Results of the 2004 Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity

The Bank of Thailand participated in the 2004 Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity coordinated by the Bank for International Settlements (BIS) along side with 52 other central banks and monetary authorities. The Bank of Thailand participated in this survey for the third time. The products surveyed included spot, outright forwards, foreign exchange swaps, currency swaps, foreign exchange options as well as FRAs, interest rate swaps and options. The objective was to deepen our understanding of the size and structure of these markets. The 2004 survey was conducted in two separated steps.

1) **The survey on turnovers** in the foreign exchange and derivatives markets was conducted in April 2004. All 32 holders of FX licenses (12 local banks, 18 branches of foreign banks and 2 special financial institutions) in Thailand took part in this survey. However, despite the comprehensive coverage of the survey, it must be noted that there were many public holidays in April and hence the results may be subject to a downside bias due to relatively inactive trading.

2) **The survey on amount outstanding** in the OTC derivatives markets was carried out in June 2004 covering both notional amounts and gross market values as at 30 June 2004. Since transactions of foreign banks are consolidated at their respective headquarters, only 9 local banks headquartered in Thailand took part in this survey.

The publication of the 2004 Foreign Exchange and Derivatives Market Activity final global report covering both parts of the survey can be reached at http://www.bis.org/publ/rpfx05.htm

Summary of findings

Turnover in foreign exchange market

- The daily average turnover in the Thai foreign exchange market during April 2004 was 2.87 billion USD, 100% increased from the same month of 2001. By instrument, spot and swaps remain equally significant, each accounting for half of the total turnover.

Unit: billion USD

	April-98	%	April-01	%	April-04	%
Total	3	100	2	100	3	100
Spot	1	33	1	50	1.5	50
Forward	0	0	0	0	0	0
Swap	2	67	1	50	1.5	50

- US dollar/Thai Baht was the most dominant currency pair accounting for 74% of total market turnover. US dollar/Japanese Yen was the second most traded currency pair responsible for 12% of total turnover.

- In the counterparty side, 62% of total turnover was conducted with reporting dealers of which local and foreign dealers made up equal shares, 8%, with other financial institutions and 30% with non-financial customers
- This year swap or forward transactions with maturities exceeding 1 year was very limited. Foreign exchange swaps mainly concentrated in very short maturities while 67% of all outright forward contracts had maturities ranging from eight days to one year.

Unit: percentage of total turnover

	Less than or equal to 7 days	over 7 days and up to 1 year	over 1 year
Forward	30	67	2
FX swap	59	41	1

Turnover in OTC derivatives market

Daily average total turnover in OTC derivatives markets was recorded as 2.1 billion USD of which 95% was foreign exchange derivatives transaction and only 5% was in the OTC interest rate derivatives market. However, compared to the 2001 survey, the interest rate derivatives market exhibited an extraordinary growth of 11 times while turnover of the foreign exchange market rose by merely 50%

Unit: million USD

	April-01	April-04	% change
FX derivatives	1315	1979	50
Interest rate derivatives	8	96	1100
Total	1323	2075	

Intruments: Same as the previous surveys, foreign exchange derivatives market was still dominated by trading of foreign exchange swap registered at 67% of total trading. However, it is worth noting that the role of both forward and cross currency swap increased significantly from 2001. For interest rate derivatives market, on the other hand, all of the exponential growth in turnover was attributable solely to interest rate swap with forward rate agreements transactions actually showing a slight decline in turnover.

Unit: Million USD

	April-01		April-04	
	amount	%share	amount	%share
Forward	130	10	396	20
FX swap	1169	89	1333	67
Cross currency swap	14	1	240	12
Option	2	0	10	1
Total	1315	100	1979	100
FRAs	3	37	2	3
Interest rate swap	6	63	93	97
Total	9	100	95	100

Currency composition of the derivatives markets is similar to that of the traditional foreign exchange market, with the currency pair US dollar/Thai baht being the most dominant. The majority of the transactions (over 90%) were executed amongst reporting dealers.

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