BANK FOR INTERNATIONAL SETTLEMENTS

Triennial Central Bank Survey of Foreign Exchange and OTC Derivatives Market Activity

Reporting guidelines for turnover in April 2016

Monetary and Economic Department

September 2015

Table of Contents

A. Introduction

The eleventh internationally coordinated survey of foreign exchange and derivatives markets will take place in 2016. The aim is to obtain reasonably comprehensive and internationally consistent information on the size, structure and activity of foreign exchange and over-the-counter (OTC) derivatives markets. The purpose of the statistics is to increase market transparency and help central banks, other authorities and market participants to better monitor patterns of activity in the global financial system.

As for previous Triennial Surveys, in 2016 the reporting exercise will be organised in two parts: (i) collection of market data on *turnover* in notional amounts of foreign exchange transactions and single-currency interest rate derivatives transactions in April 2016 and (ii) collection of data on notional amounts and gross market values *outstanding* of foreign exchange, interest rate, equity, commodity, credit and "other" OTC derivative instruments at end-June 2016. These guidelines deal only with the *turnover* part of the survey; separate guidelines for the *amounts outstanding* part of the survey are available on the BIS website (www.bis.org/statistics/triennialrep/guidelines_cbanks.htm).

In order to maintain methodological consistency with previous Triennial Surveys and facilitate the separate identification of cross-border and local trades, the *turnover* part of the survey will be conducted on a sales desk location basis in April 2016, in a format similar to that of the previous surveys. The *turnover* part of the survey covers only spot and OTC-type transactions. It does not cover turnover of exchange-traded derivative instruments since timely and comprehensive information on these products is available from commercial data sources.

The reporting population for the *turnover* part of the survey ("reporting dealers" hereafter) consists of financial institutions that participate in the Triennial Survey. These are mainly large commercial and investment banks and securities houses. They exclude central banks (see Section C).

Each central bank or monetary authority summarises the positions from reporting dealers in its jurisdiction and transmits the aggregated data to the BIS.

The structure of the turnover part of the 2016 Survey remains broadly unchanged from the 2013 Survey. The following changes have been introduced in the 2016 Survey.

1. More detailed data on execution methods will be collected by separately identifying "dark pools" under electronic-indirect trading and clarifying what should be reported under "other".
2. A complementary question on trade internalisation has been added.
3. The complementary question on algorithmic and high-frequency trading has been deleted.
4. The complementary question on central clearing has been deleted. Transactions with central counterparties will be identified separately in the amounts outstanding part of the 2016 Survey.

All reporting dealers are expected to report all of the data requested in the template. Should any reporting dealer experience technical difficulties that may prevent it from reporting these data, the central bank will decide carefully whether or not any such reporting dealer in its jurisdiction could be granted relief from reporting some items on grounds of technical capacity. The BIS will work closely with central banks to provide globally consistent guidance on how such relief could be granted, should the need arise. Furthermore, to help control for the impact of any incomplete reporting on the quality of the statistics, central banks are requested to answer some quality control questions in the complementary information section.

B. Coverage and reporting convention

1. Risk categories

The survey collects data on foreign exchange transactions and OTC derivatives products according to the following broad market classification:

- foreign exchange contracts (Tables A1 to A4, Table C)
- single-currency interest rate derivatives (Table B)

Foreign exchange contracts. Foreign exchange contracts cover spot, outright forwards, foreign exchange swaps, currency swaps, currency options and other foreign exchange instrument transactions with exposure to more than one currency (see Section G.1).

Single-currency interest rate derivatives. Interest rate contracts are contracts related to an interest-bearing financial instrument whose cash flows are determined by referencing interest rates or another interest rate contract (eg an option on a futures contract to purchase a Treasury bill) (see Section G.2).This category is restricted to deals where all the legs are exposed to only one currency's interest rate. Thus it excludes contracts involving the exchange of one or more foreign currencies (eg cross-currency swaps) and other contracts whose predominant risk characteristic is foreign exchange risk, which are to be reported as foreign exchange contracts.

2. Overview of breakdowns

2.1. Foreign exchange

The part of the survey on foreign exchange turnover covers a number of breakdowns:

By instrument. Five basic types – spot, outright forwards, foreign exchange swaps, currency swaps, OTC options – plus other products (see Section G.1 for detailed definitions). For outright forwards and foreign exchange swaps, there is also a breakdown by maturity (see Section E). Furthermore, reporting dealers are requested to identify how much of their "outright forwards" turnover for selected currency pairs is attributed to non-deliverable forwards (NDFs).

By counterparty. Three basic categories: reporting dealers, other financial institutions and non-financial customers. In addition, the category "other financial institutions" is further broken down into five subcategories (see Section C).

By currency and currency pair. There are explicit columns in the template for 40 currencies and 47 currency pairs. Turnover in currency pairs that are not explicitly listed is recorded in aggregate in the "Other" and "Residual" columns (see Section D for details).

Specific trading relationships. Reporting dealers are requested to identify how much of their total turnover for each instrument and currency pair is attributed to (i) transactions conducted in a foreign exchange prime brokerage relationship (with the reporting dealer in the role of FX prime broker), and (ii) transactions that are directly or indirectly generated by retail investors (see Sections H and I). Reporting dealers are also requested to identify how much of their *grand total* foreign exchange turnover is attributed to "related party" transactions (see Section B.4).

By execution method. Clarified and updated for the 2016 survey, there are four basic categories: Voice-Direct, Voice-Indirect, Electronic-Direct, and Electronic-Indirect. The two "Electronic" categories are further broken down into specific types of electronic trading platforms similar to those that already existed in the previous surveys. New in the 2016 survey, "dark pools" are separately identified under electronic-indirect (see Section J for details).

2.2. Single-currency interest rate derivatives

The single-currency interest rate derivatives turnover part has the following breakdowns:

By instrument. Three basic types – forward rate agreements, swaps, OTC options – plus other products (see Section G.2 for detailed definitions).

By counterparty. Three basic categories: reporting dealers, other financial institutions and non-financial customers. The more detailed new breakdowns for “other financial institutions” are not used here.

By currency. There are explicit columns for instruments in 40 currencies. Turnover for instruments in currencies that are not explicitly listed is recorded in aggregate in the “Other” column.

Specific trading relationships. Reporting dealers are requested to identify how much of their *grand total* single-currency interest rate derivatives turnover is attributed to “related party” transactions (see Section B.4).

3. Definition of turnover data

The survey will collect turnover data for both the proprietary and commissioned business of the reporting institution. Commissioned business refers to reporting institutions’ transactions as a result of deals as an agent or trustee in their own name, but on behalf of third parties, such as customers or other entities.

Turnover data provide a measure of market activity, and can also be seen as a rough proxy for market liquidity. Turnover is defined as the gross value of all new deals entered into during a given period, and is measured in terms of the nominal or notional amount of the contracts.

No distinction should be made between sales and purchases (eg a purchase of $5 million against sterling and a sale of $7 million against sterling would amount to a gross turnover of $12 million). Direct cross-currency transactions should be counted as single transactions (eg if a bank sells Swiss francs $5 million against the Swedish krona, the reported turnover is $5 million); however, cross-currency transactions passing through a vehicle currency should be recorded as two separate deals against the vehicle currency (eg if a bank sells Swiss francs $5 million against euro first and then uses the euro to purchase krona, the reported turnover should be $10 million). The gross amount of each transaction should be recorded once, and netting arrangements and offsets should be ignored. In this context, reporting institutions are reminded that CLS pay-in data is on a net basis, and thus should not be used as a source for completing the survey, which is on a gross basis.

For turnover of transactions with variable nominal or notional principal amounts, the basis for reporting should be the nominal or notional principal amounts on the transaction date.

Turnover data should be collected over a one-month period in order to reduce the likelihood that very short-term variations in activity might distort the data. The data collected for the survey should reflect all transactions entered into during the calendar month of April 2016, regardless of whether delivery or settlement is made during that month.

4. Unconsolidated reporting and related party trades

For turnover data, the basis for reporting should be the location of the “sales desk” of any trade, even if deals entered into in different locations were booked in a central location. Thus, transactions concluded by offices located abroad should not be reported by the country of location of the head office, but by that of the office abroad (insofar as the latter is a reporting institution in one of the other reporting countries). Where no sales desk is involved in a deal, in particular for trades executed via electronic platforms, the location of the sales contact who services the client should be used. Otherwise, the trading desk or electronic matching engine should be used to determine the location of the transaction.

Reporting dealers are asked to include "related party" trades between desks and offices, and trades with their own branches and subsidiaries and between affiliated firms, in their reported aggregates. Related party trades should be included regardless of whether the counterparty is resident in the same country as the reporting dealer or in another country. Moreover, these trades should be identified separately as an "of which" memorandum item, under related party trades.

Trades conducted as back-to-back deals and trades to facilitate internal book-keeping and internal risk management within a given reporting dealer should be excluded, be they on a local or cross-border basis. But such deals between reporting dealers or with other market participants that are part of the same consolidated entity should be reported.

The reported trades with own branches and subsidiaries and between affiliated firms should be allocated to the category of reporting dealers or other financial institutions depending on whether the counterparty is a reporting dealer or not. In the event of, for example, an inter-desk deal within the same reporting entity, that trade should be recorded twice in the reporting dealer local category because the reporting dealer category will be automatically adjusted for double-counting by the BIS. If, however, the trade was with an affiliate overseas, which is also a reporting entity in that second country, the two reporting dealers should both record the transaction once in the reporting dealer cross-border category.

OTC derivatives transactions that are centrally cleared via central counterparties (CCPs) should be reported on a pre-novation basis in the turnover part of the survey (ie with the original execution counterpart as counterparty). Any post-trade transaction records that arise from central clearing via CCPs (eg through novation) should not be reported as additional transactions.[1]

Large financial groups operating in a range of centres should ensure that the agreed definitions of the guidelines are followed, as consistently as possible, by all their reporting units. Even for reporting dealers with global networks, reports must be made to the respective central bank by the foreign office itself.

5. Currency of reporting and currency conversion

In general, transactions are to be reported in millions of US dollar equivalents. Non-US dollar amounts should be converted into US dollars using the exchange rates prevailing on the transaction date. However, if this is impractical or impossible, turnover data may be reported using average or end-of-period exchange rates.

When exchange rates other than those of the day of the transaction are used, the order of precedence of currencies' dollar exchange rates, for purposes of conversion in deals which involve currencies other than the US dollar, should be the following: EUR, JPY, GBP, CHF, CAD, AUD, SEK, ARS, BGN, BHD, BRL, CLP, CNY, COP, CZK, DKK, HKD, HUF, IDR, ILS,

---

1 For example, if a reporting dealer executed a non-deliverable forward (NDF) contract with a hedge fund and the contract was post-trade transferred to a CCP for central clearing, the reporting dealer should report only the turnover associated with that NDF contract with the hedge fund as counterparty. The post-novation contract with the CCP should not be reported as additional turnover. Please note that the treatment of centrally cleared OTC derivatives transactions in the turnover part of the survey is different from that in the amount outstanding part.

INR, KRW, MXN, MYR, NOK, NZD, PEN, PHP, PLN, RON, RUB, SAR, SGD, THB, TRY, TWD and ZAR.

Transactions which involve the direct exchange of two currencies other than the US dollar should be measured by totalling the US dollar equivalent of only one side (preferably the purchase side) of the transaction.

6. Rounding

When computing the statistics, reporting dealers as well as central banks are requested to avoid rounding and keep a minimum of six decimal positions (ie double-precision as computer number format) at each level of the process.

Example: The number USD 77,327,560 would be recorded as USD 77.327560 million in the reporting templates.

7. Reporting deadline

Reporting dealers are expected to submit their data to central banks no later than **15 June 2016**. Central banks should transmit aggregated data to the BIS shortly afterwards, and at the latest by 15 July 2016.

C. Counterparties

As in previous surveys, reporting dealers are requested to provide for each instrument in the foreign exchange and interest rate derivatives categories a breakdown of contracts by counterparty as follows: reporting dealers, other financial institutions and non-financial customers (see Table 2 below for definitions).

For these three basic counterparty categories, reporting dealers are also requested to provide separate information on local and cross-border transactions. The distinction between local and cross-border should be determined according to the residence of the counterparty and not its nationality.

Definition of local and cross-border transactions

Local	Transactions with counterparties resident in the same jurisdiction as the reporting dealer.
Cross-border	Transactions with counterparties resident in a jurisdiction other than that where the reporting dealer is located.
	Table 1

The counterparty category “other financial institutions” is further broken down into five subcategories (see Table 2 below for definitions). This additional breakdown is used only in the foreign exchange part of the survey (template Tables A1 to A4). It categorises counterparties by their primary business activity or their primary motives for trading in foreign exchange markets. As some counterparties may potentially fall into more than one category, some judgment may be required on the part of reporting dealers (perhaps with the help of front office staff) or central banks to assign a specific counterparty to a category that best fits that entity. In case of ambiguity, the primary business activity of the counterparty should serve as the criterion.

Counterparty categories, subcategories and definitions

Reporting dealers	Financial institutions that participate as reporters in the Triennial Survey. These are mainly large commercial and investment banks and securities houses that (i) participate in the inter-dealer market and/or (ii) have an active business with large customers, such as large corporate firms, governments and non-reporting financial institutions; in other words, reporting dealers are institutions that are actively buying and selling currency and OTC derivatives both for their own account and/or in meeting customer demand. In practice, reporting dealers are often those institutions that actively or regularly deal through electronic platforms, such as EBS or Reuters dealing facilities. This category also includes the branches and subsidiaries of institutions operating in multiple locations that do not have a trading desk but do have a sales desk in those locations that conducts active business with large customers.[2] The identification of transactions with reporting dealers allows the BIS to adjust for double-counting in inter-dealer trades.
Other financial institutions	Financial institutions that are not classified as "reporting dealers" in the survey. These are typically regarded as foreign exchange and interest rate derivatives markets end users. They mainly cover all other financial institutions, such as smaller commercial banks, investment banks and securities houses, and, in addition, mutual funds, pension funds, hedge funds, currency funds, money market funds, building societies, leasing companies, insurance companies, other financial subsidiaries of corporate firms and central banks. For foreign exchange turnover only (and not for single-currency interest rate derivatives), reporting dealers are requested to report the following five subcategories as "of which (o/w)" items:
o/w non-reporting banks	Smaller or regional commercial banks, publicly owned banks, securities firms or investment banks, not directly participating as reporting dealers.[3]
o/w institutional investors	Institutional investors such as mutual funds, pension funds, insurance and reinsurance companies and endowments. Primary motives for market participation are to trade FX instruments eg for hedging, investing and risk management purposes. A common label for this counterparty category is "real money investors".

[2] The detailed list of names of reporting dealers will be provided before the end of 2015.

[3] See list of reporting dealers for an indication of whether a specific entity belongs to "reporting dealers" or "non-reporting banks".

o/w hedge funds and proprietary trading firms	(a) Investment funds and various types of money managers, including commodity trading advisers (CTAs) which share (a combination of) the following characteristics: they often follow a relatively broad range of investment strategies that are not subject to borrowing and leverage restrictions, with many of them using high levels of leverage; they often have a different regulatory mandate than "institutional investors" and typically cater to sophisticated investors such as high net worth individuals or institutions; they often hold long and short positions in various markets, asset classes and instruments, with frequent use of derivatives for speculative purposes. (b) Proprietary trading firms that invest, hedge or speculate for their own account. This category may include, for example, specialised "high frequency trading" (HFT) firms that employ high-speed algorithmic trading strategies characterised by numerous frequent trades and very short holding periods.
o/w official sector financial institutions	Central banks, sovereign wealth funds,[4] international financial institutions of the public sector (BIS, IMF etc), development banks and agencies.
o/w other	All remaining financial institutions (eg retail aggregators) that cannot be classified as any of the subcategories above.
Non-financial customers	Any counterparty other than those described above, ie mainly non-financial end users, such as corporations and non-financial government entities. May also include private individuals who directly transact with reporting dealers for investment purposes, either on the online retail trading platforms operated the reporting dealers or by other means (eg giving trading instructions by phone) (see also Section I).
	Table 2

Quality control. To prepare for the possibility that some reporting dealers may be technically incapable of reporting in full the new breakdowns under "other financial institutions", an entry called "undistributed" is available in the survey template. This entry captures the amount of "other financial institutions" turnover that fails to be allocated into one of the subcategories above (relief from reporting in full requires agreement from the central bank).

To help assess the representativeness of the reported turnover in the new subcategories, central banks are requested to answer the four quality control questions (questions 5a, 5b, 5c and 5d) in the complementary information section.

D. Currency breakdowns

All currencies in which reporting dealers have conducted reportable transactions are in principle covered in the survey. But a number of currencies and currency pairs require explicit reporting (in dedicated columns) in the survey template.

[4] See www.thecityuk.com/assets/Uploads/SWF-2012.pdf for an industry definition (page 2) and examples of the largest sovereign wealth funds (page 3).

1. Foreign exchange turnover

Reporting dealers are requested to report all transactions involving the domestic currency of the jurisdiction in which they are located. In addition, all reporting dealers, regardless of location, are requested to report all transactions involving the 24 currencies listed in Table 3 below. Participating central banks have the option to cover additional currencies that are important in their own jurisdiction.

Currencies subject to compulsory reporting

AUD	EUR	KRW	SEK
BRL	GBP	MXN	SGD
CAD	HKD	NOK	TRY
CHF	HUF	NZD	TWD
CNY[1]	INR	PLN	USD
DKK	JPY	RUB	ZAR

[1] Includes also offshore transactions commonly denoted by CNH.

Table 3

Reporting dealers are requested to identify separately selected currency pairs as indicated in Table 4 below.

Currency pairs in template Tables A1 to A3

	DOM against (Table A1)	USD against (Table A2)	EUR against (Table A3)	JPY against (Table A3)	Residual[1] (Table A3)
G8 currencies	AUD, CAD, CHF, EUR, GBP, JPY, SEK, USD	AUD, CAD, CHF, EUR, GBP, JPY, SEK,	AUD, CAD, CHF, GBP, JPY, SEK	AUD, CAD	
Non-G8 currencies		BRL, CNY, HKD, INR, KRW, MXN, NOK, NZD, PLN, RUB, SGD, TRY, TWD, ZAR	CNY, DKK, HUF, NOK, PLN, TRY	BRL, NZD, TRY, ZAR	
Other	Other[2]	Other[2]	Other[2]	Other[2]	

[1] All transactions that do not involve the domestic currency, USD, EUR, JPY in one leg. [2] Other denotes the remaining currencies traded that are not explicitly listed in each column of this table.

Table 4

Reporters are requested to classify under “other” (template Tables A1, A2 and A3) the second currency of those currency pairs involving the domestic currency, the US dollar, the euro or the Japanese yen on one side of the deal, and a currency that is not explicitly listed on the other side. In contrast, reporters are requested to classify under “residual” (Table A3) transactions which do not involve the domestic currency, the US dollar, the euro or the Japanese yen on either side of the contract.

Given the increasing interest in the identification of turnover in all reporting countries' currencies (listed in Table 5 below), an additional currency breakdown is requested in template Table A4 for those currencies included in columns "other" in Tables A1, A2 and A3 and "residual" in Table A3.

Currency breakdown of "other" and "residual" in template Table A4

ARS	CZK	MYR	SGD
AUD	DKK	NOK	THB
BGN	GBP	NZD	TRY
BHD	HKD	PEN	TWD
BRL	HUF	PHP	ZAR
CAD	IDR	PLN	Other
CHF	ILS	RON	
CLP	INR	RUB	
CNY	KRW	SAR	
COP	MXN	SEK	

Table 5

As regards deals reported under column "other" in template Tables A1, A2 and A3, given that the first currency of the transaction is already identified (as domestic currency, USD, EUR or JPY) only the second currency should be reported in Table A4, ie the exact amount reported in column "other" should be distributed in Table A4.

In contrast, for contracts reported under column "residual", since both currencies are unknown, transactions should be allocated to two currencies in Table A4.

For those cases where neither currency involved in the deal is listed in Table A4, the transaction should be included *twice* under column "other" of Table A4.

Example: Brazilian reporting dealers should report a $100 million transaction in the following way for these different currency pairs:

- BRL/CAD: $100 million in Table A1 under "CAD".
- BRL/MXN: $100 million in Table A1 under "Other" and $100m in Table A4 under "MXN".
- ARS/MXN: $100 million in Table A3 under "Residual", $100 million in Table A4 under "ARS" and $100 million in Table A4 under "MXN".

In no case should Brazilian reporting dealers report any data under BRL in Table A4.

2. Single-interest rate derivatives

For *turnover* of single-currency interest rate contracts the same currency breakdown is requested: ARS, AUD, BGN, BHD, BRL, CAD, CHF, CLP, CNY, COP, CZK, DKK, EUR, GBP, HKD, HUF, IDR, ILS, INR, JPY, KRW, MXN, MYR, NOK, NZD, PEN, PHP, PLN, RON, RUB, SAR, SEK, SGD, THB, TRY, TWD, USD, ZAR and other.

Participating central banks have the option to cover additional currencies that are important in their own jurisdiction.

3. Special units of account

Any transaction done in a special unit of account adjusted to inflation (eg CLF, COU and MXV) should be treated as having been done in the main currency (respectively CLP, COP and MXN).

E. Maturities

In the turnover part of the survey, transactions in outright forwards and foreign exchange swaps should be reported on an original maturity basis according to the following maturity bands:

- seven days or less;
- over seven days and up to and including one year;
- over one year.

For *outright forward* contracts, the maturity band for the transaction is determined by the difference between the delivery date and the date of the initiation of the contract. For both *spot/forward* and *forward/forward foreign exchange swaps*, the maturity band for the contract is determined by the difference between the due date of the second or long leg of the swap and the date of the initiation of the contract.

F. Categorisation of derivatives involving more than one risk category

Individual derivatives transactions are to be categorised into two risk classes: *foreign exchange* and *single-currency interest rate.* 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 G 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. 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:

Foreign exchange. This category will include all derivatives transactions 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 in which there is 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.

G. Detailed instrument definitions and categorisation

1. Foreign exchange transactions

The instruments covered in the foreign exchange turnover part of the survey are defined and categorised as follows:

Spot	Single outright transactions 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 should not be included among spot transactions but are to be reported as swap transactions even when they are due for settlement within two days. This means that spot transactions should be exclusive of overnight swaps and spot next swaps, as well as other "tomorrow/next day" transactions.
Outright forwards	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). This category also includes forward foreign exchange agreement transactions (FXA), non-deliverable forwards (NDF) and other forward contracts for differences.[5] Outright forwards are generally not traded on organised exchanges and their contractual terms are not standardised. To cater to specific interest in NDFs[6] (as distinct from deliverable forwards), reporting dealers are requested to identify in an "of which" item NDF volumes for six currency pairs with significant turnover: USD/CNY, USD/INR, USD/KRW, USD/BRL, USD/RUB and USD/TWD. The NDF turnover of other less well traded pairs will also be captured but in aggregate only.
Foreign exchange swaps	Transactions involving the actual exchange of two currencies (principal amount only) on a specific date at a rate agreed at the time of the conclusion of the contract (the short leg), and a reverse exchange of the same two currencies at a date further in the future at a rate (generally different from the rate applied to the short leg) agreed at the time of the contract (the long leg). Both spot/forward and forward/forward swaps should be included. For *turnover*, only the forward leg should be reported as such. The spot leg should not be reported at all, ie 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 swaps	Contract which commits two counterparties to exchange streams of interest payments in different currencies for an agreed period of time and/or to exchange principal amounts in different currencies at a pre-agreed exchange rate at maturity.
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 also includes exotic foreign exchange options such as average rate options and barrier options. OTC options include: • Currency swaption: OTC option to enter into a currency swap contract. • Currency warrant: long-dated (over one year) OTC currency option.

[5] Separate information on forward contracts for differences (including non-deliverable forwards) is also requested. Please see Section K item 4 below.

[6] NDFs differ from deliverable forwards in that there is no physical delivery of the two underlying currencies at maturity. An NDF contract is settled in cash (very often in US dollars, or any other pre-agreed currency). The settlement amount is calculated based on the difference between the contracted NDF rate and the prevailing spot exchange rate at maturity (the fixing date), and the pre-agreed notional amount.

Other products	Other derivative products are instruments where decomposition into individual plain vanilla instruments such as forwards, swaps or options is impractical or impossible. Examples of "other" products are swaps with underlying notional principal in one currency and fixed or floating interest rate payments based on interest rates in currencies other than the notional (differential swaps or diff swaps).
	Table 6

Foreign exchange OTC derivatives are in principle to be broken down into 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 standardised contracts and market conventions. If a transaction comprises several plain vanilla components, each part should in principle be reported separately.

Non-plain vanilla products should in principle be separated into their plain vanilla components. If this is not feasible, then 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.

2. Single-currency interest rate derivatives

The instruments covered in single-currency interest rate derivatives part of the survey are defined and categorised as follows:

Forward rate agreements (FRAs)	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.
Swaps	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.
OTC options	Option contract that gives the right to pay or receive a specific interest rate on a predetermined principal for a set period of time. OTC options include: • Interest rate cap: OTC option that pays the difference between a floating interest rate and the cap rate. • Interest rate floor: OTC option that pays the difference between the floor rate and a floating interest rate. • Interest rate collar: 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 with 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: OTC option to enter into an interest rate swap contract, purchasing the right to pay or receive a certain fixed rate. • Interest rate warrant: OTC option; long-dated (over one year) interest rate option.

Other products	Other derivative products are instruments where decomposition into individual plain vanilla instruments such as FRAs, swaps or options is impractical or impossible. Examples of "other" products are instruments with leveraged payoffs and/or those whose notional principal varies as a function of interest rates, such as swaps based on LIBOR squared or index-amortising rate swaps.
	Table 7

Single-currency interest rate derivatives are in principle to be broken down into three types of plain vanilla instrument (FRA, swaps and options). Plain vanilla instruments are those traded in generally liquid markets according to more or less standardised contracts and market conventions. If a transaction comprises several plain vanilla components, each part should in principle be reported separately.

Non-plain vanilla products should in principle be separated into their plain vanilla components. If this is not feasible, then 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 FRA or swaps section.

H. FX prime brokerage

Prime brokers are defined as institutions (usually large and highly rated banks) facilitating trades for their clients (often institutional funds, hedge funds and other proprietary trading firms). Prime brokers enable their clients to conduct trades, subject to credit limits, with a group of predetermined third-party banks in the prime broker's name. This may also involve granting the client access to electronic platforms that are traditionally available only to large dealers. In an FX prime brokerage relationship, the client trade is normally "given up" to the prime broker, who is interposed between the third-party bank and the client and therefore becoming the counterparty to both legs of the trade.

Reporting dealers that *have acted as FX prime brokers* are requested to report those transactions that *they have brokered* in two ways:

(i) in the usual manner, treating the two legs as two separate deals, allocating them by instrument, currency pair and counterparty; and

(ii) in the item "of which prime brokered" under the total of each instrument and currency pair (both legs should be included here).

Those transactions that are *not prime brokered* by reporting dealers only need to be reported once in the usual manner. This also means that reporting dealers that have not acted as FX prime brokers only need to allocate their trades in the usual manner, and never in the "of which" item.

Quality control. To help assess the representativeness of the reported figures on FX prime brokerage, central banks are requested to answer the four quality control questions (questions 5a, 5b, 5c and 5d) in the complementary information section.

Example: A hedge fund trades $100 million with a reporting dealer and the trade is "given up" to a prime broker who is also a reporting dealer. For the first leg where both the prime broker and the counterparty dealer are reporting dealers, the $100 million transaction should be reported by both the prime broker and the counterparty dealer as a deal "with reporting dealers". For the second leg where the counterparty is not a reporting dealer, the prime broker should report the $100 million transaction as a deal "with other financial institutions". In addition, the prime broker should report the two transactions or $200 million under the item "of which prime brokered".

I. Retail-driven transactions

In recent years, retail investors increased their participation in the FX market, facilitated by internet-based trading platforms. Retail investors refer to private individuals executing on their own behalf (not for any institution) speculative, leveraged, and cash-settled foreign exchange transactions. Reporting dealers are requested to provide data on retail-driven transactions, for each instrument and currency pair.

Retail-driven transactions are defined as reporting dealers' (a) transactions with "wholesale" financial counterparties that cater to retail investors (ie electronic retail trading platforms and retail margin brokerage firms), and (b) direct transactions with "non-wholesale" investors (ie private individuals) executed online or by other means (eg phone), if applicable.[7]

Quality control. To help assess the representativeness of the reported figures on retail-driven transactions, central banks are requested to answer the four quality control questions (questions 5a, 5b, 5c and 5d) in the complementary information section.

Reporting dealers are also requested to assess in question 6 of the complementary information section the estimated percentage share of (a) transactions with "wholesale" counterparties, (b) online transactions with "non-wholesale" investors and (c) phone transactions with "non-wholesale" investors.

J. Execution methods

The table on execution methods (template Table C) for foreign exchange contracts has been revised in the 2016 survey. The organising principle distinguishes execution along two dimensions: (i) "voice" vs "electronic" and (ii) "direct" vs "indirect". This yields four basic categories: Voice-Direct, Voice-Indirect, Electronic-Direct, and Electronic-Indirect.

To continue to capture turnover on different types of electronic platforms as done in past surveys, the latter two "electronic" categories are augmented with subcategories: Single-bank proprietary trading system, Other direct electronic means, Reuters Matching/EBS, Dark pools and Other ECNs.

These execution methods are accompanied by breakdown by instrument and counterparty (the three main types only) in template Table C.

---

[7] These "non-wholesale" transactions should in principle be a subset of reporting dealers' transactions with the "non-financial customers" counterparty category (see Section C). For ease of reporting, the "non-wholesale" transactions of interest here excludes branch retail spot transactions ("today" delivery date), transfers of funds denominated in different currencies across any two accounts, and electronic transactions using ATM, credit card, and stored value transactions that are executed in a foreign currency. They would also exclude transactions conducted by retail clients as part of a commercial transaction even if denominated in a foreign currency.

Execution method categories and definitions

Category	Definition
Voice–Direct	Trades originated in person, by phone, by telefax or through general messaging systems (eg Outlook, Hotmail, Gmail or Yahoo mail) regardless of how trades are subsequently matched, not intermediated by a third party.
Voice–Indirect	Trade agreed by a voice method and intermediated by a third party (eg a voice broker).
Electronic–Direct	Trades executed over an electronic trading system, not intermediated by a third party. These include transactions originated through specific messaging systems that are part of trading platforms.
of which:	
Single-bank proprietary trading system	Electronic trading systems owned and operated by a bank. *Examples: Autobahn, BARX, Velocity, FX Trader Plus.*
Other	Other direct electronic trading systems. *Examples: Bloomberg FXGO, Thomson Reuters Conversational Dealing, direct API price streams.*
Electronic–Indirect	Trades executed over an electronic medium, intermediated by a third-party electronic platform (eg via a matching system).
of which:	
Reuters Matching/EBS	Major electronic trading platforms that have historically been geared towards the inter-dealer market.
Dark pools	Private platforms for trading securities (especially for large trade sizes), where access is restricted and quotes are not revealed. They are operated by some of the main FX dealing banks, as well as broker-dealers (eg BGC) and platform providers. *Examples: BGC, Hotspot QT.*
Other electronic communication networks	Multi-bank dealing systems not falling in the categories above. *Examples: FXall, Currenex FXTrades, KCG Hotspot ECN, ParFX, Bloomberg Tradebook, 360T.*

Table 8

Quality control. To allow for the possibility that some reporting dealers may be technically incapable of properly allocating all their transactions to the new execution methods, an entry called “unallocated” is available in the survey template. This entry captures the amount of turnover for each instrument and counterparty that fails to be allocated into one of the execution method categories above (relief from reporting in full requires agreement from the central bank).

To help assess the representativeness of data on execution methods, central banks are requested to answer the four quality control questions (questions 5a, 5b, 5c and 5d) in the complementary information section.

K. Complementary information

1. Number of business days	Reporting central banks are requested to provide information on the number of business days in their country in April 2016. The information is needed to calculate comparable daily averages of the reported monthly turnover data.
2. Coverage and concentration	Reporting central banks are requested to provide the following information on their foreign exchange national survey (spot, outright forwards, foreign exchange swaps, currency swaps and OTC options): (a) The final number of participating institutions; (b) The estimated percentage coverage of their survey; (ie the share of total market turnover in the reporting country accounted for by survey participants); and (c) The number of institutions accounting for 75% of the reported totals.
3. Trend of trading activity	Reporting dealers are requested to provide information on whether, in their experience, foreign exchange turnover (spot, outright forwards, foreign exchange swaps, currency swaps and OTC options) in the month of April 2016 was normal, below normal or above normal and whether turnover in the preceding six months was steady, increasing or decreasing.
4. Data on forward contracts for differences (incl. non-deliverable forwards)	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 (ie forward FX contracts which do not require physical delivery of a non-convertible currency) and other forward contracts for differences. The data are required with the following breakdown by currency groups: – G10 currencies only: Contracts that involve G10 currencies (US dollar, euro, Japanese yen, pound sterling, Swiss franc, Canadian dollar or Swedish krona) on both sides of the transaction. – Non-G10 currencies: Contracts that involve non-G10 currencies on only one or both sides of the transaction. In this category a further breakdown by regional area is required as follows: Africa & Middle East, Asia & Pacific, Europe, Latin America & Caribbean. Notional amounts of transactions involving non-G10 currencies from different regional areas should be split evenly between the two relevant columns in the form.

5. Quality control questions to assess the representativeness of the reported figures	Each participating central bank will carefully decide whether or not any reporting dealer in its jurisdiction could be granted relief from reporting some of the new details on grounds of technical capacity. The BIS will work closely with central banks to provide globally consistent guidance on how such relief could be granted, should the need arise. Since incomplete reporting will impair the quality of the collected data, participating central banks are requested to answer some quality control questions. The information obtained would help assess the representativeness of the reported figures in four areas: detailed breakdown of other financial institutions, prime brokered transactions, retail-driven transactions and execution methods. (a) How many reporting dealers are reporting the data? (b) How many reporting dealers are not reporting the data due to technical incapacity to report? (c) How many reporting dealers are not reporting the data due to no turnover in the transaction in question? (d) What is the estimated percentage coverage (ie the share of total market turnover in a given area that is accounted for by dealers reporting data in that area)?[8]
6. Information on "retail-driven" transactions	Reporting dealers are requested to assess the estimated percentage share of: (a) Transactions with "wholesale" counterparties. (b) Online transactions with "non-wholesale" investors. (c) Phone transactions with "non-wholesale" investors.
7. Internalisation ratio	The internalisation of trades is a process whereby reporting dealers offset orders from one customer with those from another. Internalisation reduces the need to manage inventory imbalances via the traditional inter-dealer market or with buy-side market participants. Reporting dealers are requested to provide an estimate of the percentage of their reported total foreign exchange turnover which was internally matched against offsetting trades by other customers. (a) Total FX contracts (b) Spot (c) Outright forwards (d) FX swaps (e) Currency swaps (f) OTC options (g) Other products
	Table 9

[8] The numerator is constituted by the turnover in USD from dealers reporting data in that area and the denominator by the sum of turnovers in USD from dealers reporting data in that area and an estimation for dealers that are not reporting the data in that area due to technical incapacity.

L. Euro area transactions

At the request of Eurosystem central banks, the Triennial Central Bank Survey separately identifies trading between residents of the euro area. Only reporting dealers located within the euro area are expected to complete the euro area attachments (Tables E1 to E4).

Reporting dealers residing in a euro area member state are requested to provide separate information on foreign exchange and interest rate derivatives turnover conducted with other euro area residents. Turnover should include both (i) local deals and (ii) cross-border deals with counterparties in all other euro area members. Four additional tables (E1, E2, E3 and E4) are included in the reporting template for this purpose. These data are a subset of the data requested in the main tables and consequently are expected to be smaller than those reported in Tables A to C.