of conclusion of the deal.

8. Categorization of derivatives involving more than one risk category

Individual derivatives transactions are to be categorized into six risk classes: foreign exchange, single-currency interest rate, equity, commodity, credit and "other". In practice,

however, individual derivatives transactions may straddle more than one risk category. In such cases, transactions that are simple combinations of exposures should be reported separately in terms of their individual components, as explained in Section 9 below. Transactions that cannot be readily broken down into separable risk components should be reported in only one risk category. The allocation of such products with multiple exposures should be determined by the underlying risk component which is most significant. However, if, for practical reasons, reporting institutions are in doubt about the correct classification of multi-exposure derivatives, they should allocate the deals according to the following order of precedence:

Commodities. All derivatives transactions involving a commodity or commodity index exposure, whether or not they involve a joint exposure in commodities and any other risk category (i.e. foreign exchange, interest rate or equity), should be reported in this category.

Equities. With the exception of contracts with a joint exposure to commodities and equities, which are to be reported as commodities, all derivatives transactions with a link to the performance of equities or equity indices should be reported in the equity category. That is, equity deals with exposure to foreign exchange or interest rates should be included in this category. Quanto-type instruments are an example of deals with joint equity and foreign currency exposures, and would be reported in this category.

Foreign exchange. This category will include all derivatives transactions (with the exception of those already reported in the commodity or equity categories) with exposure to more than one currency, be it in interest or exchange rates.

Single-currency interest rate contracts. This category will include derivatives transactions with exposure to only one currency's interest rate. This category should include all fixed and/or floating single-currency interest rate contracts including forwards, swaps and options.

9. Instrument definitions and reporting conventions

In each risk category OTC derivatives are in principle to be broken down by three types of plain vanilla instrument (forwards, swaps and options). Plain vanilla instruments are those traded in generally liquid markets according to more or less standardized contracts and market conventions. If a transaction is composed of several plain vanilla components, each part should in principle be reported separately. An "other products" category has been included to capture positions in instruments where the transaction is highly leveraged and/or the notional amount is variable and its decomposition into individual "plain vanilla" components is impractical or impossible. The more typical OTC derivatives transactions should be defined and categorized as follows:

Foreign exchange contracts (Table 1)

Outright forward: Transaction involving the exchange of two currencies at a rate agreed on the date of the contract for value or delivery (cash settlement) at some time in the future (more than two business days later).

Foreign exchange swap: Transactions involving the simultaneous exchange of two currencies on a specific date at a rate agreed at the time of the contract, and a reverse exchange of the same two currencies at a date further in the future at a rate agreed at the time of the contract. Both spot/forward and forward/forward swaps are included in this category. Short-term swaps carried out as "tomorrow/next day" transactions should also be included in this category.

Currency swap: Contract committing two counterparties to exchange streams of interest payments in different currencies for an agreed period of time and to exchange principal amounts in different currencies at an agreed exchange rate at maturity. Swaps are to be defined as a single transaction and the two legs should not be counted separately.

Cross-currency swap: Report under currency swaps. Variation of a currency swap.

Currency option: Option contract that gives the right to buy or sell a currency with another currency at a specified exchange rate during a specified period. This category also includes exotic foreign exchange options such as average rate options and barrier options.

Currency swaption: Report under OTC options. OTC option to enter into a currency swap contract.

Currency warrant: Report under OTC options. Variation of a currency option.

The OTC options section takes precedence in the instrument classification, so that any foreign exchange derivative product with an embedded option is reported as an OTC option. All other OTC foreign exchange derivative products are reported in the forwards or swaps section.

Single-currency interest rate derivatives (Table 2)

Forward rate agreement (FRA): Interest rate forward contract in which the rate to be paid or received on a specific obligation for a set period of time, beginning at some time in the future, is determined at contract initiation.

- Interest rate swap: Agreement to exchange periodic payments related to interest rates on a single currency; can be fixed for floating, or floating for floating based on different indices. This group includes those swaps whose notional principal is amortized according to a fixed schedule independent of interest rates.
- Interest rate option: Option contract that gives the right to pay or receive a specific interest rate on a predetermined principal for a set period of time.
- Interest rate cap: Report under OTC options. OTC option that pays the difference between a floating interest rate and the cap rate.
- Interest rate floor: Report under OTC options. OTC option that pays the difference between the floor rate and a floating interest rate.
- Interest rate collar: Report under OTC options. Combination of cap and floor.
- Interest rate corridor: Report under OTC options. 1) A combination of two caps, one purchased by a borrower at a set strike and the other sold by the borrower at a higher strike to, in effect, offset part of the premium of the first cap. 2) A collar on a swap created with two swaptions - the structure and participation interval is determined by the strikes and types of the swaptions. 3) A digital knock-out option with two barriers bracketing the current level of a long-term interest rate.
- Interest rate swaption: Report under OTC options. OTC option to enter into an interest rate swap contract, purchasing the right to pay or receive a certain fixed rate.
- Interest rate warrant: Report under OTC options. OTC option; long-dated (over one year) interest rate option.
- Bond options: Report under OTC options. Options on a fixed income security.

The OTC options section takes precedence in the instrument classification, so that any interest rate derivative product with an embedded option is reported as an OTC option. All other OTC interest rate derivative products are reported in the forwards or swaps section.

Equity and stock index derivatives: (Table 3)

Equity forward:	Contract to exchange an equity or equity basket at a set price at a future date.
Equity swap:	Contract in which one or both payments are linked to the performance of equities or an equity index (e.g. S&P 500). It involves the exchange of one equity or equity index return for another, and the exchange of an equity or equity index return for a floating or fixed interest rate.
Equity option:	Option contract that gives the right to deliver or receive a specific equity or equity basket at an agreed price at an agreed time in the future.
Equity warrant:	OTC option; long-dated (over one year) equity option. Report under OTC options.

The OTC options section takes precedence in the instrument classification, so that any equity derivative product with an embedded option is reported as an OTC option. All other OTC equity derivative products are reported in the forwards and swaps section.

Commodity derivatives: (Tables 1 and 3)

Commodity forward:	Forward contract to exchange a commodity or commodity index at a set price at a future date.
Commodity swap:	Contract with one or both payments linked to the performance of a commodity price or a commodity index. It involves the exchange of the return on one commodity or commodity index for another, and the exchange of a commodity or commodity index for a floating or fixed interest rate.
Commodity option:	Option contract that gives the right to deliver or receive a specific commodity or commodity index at an agreed price at a set date in the future.

The OTC options section takes precedence in the instrument classification, so that any commodity derivative product with an embedded option is reported as an OTC option. All other OTC commodity derivative products are reported in the forwards and swaps section.

Credit derivatives (Table 3)

Credit spread forward:	Agreement to pay or receive at some time in the future a cash payment that depends on the difference between a spread (i.e. the difference in yields between two financial assets) agreed at contract initiation and that prevailing at settlement.
Credit event/default swap:	Contract committing two counterparties to exchange a periodic fee in exchange for a payment contingent on a default event or any other agreed change in the credit quality of a reference asset for an agreed period of time.
Total return swap:	Contract committing two counterparties to exchange the total economic performance of a financial asset (defined to include all interest payments, fees and any capital appreciation or depreciation) in exchange for a floating rate payout based on a reference index (usually LIBOR plus a spread reflecting the creditworthiness of the counterparty as well as the credit rating and liquidity of the underlying asset).
Credit spread option:	Option contract that gives the right to receive a cash payment if a spread, i.e. the difference in yields between two financial assets, widens beyond an agreed strike level during a specific period.