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PRESS RELEASE

Triennial survey on the foreign exchange and derivatives markets: results for Belgium

In April 2004, 52 central banks and monetary authorities, including the National Bank of Belgium, conducted the customary Triennial Survey on Foreign Exchange and Derivatives Market Activity. As with the previous surveys, the Bank for International Settlements (BIS)¹ co-ordinated the survey.

Like the three previous surveys (1995, 1998 and 2001), the April 2004 survey deals with currency-based over-the-counter (OTC) derivatives (currency options and currency swaps) and interest rate-based (OTC) derivatives (interest rate swaps and interest rate options), in addition to the traditional segments of the foreign exchange market (spot transactions, outright forwards and foreign exchange swaps).

The 4 most active Belgian institutions² contributed to the survey. This limited number of reporting institutions does not detract from the survey's representativity; it is estimated to cover well over 90% of the market volume traded in Belgium.

As compared with the previous survey, the results of April 2004 show a strong rebound in activity in foreign exchange market instruments and a continued strong expansion in turnover of interest rate derivatives contracts.

1. TRADITIONAL FOREIGN EXCHANGE MARKET SEGMENTS

1.1 GENERAL OVERVIEW

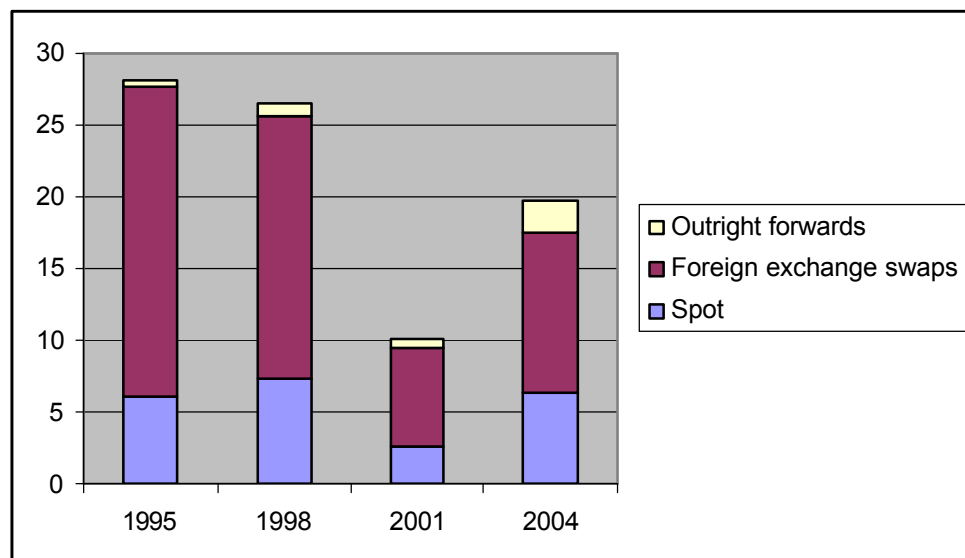


Chart 1: Average daily turnover on the traditional foreign exchange market (in billion USD).

¹ The preliminary global results are available on the website of the BIS (www.bis.org).

² Dexia Bank Belgium, Fortis Bank, ING Belgium and KBC Bank.

The average net³ daily turnover nearly doubled⁴, reaching USD 19.7 billion in April 2004, against USD 10.1 billion in 2001. The growth in turnover in Belgium is one of the strongest of all reporting countries. The Belgian survey results are in line with the worldwide upward trend in foreign exchange activity, following the sharp fall recorded in the previous survey, that stemmed, in part, from the introduction of the euro (disappearance of legacy currencies), increased consolidation and concentration within the financial sector and the reduced advantages associated with the role of "market maker".

Renewed interest in foreign exchange as an attractive asset class by a number of market participants may explain the strong worldwide increase in activity. In addition, growing hedging activity and a further expansion of electronic trading may have contributed to the growth in Belgian turnover. In spite of this strong recovery, activity in foreign exchange swaps and spot transactions is still below the level reached in April 1998, in contrast to the strongly expanding outright forwards.

The increased use of electronic dealing systems for interbank transactions, especially in spot trading market, is more and more observed in other market segments, in particular the foreign exchange swaps. By contrast, volumes traded with customers through electronic systems (multi-bank dealing systems, single bank proprietary platforms) remain modest.

1.2 CURRENCY DISTRIBUTION

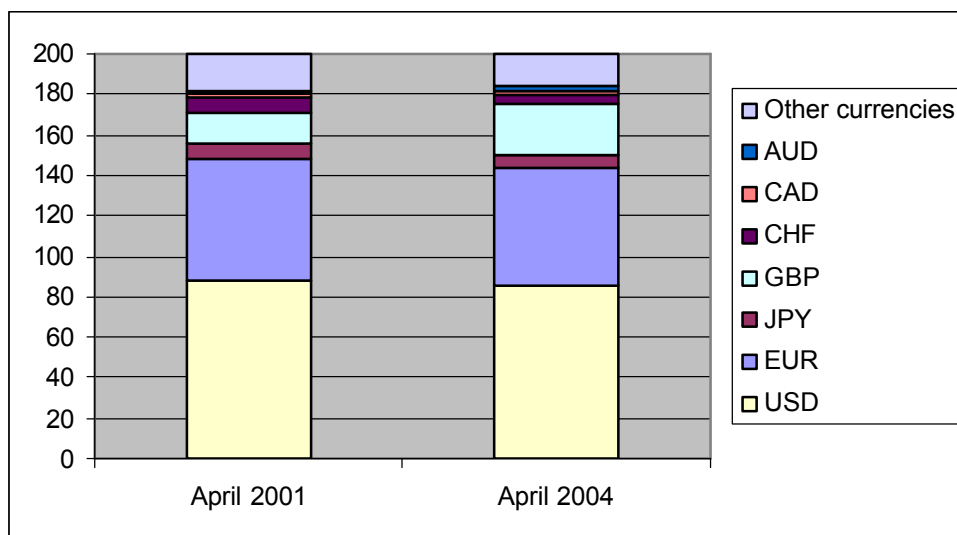


Chart 2: Currency distribution of the traditional foreign exchange market turnover (percentage shares of the average gross daily turnover).

The USD remains the most actively traded currency entering on one side of about 86% of total turnover compared to 58% for the euro and 26% for GBP.

The slight reduction of the relative weight of the core currencies (euro, USD and JPY) compared with 2001 reflects the strong growth of transactions in high yielding currencies, in particular GBP, and, to a lesser extent, AUD (chart 2, table 2 herewith).

The item "other currencies" (representing a market share of 14 %) particularly comprises transactions in Scandinavian currencies (NOK, SEK, DKK), in currencies of the new EU countries (PLN, CZK, HUF), in Asian currencies (SGD, HKD) and in the South African rand.

³ Since every foreign exchange transaction involves two currencies, the sum of the percentage shares of individual currencies totals 200%.

⁴ However, when taking into account the depreciation of the USD between April 2001 and April 2004, the real increase in volume is less pronounced.

With a market share of more than 40%, EUR/USD remains by far the most traded currency pair. Volumes traded in that cross especially grow on the spot market and on the outright forward market, but stagnate on the foreign exchange swap market (table 3 herewith).

Cable (GBP/USD), the second most active pair, shows a strong growth, mainly as a result of an increased use on the foreign exchange swap market; that is also the case for EUR/GBP, the third most important currency pair.

2. OTC DERIVATIVES MARKETS

2.1 FOREIGN EXCHANGE DERIVATIVES MARKETS

Compared with 2001, the daily turnover of exchange rate-based derivatives (mostly foreign exchange options) has nearly tripled to USD 1.1 billion. The relative weight of foreign exchange derivatives in total foreign exchange turnover has thus increased slightly to 5% (table 1 herewith).

EUR/USD (more than 40%) and USD/JPY (20%) are the most actively traded currency pairs on the option market.

Belgian banks' activity in cross currency swaps still remains modest.

2.2 INTEREST RATE DERIVATIVES

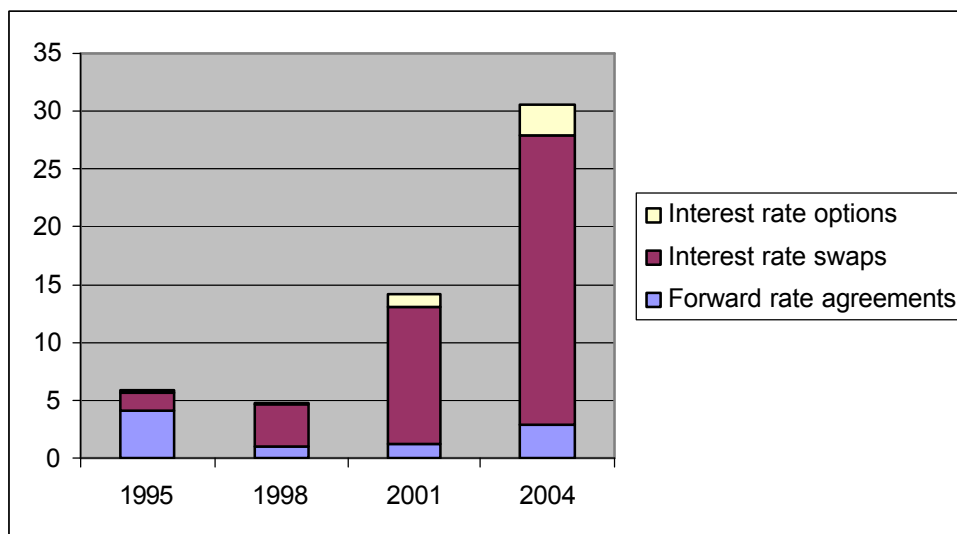


Chart 3: Net daily turnover of interest rate derivatives (in billion USD).

The net daily turnover in terms of single currency interest rate derivatives has more than doubled to reach USD 30.5 billion (chart 3, table 4 herewith). Interest rate swaps (percentage share of more than 80%) represent by far the most important market segment, although the smaller segments (forward rate agreements and interest rate options) show a more vigorous growth.

Almost 60 % of the overall volume in interest rate swaps involve the euro. Turnover in GBP-denominated interest rate swaps show a spectacular expansion, raising the relative weight from 1% in 2001 to 20% in 2004. The strong presence of some reporting institutions on the London money market may explain this evolution.

Interest rate options are traded mostly in euro (72% of the overall turnover), USD (16%), and GBP (8%).

Table 1

Net foreign exchange market turnover according to the types of transaction (in billions of USD)									
	April 1995		April 1998		April 2001		April 2004		Percentage change 2004/2001
	Daily average	Percentage share	Daily average	Percentage share	Daily average	Percentage share	Daily average	Percentage share	
Spot transactions	6,1	21%	7,3	27%	2,7	26%	6,4	31%	137%
Foreign exchange swaps	21,6	76%	18,2	67%	6,7	64%	11,1	53%	66%
Outright forwards	0,4	1%	1	4%	0,7	7%	2,2	11%	214%
Total traditional foreign exchange turnover (A)	28,1	99%	26,5	97%	10,1	96%	19,7	95%	95%
Currency swaps	0,0	0%	0,1	0%	0,1	1%	0,1	0%	0%
Currency options	0,4	1%	0,7	3%	0,3	3%	1,0	5%	233%
Total foreign exchange derivatives (B)	0,4	1%	0,8	3%	0,4	4%	1,1	5%	175%
Grand total (A + B)	28,5	100%	27,3	100%	10,5	100%	20,8	100%	98%

Table 2

Currency distribution of traditional foreign exchange market turnover (percentage shares of average daily turnover)			
	<i>April 1998</i>	<i>April 2001</i>	<i>April 2004</i>
USD	79	88	86
EUR	-	60	58
DEM	28	-	-
FRF	6	-	-
ECU and other EMS-currencies	64	-	-
JPY	7	8	6
GBP	7	14	26
CHF	3	8	4
CAD	nb	2	2
AUD	1	1	4
Other currencies	5	19	14
All currencies *	200	200	200

* Since every foreign exchange transaction involves two currencies, the sum of the percentage shares of individual currencies totals 200%

Table 3

Traditional foreign exchange market turnover by currency pair (daily average in April, in billions of USD and percentage shares)												
	1998				2001				2004			
	<i>Total turnover</i>	<i>Spot</i>	<i>Foreign exchange swaps</i>	<i>Outright forwards</i>	<i>Total turnover</i>	<i>Spot</i>	<i>Foreign exchange swaps</i>	<i>Outright forwards</i>	<i>Total turnover</i>	<i>Spot</i>	<i>Foreign exchange swaps</i>	<i>Outright forwards</i>
		(%)	(%)	(%)		(%)	(%)	(%)		(%)	(%)	(%)
USD/DEM	3,2	39	57	4	-	-	-	-	-	-	-	-
USD/other EMS	10,2	15	83	3	-	-	-	-	-	-	-	-
USD/FRF	1,2	5	93	2	-	-	-	-	-	-	-	-
EUR/USD	-	-	-	-	4,5	26	66	8	8,5	46	35	20
USD/JPY	1,7	11	88	1	0,6	25	66	9	0,9	35	61	4
USD/GBP	1,5	-	-	-	0,9	13	83	4	3,8	12	84	4
USD/CHF	0,5	8	91	1	0,5	49	46	5	0,5	28	70	1
USD/AUD	0,3	4	95	1	0,1	21	76	1	0,6	12	85	3
DEM/other EMS	2,9	75	22	3	-	-	-	-	-	-	-	-
DEM/GBP	0,3	86	6	8	-	-	-	-	-	-	-	-
EUR/GBP	-	-	-	-	0,4	67	17	16	1,2	28	67	6
DEM/JPY	0,1	84	12	5	-	-	-	-	-	-	-	-
EUR/JPY	-	-	-	-	0,2	75	14	11	0,3	76	10	14
DEM/CHF	0,1	81	17	3	-	-	-	-	-	-	-	-
EUR/CHF	-	-	-	-	0,3	59	40	2	0,3	90	7	3
ECU/USD	1,4	4	94	2	-	-	-	-	-	-	-	-
Other currency pairs	3,1	40	54	6	2,6	11	86	3	3,5	19	76	5
All currency pairs	26,5				10,1				19,7			

Table 4

OTC interest rate derivatives turnover (net daily average) (in billions of USD)									
	<i>April 1995</i>		<i>April 1998</i>		<i>April 2001</i>		<i>April 2004</i>		<i>Percentage change</i>
	<i>Daily average</i>	<i>Percentage share</i>	<i>Daily average</i>	<i>Percentage share</i>	<i>Daily average</i>	<i>Percentage share</i>	<i>Daily average</i>	<i>Percentage share</i>	<i>2004/2001</i>
Forward rate agreements	4,1	71%	1,1	22%	1,2	8%	2,9	10%	142%
Interest rate swaps	1,6	28%	3,6	73%	11,9	84%	25,0	82%	110%
Interest rate options	0,1	2%	0,2	4%	1,1	8%	2,6	9%	136%
Total	5,8	100%	4,9	100%	14,2	100%	30,5	100%	115%