HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

24 Jul 1997

Survey of Foreign Exchange and Derivatives Market Activity

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In cooperation with the banking and securities industries, the Hong Kong Monetary Authority participated in the global survey of foreign exchange and derivatives markets activity coordinated by the Bank for International Settlements (BIS) in 1995. The survey is held every three years. The next round will be held in April and June 1998. We intend to participate in the survey again as the survey findings will provide central banks and market participants with very useful and up-to-date information on how the foreign exchange and derivatives markets evolve over time. The survey is also important to help establish Hong Kong's world ranking in these markets.

The BIS has issued for participating central banks' comments a draft reporting form for use in the coming survey. As for the last survey, we have made some efforts to simplify the BIS proposed format with a view to reducing the reporting requirements in light of the local market situation. A copy of the simplified forms are attached at Annex 1. However, We are still working on the detailed completion instructions for the survey

Briefly, the BIS has proposed that the next survey should only cover OTC transactions and be split into two parts : **collection of foreign exchange and derivatives turnover data in April 1988("the turnover survey - Form A of Annex 1")** and **of derivatives outstanding data at end-June 1998("the outstanding survey - Form B of Annex 1")**. The turnover survey will cover data on foreign exchange contracts (including spot, outright forward, swaps and other foreign exchange related derivatives) and all interest rate derivatives. The outstanding survey will cover outstanding position data on derivatives instruments relating to foreign exchange, interest rate, equity, commodity, credit and other risks.

Under the BIS proposal, the turnover data will be collected on a locational basis i.e. where a trade takes place regardless of the book location. The reporting of amounts outstanding will however be on a consolidated worldwide basis. This means that data from all domestic and foreign branches and subsidiaries of a given institution will be added together and reported by the parent institution only to the authorities in the country where the parent institution has its head office. The need for the domestic subsidiaries / branches of such institutions to report data on amounts outstanding to the domestic authorities is left to national discretion.

In order to provide a more complete picture about foreign exchange and derivatives activity in Hong Kong, we intend to invite all authorised institutions and major securities houses to participate in the coming survey. As regards the reporting by securities houses, they will be asked to complete the turnover survey as well as the outstanding survey. In the latter case, however, they will only be required to report their positions booked in Hong Kong.

I am writing to invite you to participate in the survey. Your participation in the survey will certainly enhance the representativeness of the findings on foreign exchange and derivatives markets. Information collected from individual institutions will be aggregated before release to the public. Please be assured that all individual information will be kept confidential. I should be grateful if you would indicate your willingness in participating in the survey by 12 August 1997.

Attachment

List of registered firms

The Turnover Survey - Form A

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The Outstanding Survey - Form B

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