Instructions for

Central Bank Survey of Foreign Exchange and Derivatives Market Activity

Turnover Survey
Financial Firms

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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 approximately 50 Central Banks and monetary authorities worldwide. The attached Survey form is the United States portion of the global turnover survey. The data requested in the U.S. survey are for transactions executed by traders physically located in the U.S., 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 2001 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 U.S. 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.

GENERAL INSTRUCTIONS

1. Who Should Report

Voluntary participation in this survey is requested from all financial institutions with significant positions in foreign exchange markets located in the United States.

2. What Should Be Reported

The survey contains turnover data. Turnover is defined as all new contracts entered into (regardless of whether or not settled) during April 2001. Data should be reported in notional amounts.

Data collected for the survey should reflect the gross amount of transactions entered into during April 2001, before the effects of any netting arrangements. 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 separated by options bought and options sold. For all other products, the gross amount of both bought and sold transactions should be reported in aggregate.

3. Reporting Basis

The reporting should include all transactions entered into by the reporting institution's U.S. offices, 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 *Location* section below.)

4. Reporting Units and Currency Conversion

The monthly total data entered on the report form should be reported in millions of U.S. dollars rounded to the nearest million. For non-U.S. dollar transactions, amounts should be converted to U.S. dollars using the spot exchange rates prevailing on the transaction date. However, if this is impractical, turnover data may be reported using average or end-of-period rates.

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

5. 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. (A list of the "reporting dealers" is included in Attachment 1.)

Other financial institutions are defined as all financial institutions not participating in the Survey, including banks, funds and non-bank financial institutions which 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 customers are defined as any other counterparty, including corporations and governments.

The *local reporting dealers* category covers counterparties in the U.S. that are participants in the U.S. survey. This category includes deals between the U.S. offices of all the firms participating in this survey. This category is defined by the list of reporting dealers. Arms-length transactions between affiliates or subsidiaries of firms in the U.S. should be included under local reporting dealers. An arms-length transaction is defined as a transaction where the dealer is indifferent to the counterparty and thus equally willing to execute a transaction with an independent market participant. For the purposes of this survey, arms-length transactions include all inter-company deals with <u>other</u> offices or branches of the same institution.

The *cross-border reporting dealers* category applies to any dealer counterparty outside the U.S. 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 U.S. of any reporting dealer in the U.S. survey should be assigned to the *cross-border* reporting dealer category. Thus, arms-length trades between the reporter's U.S. office and the reporter's foreign affiliates should be reported in the c*ross-border* reporting dealer category (see a*rms-length* transactions at the end of Section 1).

Location.

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

- A trade between a reporting dealer in the U.S. survey and the U.S. 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 U.S. survey and an office outside the U.S. 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 arms-length transactions between affiliates or subsidiaries (independent of whether the reporting is done individually or on a consolidated basis) of firms within the U.S. should be included under reporting dealers.

6. 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

INDIVIDUAL TABLE INSTRUCTIONS

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

- foreign exchange contracts including derivatives (Tables A1 to A6);
- single-currency interest rate derivatives (Tables B1 to B2).

Foreign exchange contracts include all deals involving exposure to more than one currency.

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

1. Table A1

a. *Product types***:** foreign exchange spot contracts, outright forwards, and foreign exchange swaps.
b. *Currency breakdowns:* U.S dollar transactions are broken down against the following individual currencies:

EUR (Euro)
JPY (Japanese yen)
GBP (Pound sterling)
CHF (Swiss franc)
CAD (Canadian dollar)
AUD (Australian dollar)
Other (other currencies)

2. Table A2

a. *Product types*: foreign exchange spot contracts, outright forwards, and foreign exchange swaps.
b. *Currency breakdowns*: Euro transactions are broken down against the following individual currencies:

JPY (Japanese yen)
GBP (Pound sterling)
CHF (Swiss franc)
CAD (Canadian dollar)
AUD (Australian dollar)
Other (other currencies)
RESIDUAL

RESIDUAL transactions are transactions that do not involve either the USD or the EUR (i.e. all deals not reported in any other currency columns).

3. Table A3

a. *Product type*: Same as for Tables A1 and A2

b. *Currency breakdowns*: Provide information on total turnover for the following currencies, which is included in the columns for "other" currencies in the breakdown by currency pairs as described above:

BRL (Brazilean real)
CNY (Chinese renmimbi)
CZK (Czech koruna)
DKK (Danish krone)
HKD (Hong Kong dollar)
HUF (Hungarian forint)
IDR (Indonesian rupiah)
INR (Indian rupee)
KRW (Korean won)
MXN (Mexican peso)
NOK (Norwegian krone)
NZD (New Zealand dollar)
PHP (Philippine peso)
PLN (Polish zloty)
RUB (Russian rouble)
SEK (Swedish krona)
SGD (Singapore dollar)
THB (Thai baht)
TRL (Turkish lira)
TWD (new Taiwan dollar)
ZAR (South African rand)

Reporting institutions may report only those other currencies above if they have a material amount of outstanding contracts in these currencies, i.e., if a notional amount outstanding in a currency for a given instrument is greater than 2% of the total notional amount outstanding for that instrument. However, if it is less burden for respondents it is acceptable to report all currencies regardless of size.

4. Table A4

a. *Product type*: Foreign exchange currency swaps, and OTC options sold and bought
b. *Currency breakdowns*: Same as Table A1

5. **Table A5**

    a. *Product type*: Foreign exchange currency swaps, OTC options sold and bought, and other products. Other products include 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. Currency and counterparty breakdowns are requested for all products except for other products, for which only a total figure is requested.
    b. *Currency breakdowns*: Same as Table A2

6. **Table A6**

    a. *Product type*: Same as Table A4.
    b. *Currency breakdowns*: Same as Table A3.

7. **Table B1**

    a. *Product type*: single-currency interest rate forward rate agreements and swaps.
    b. *Currency breakdowns*:

        USD (US dollar)
        EUR (Euro)
        JPY (Japanese yen)
        GBP (Pound sterling)
        CHF (Swiss franc)
        CAD (Canadian dollar)
        AUD (Australian dollar)
        DKK (Danish krone)
        HKD (Hong Kong dollar
        IDR (Indonesian rupiah)
        MXN (Mexican peso)
        NOK (Norweigian krone)
        NZD (New Zealand dollar)
        SEK (Swedish krona)
        SGD(Singapore dollar)
        THB (Thai baht)
        OTH (Other currencies)

8. **Table B2**

    a. *Product type*: single-currency interest rate OTC options sold and bought, and other products.
    b. *Currency breakdowns*: Same as Table B1.

9. **Table C**

Please provide the following information in Table C:

- Reporting dealers are asked to provide information on whether foreign exchange turnover (spot, outright forwards and foreign exchange swaps) and derivatives turnover (all derivatives instruments excluding spot transactions) in the month of April 2001 was normal, below normal or above normal and whether turnover in the preceding six months was steady, increasing or decreasing. (Table C, Part I)

- Reporting dealers are asked to provide information on what proportion of their business was conducted through electronic-based systems for FX and interest rate derivatives turnover. (Table C, Part II)

- Reporting dealers are requested to provide data on turnover of forward contracts where only the difference between the contracted forward outright rate and the prevailing spot rate is settled at maturity. Examples of these contracts are non-deliverable forwards (i.e. forward FX contracts which do not require physical delivery of a non-convertible currency) and other forward contracts for differences. (Table C, Part III)

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 includes only over-the-counter (OTC) transactions and does not cover exchange-traded products.

Foreign exchange related transactions (Tables A1 - A6)

Spot transaction: Single outright transaction involving the exchange of two currencies at a rate agreed on the date of the contract for value or delivery (cash settlement) within two business days. The spot legs of swaps do not belong to spot transactions but are to be reported as swap transactions even when they are for settlement within two days (i.e., spot transactions should exclude "tomorrow/next day" transactions.)

Outright forward: Transactions 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.)
This category also includes foreign exchange agreement transactions (FXA).

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. For turnover only the forward leg should be reported as such. The spot leg should not be reported at all, i.e. neither as spot nor as foreign exchange swap transactions. 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. Swaps are to be defined as single transactions and the two legs should not be counted separately.
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 its 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 amortised 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 corridor: 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 by two swaptions-the structure and participation interval is determined by the strikes and types of the swaptions. 3) A digital knockout option with two barriers bracketing the current level of a long-term interest rate.

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 its decomposition into individual "plain vanilla" components is impractical or impossible. For these products, currency and counterparty breakdowns are not requested.

Attachment 1

Semiannual Report of Derivatives Activity

List of Reporting Institutions

BACOB
Fortis Bank
KBC

Bank of Montreal
Canadian Imperial Bank of Commerce
Royal Bank of Canada

Credit Suisse Group
CSFB
UBS

Bayerische Hypotheken- und Vereinbank
Bayerische Landesbank
Commerzbank
Deutsche Bank
DG Bank
Dresdner Bank
West LB

BNP-Paribas
Caisse des Depots
Caisse Nationale de Credit Agricole
Credit Commercial de France
Credit Lyonnais
Societe Generale

Barclays
HSBC
Lloyds
Nat West

Banca di Roma SPA
Banca Intesa SPA
Banca Nazionale del Lavoro SPA
San Paolo IMI SPA
Unicredito Italiano SPA

Asahi Bank, Ltd.
Bank of Tokyo-Mitsubishi
Chuo Mitsui Trust & Banking Co., Ltd.
Dai-Ichi Kangyo Bank, Limited
Daiwa Bank, Ltd.
Fuji Bank, Limited
Industrial Bank of Japan, Limited
Mitsubishi Trust and Banking Corporation
Nippon Credit Bank, Ltd
Sakura Bank, Limited
Sanwa Bank, Limited
Shinsei Bank, Ltd
Sumitomo Bank, Limited
Sumitomo Trust & Banking Co., Ltd.
Tokai Bank, Limited
Toyo Trust & Banking Co., Ltd.
Yasuda Trust & Banking Co., Ltd.

ABN Amro Bank N.V.
ING Bank N.V.
Rabobank

Nordbanken
Skandinaviska Enskilda Banken AB
Sparbanken Sverige AB, Swedbank
Svenska Handelsbanken AB

BankAmerica Corp. (NationsBank)
Bankers Trust Corporation (Deutsche Bank)
Chase Manhattan Corp.
Citicorp (Citigroup sub)
First Chicago (Bank One sub)
J.P. Morgan & Co.
Merrill Lynch & Co., Inc.
Morgan Stanley Dean Witter
Republic NY Corp (HSBC).
Salomon Smith Barney Holdings (Citigroup sub)
The Goldman Sachs Group, L.P.

Instructions for

Central Bank Survey of Foreign Exchange and Derivatives Market Activity

Turnover Survey
Brokers

FR 3036
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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 approximately 50 Central Banks and monetary authorities worldwide. The attached Survey form is the United States portion of the global turnover survey. The data requested in the U.S. survey are for transactions executed by traders physically located in the U.S., 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 2001 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 U.S. 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.

GENERAL INSTRUCTIONS

7. Who Should Report

Voluntary participation in this survey is requested from all financial institutions with significant positions in foreign exchange markets located in the United States.

8. What Should Be Reported

The survey contains turnover data. Turnover is defined as all new contracts entered into (regardless of whether or not settled) during April 2001. Data should be reported in notional amounts.

Data collected for the survey should reflect the gross amount of brokered transactions entered into during April 2001, before the effects of any netting arrangements. 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 separated by options bought and options sold. For all other products, the gross amount of both bought and sold transactions should be reported in aggregate.

9. Reporting Basis

The reporting should include all transactions brokered by the reporting institution's U.S. offices, 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 *Location* section below.)

10. Reporting Units and Currency Conversion

The monthly total data entered on the report form should be reported in millions of U.S. dollars rounded to the nearest million. For non-U.S. dollar transactions, amounts should be converted to U.S. dollars using the spot exchange rates prevailing on the transaction date. However, if this is impractical, turnover data may be reported using average or end-of-period rates.

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

11. Counterparties

The following counterparty breakdowns are requested for all brokered deals:

a. trades between two dealers in the U.S.
b. trades between a dealer in the U.S. and a dealer abroad
c. trades between two dealers abroad

Location:

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.

12. Maturites

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

INDIVIDUAL TABLE INSTRUCTIONS

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

- foreign exchange contracts including derivatives (Tables A1 to A6);
- single-currency interest rate derivatives (Tables B1 to B2).

Foreign exchange contracts include all deals involving exposure to more than one currency.

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

10. Table A1

c. *Product types*: foreign exchange spot contracts, outright forwards, and foreign exchange swaps.
d. *Currency breakdowns*: U.S dollar transactions are broken down against the following individual currencies:

EUR (Euro)
JPY (Japanese yen)
GBP (Pound sterling)
CHF (Swiss franc)
CAD (Canadian dollar)
AUD (Australian dollar)
Other (other currencies)

11. Table A2

c. *Product types*: foreign exchange spot contracts, outright forwards, and foreign exchange swaps.
d. *Currency breakdowns*: Euro transactions are broken down against the following individual currencies:

JPY (Japanese yen)
GBP (Pound sterling)
CHF (Swiss franc)
CAD (Canadian dollar)
AUD (Australian dollar)
Other (other currencies)
RESIDUAL

RESIDUAL transactions are transactions that do not involve either the USD or the EUR (i.e., all deals not reported in any of the other currency columns).

12. Table A3

c. *Product type*: Same as for Tables A1 and A2

d. *Currency breakdowns*: Provide information on total turnover for the following currencies, which is included in the columns for "other" currencies in the breakdown by currency pairs as described above:

BRL (Brazilean real)
CNY (Chinese renmimbi)
CZK (Czech koruna)
DKK (Danish krone)
HKD (Hong Kong dollar)
HUF (Hungarian forint)
IDR (Indonesian rupiah)
INR (Indian rupee)
KRW (Korean won)
MXN (Mexican peso)
NOK (Norwegian krone)
NZD (New Zealand dollar)
PHP (Philippine peso)
PLN (Polish zloty)
RUB (Russian rouble)
SEK (Swedish krona)
SGD (Singapore dollar)
THB (Thai baht)
TRL (Turkish lira)
TWD (new Taiwan dollar)
ZAR (South African rand)

Reporting institutions may report only those other currencies above if they have a material amount of outstanding contracts in these currencies, i.e., if a notional amount outstanding in a currency for a given instrument is greater than 2% of the total notional amount outstanding for that instrument. However, if it is less burden for respondents it is acceptable to report all currencies regardless of size.

13. Table A4

c. *Product type*: Foreign exchange currency swaps, and OTC options sold and bought
d. *Currency breakdowns*: Same as Table A1

14. Table A5

c. *Product type*: Foreign exchange currency swaps, OTC options sold and bought, and other products. Other products include 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. Currency and counterparty breakdowns are requested for all products except for other products, for which only a total figure is requested.
d. *Currency breakdowns*: Same as Table A2

15. Table A6

c. *Product type*: Same as Table A4.
d. *Currency breakdowns*: Same as Table A3.

16. Table B1

c. *Product type*: single-currency interest rate forward rate agreements and swaps.
d. *Currency breakdowns*:

USD (US dollar)
EUR (Euro)
JPY (Japanese yen)
GBP (Pound sterling)
CHF (Swiss franc)
CAD (Canadian dollar)
AUD (Australian dollar)
DKK (Danish krone)
HKD (Hong Kong dollar
IDR (Indonesian rupiah)
MXN (Mexican peso)
NOK (Norweigian krone)
NZD (New Zealand dollar)
SEK (Swedish krona)
SGD(Singapore dollar)
THB (Thai baht)
OTH (Other currencies)

17. Table B2

c. *Product type*: single-currency interest rate OTC options sold and bought, and other products.
d. *Currency breakdowns*: Same as Table B1.

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 includes only over-the-counter (OTC) transactions and does not cover exchange-traded products.

Foreign exchange related transactions (Tables A1 - A6)

Spot transaction:	Single outright transaction involving the exchange of two currencies at a rate agreed on the date of the contract for value or delivery (cash settlement) within two business days. The spot legs of swaps do not belong to spot transactions but are to be reported as swap transactions even when they are for settlement within two days (i.e., spot transactions should exclude "tomorrow/next day" transactions.)
Outright forward:	Transactions 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.) This category also includes foreign exchange agreement transactions (FXA).
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. For turnover only the forward leg should be reported as such. The spot leg should not be reported at all, i.e. neither as spot nor as foreign exchange swap transactions. 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. Swaps are to be defined as single transactions and the two legs should not be counted separately.

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 its 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 amortised 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 corridor:	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 by two swaptions-the structure and participation interval is determined by the strikes and types of the swaptions. 3) A digital knockout option with two barriers bracketing the current level of a long-term interest rate.
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 its decomposition into individual "plain vanilla" components is impractical or impossible. For these products, currency and counterparty breakdowns are not requested.

6. Additional information requirements (TABLE C)

In addition to Tables A1-A6 and B1-B2, please provide the following information on TABLE C:

- Reporting brokers are asked to provide information on whether foreign exchange turnover (spot, outright forwards and foreign exchange swaps) and derivatives turnover (all derivatives instruments excluding spot transactions) in the month of April 2001 was normal, below normal or above normal and whether turnover in the preceding six months was steady, increasing or decreasing. (TABLE C, Part I)

- Reporting brokers are asked to provide information on what proportion of their business was conducted through electronic-based systems for FX and interest rate derivatives turnover. (TABLE C, Part II)

- Reporting brokers are requested to provide data on turnover of forward contracts where only the difference between the contracted forward outright rate and the prevailing spot rate is settled at maturity. Examples of these contracts are non-deliverable forwards (i.e. forward FX contracts which do not require physical delivery of a non-convertible currency) and other forward contracts for differences. (TABLE C, Part III)

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 100 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.

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

The Central Bank Survey of Foreign Exchange and Derivatives Market Activity is a coordinated effort by approximately 50 Central Banks and monetary authorities worldwide. The U.S. portion of the Derivatives Outstanding 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 form requests 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.

1. Attachment for Regular OTC Derivative Market Statistics at End-June 2001

This attachment includes the following information on derivative products not captured in the semiannual report:

Other products

Memorandum item 3 (other products) requests data on notional amounts outstanding, gross positive market values, and gross negative market products 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

Columns 3 and 4 request 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 that 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 of financial institutions headquartered in the U.S. should be added together and reported by the parent. Deal between affiliates (i.e., branches and subsidiaries) of the same institution should not be reported.

3. Counterparty types

Institutions are requested to provide a breakdown of contracts by counterparty only for columns 3 and 4. These counterparty types are identical to the ones used in the semiannual report: *reporting dealers*, *other financial institutions*, and *non-financial customers*.

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 "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 "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 100 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.

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

The Central Bank Survey of Foreign Exchange and Derivatives Market Activity is a coordinated effort by approximately 50 Central Banks and monetary authorities worldwide. The FR 3036 collects the Derivatives data for U.S. dealers. 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 data requested includes outstanding derivatives contracts (reported on a consolidated basis) of financial institutions that are headquartered in the United States. Data are reported in notional amounts and gross market values of outstanding foreign exchange, interest rate, equity, commodity, and credit over-the-counter (OTC) derivative contracts as of June 30, 2001.

The Federal Reserve System regards the individual information provided by each respondent as confidential. Aggregate U.S. 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.

1. Coverage

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

- foreign exchange and gold contracts;(Tables 1 and 4)
- single-currency interest rate derivatives;(Tables 2 and 4)
- equity, commodity, credit and "other " derivatives.(Tables 3 and 4)

The *foreign exchange* category includes all contracts involving the exchange of currencies in the forward market. Therefore, it covers outright forwards, foreign exchange swaps, currency swaps (including cross-currency interest rate swaps) and currency options. Foreign exchange contracts include all deals involving exposure to more than one currency, whether in interest rates or exchange rates. Gold contracts include all deals involving exposure to that commodity.

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 includes 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 (e.g., credit default swaps, total rate of return swaps).

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

The report includes data on outstanding positions for both proprietary and customer business of each reporting institution. For contracts with variable notional principal amounts, the basis for reporting should be 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

The report should be submitted on a consolidated basis. That is, all branches and (majority-owned) subsidiaries worldwide of financial institutions headquartered in the U.S. should be consolidated and reported by the parent. Deals between affiliates (i.e., branches and subsidiaries) of the same institution should be excluded.

5. Currency conversion and reporting units

Transactions are to be reported in U.S. dollar equivalents, using spot exchange rates on the reporting date. For practical reasons, reporting institutions may also use their internal (bookkeeping) 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 U.S. dollars (do not use decimals).

Market values

Report as market value the gross fair value of the contracts. The fair value is the amount that a contract could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. (See FAS 107.) The gross positive market value is the sum of the values of a firm's outstanding contracts that have positive values. (That is, they 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.) The term gross is used to indicate that different 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 of different contracts within a market risk category.

6. Counterparty types

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

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 "reporting dealers" is included in Attachment 1.)

Other financial institutions covers all categories of financial institution not classified as "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 commercial counterparty other than those described above, in practice mainly corporate firms and governments.

7. Risk factor breakdowns

For amounts outstanding of foreign exchange and interest rate contracts, the following currency breakdown is requested:

USD, EUR, JPY, GBP, CHF and other currencies.

Reporting institutions are asked to identify other individual currencies if they have a material amount of outstanding contracts in these currencies, i.e., if a notional amount outstanding in a currency for a given instrument is greater than 2% of the total notional amount outstanding for that instrument. However, if reporting burden would be reduced it is acceptable to submit all other currencies.

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 U.S. dollars in exchange for Euros with a notional principal amount of $100 million would report $100 million in the USD column and another $100 million in the EUR 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. The contracts should be allocated according to the nationality of the issuer of the underlying rather than the country where the instrument is being traded. 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 that is most significant.

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 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. 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.

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.

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.

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.

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.