



Memorandum

DATE: 16/09/2019

The Riksbank's survey of turnover in the Swedish foreign exchange and derivatives market

Turnover on the foreign exchange market in Sweden remains largely unchanged relative to 2016. During the same period, the turnover interest rate derivatives declined significantly. This was observed in the survey of turnover in the Swedish foreign exchange and derivatives markets made by the Riksbank in April this year at the initiative of the Bank for International Settlements (BIS).

The Riksbank's survey is part of a larger survey (Triennial Central Bank Survey) coordinated by the Bank for International Settlements (BIS). The study covers 53 countries and has been carried out every third year since 1986.¹² The previous study was carried out in 2016. The surveyed turnover comprises foreign exchange contracts in the spot and derivatives markets as well as interest rate derivatives.

In Sweden, the study is based on the turnover of the four largest Swedish participants, that is, Swedbank, Nordea Bank, SEB and Svenska Handelsbanken. The survey covers these banks' total foreign exchange and derivatives trading in Sweden; not merely their trade in Swedish kronor. The total turnover in the Swedish kronor market is described in the BIS preliminary report, see www.bis.org.

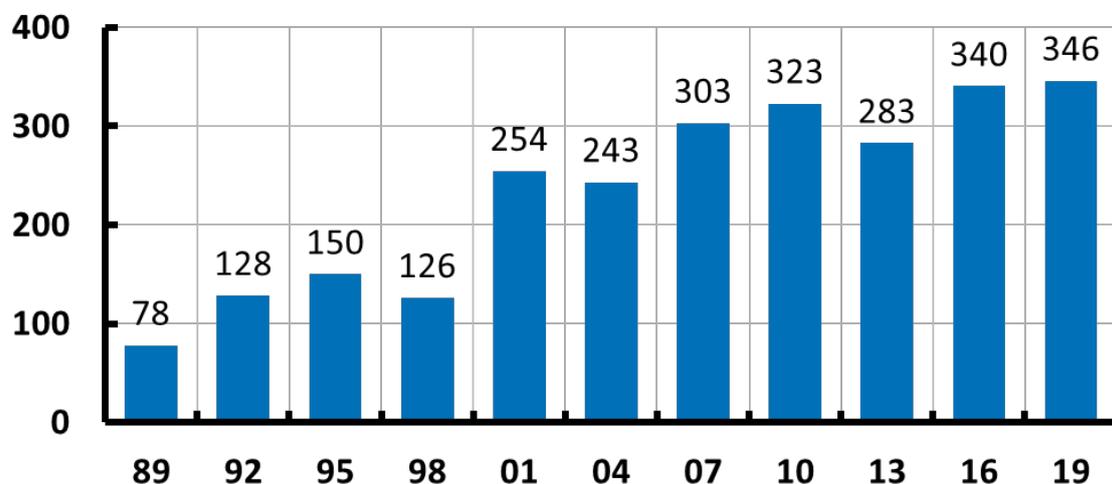
¹ Sweden has taken part in the survey since 1989

² For a preliminary compilation of all of the countries' surveys, see www.bis.org.

Foreign exchange market turnover

The foreign exchange market is defined as spot transactions and trade in outright forwards, FX-swaps, currency swaps and foreign exchange options (see the BIS report for definitions of financial instruments). The columns in Figure 1 show the turnover in the foreign exchange market in Sweden expressed in Swedish kronor.

Figure 1. Turnover in the Swedish foreign exchange market (spot, outright forwards, FX swaps, currency swaps and options), daily average, SEK billion (April 2019).



As the BIS reports its data in US dollars, the change in turnover in the foreign exchange market is reported in Table 1 in both SEK and USD. The total turnover on the foreign exchange market in Sweden has increased, measured in Swedish krona, by almost 2 per cent in relation to the survey made in April 2016. When measured in US dollars, on the other hand, the turnover has declined by almost 12 per cent. The difference in the change figures in SEK and USD is due to the krona having weakened by 13 per cent against the US dollar between April 2016 and April 2019.

FX swaps have by far the highest turnover on the foreign exchange market in Sweden. The turnover in FX swaps has increased by almost 9 per cent, when measured in SEK, compared with the study made in 2016. When measured in US dollars, however, the turnover has declined by a good 5 per cent. We can see a similar development for currency swaps.

Spot transactions, which have the second highest turnover in the foreign exchange market, have declined by almost 19 per cent during the same period, when measured in Swedish krona. Measured in US dollars, the decline is 29 per cent.

The turnover in outright forwards and currency options shows an even greater decline. Measured in Swedish krona, outright forwards have declined by a good 34 per cent and currency options by almost 25 per cent since the previous survey.

Table 1. Turnover in the Swedish foreign exchange market by type of instrument, daily average (April 2019)

	SEK billion	USD billion	Change in turnover, in SEK, compared with 2016	Change in turnover, in USD, compared with 2016
Spot	43.8	4.7	-18.5%	-29.1%
FX swaps	283.7	30.4	8.9%	-5.2%
Outright forwards	11.3	1.2	-34.3%	-42.8%
Currency swaps	1.5	0.2	0.6%	-12.5%
FX options	5.6	0.6	-24.6%	-34.4%
Total	345.9	37.1	1.6%	-11.6%

As in previous surveys, the currency pairs with the highest turnover in the Swedish spot market were SEK/EUR and EUR/USD. EUR/USD has the largest share at almost 24 per cent. This is largely the same percentage as in the 2016 study (see Table 2). On the other hand, the percentage of SEK/EUR has declined by 7 percentage points and comprises around 17 per cent of the turnover. In third place we find NOK/EUR with a percentage of around 9 per cent.

On the FX swap market the most important currency pair was still SEK/USD, with a share of 32 per cent, which is a decline of almost 6 percentage points. Number two on this market is, as before, EUR/USD, which has declined by around 2 percentage points to just over 25 per cent. In third place is SEK/EUR with a percentage of almost 11 per cent, which is a decline of around 3 percentage points. Close behind is USD/GBP with a percentage of just over 10 per cent. This share has increased by almost 6 percentage points.

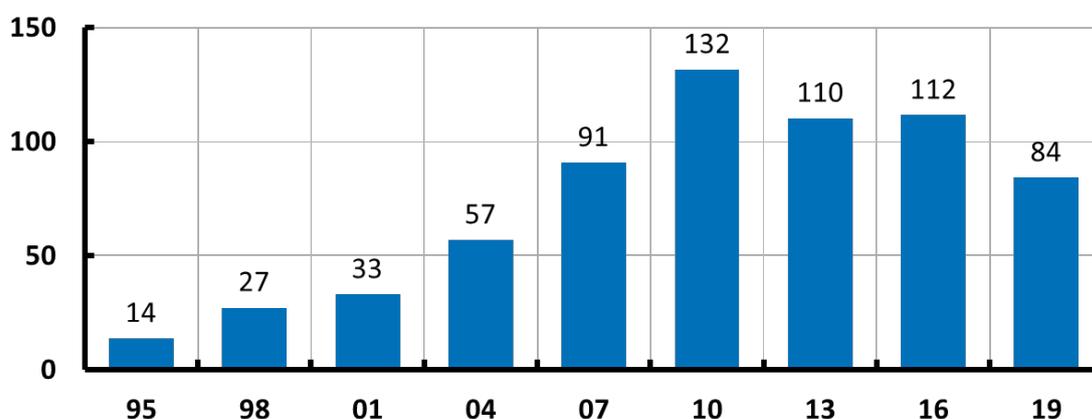
Table 2. The most frequent currency pairs in the Swedish market, daily average (April 2019)

	Spot		FX swaps		
	SEK billion	Percentage	SEK billion	Percentage	
USD/EUR	10.3	23.6%	SEK/USD	90.8	32.0%
SEK/EUR	7.5	17.2%	USD/EUR	71.9	25.3%
NOK/EUR	4.2	9.5%	SEK/EUR	30.0	10.6%
SEK/USD	3.5	8.0%	USD/GBP	29.1	10.3%
USD/GBP	2.9	6.7%	CHF/USD	25.6	9.0%
CAD/USD	1.7	3.8%	NOK/USD	6.9	2.4%
DKK/EUR	1.3	2.9%	JPY/USD	5.1	1.8%
NOK/USD	1.2	2.8%	CAD/USD	3.6	1.3%
		74.5%			92.7%

Interest rate derivative turnover

Trade in interest rate derivatives (FRA, interest rate swaps and interest rate options) in Sweden has declined significantly since the previous survey. In April 2019 the daily average turnover amounted to SEK 84 billion (see Figure 2). Measured in Swedish krona, the turnover has fallen by around 25 per cent (see Table 3). On the other hand, if the turnover is measured in US dollars, it has declined by 34 per cent. The decline is entirely due to a decrease in the turnover of interest rate derivatives linked to other currencies than the Swedish krona.

Figure 2. Total turnover in interest rate derivatives in the Swedish market, daily average, SEK billion (April 2016)



The survey shows that the turnover in FRA has halved when measured in Swedish krona, and when measured in US dollars the decline is 56 per cent (see Table 3). This means that FRA's share of interest rate derivatives has fallen by a good 20 percentage points, to 42 per cent. The substantial decline in turnover in FRA is solely due to the fact that trade in FRA in other currencies than the Swedish krona has ceased. In the 2016 study, FRA in other currencies than the Swedish krona accounted for 31 per cent of the FRA turnover.

The turnover of interest rate swaps, on the other hand, has remained unchanged when measured in SEK but declined by 12 percentage points when measured in USD. Interest rate swaps account for 47 per cent of the total interest rate derivative turnover, which is an increase of 8 percentage points in relation to the previous study.

The turnover in interest-rate options has more than tripled, and comprises 11 per cent of the interest rate derivative turnover, compared with 2 per cent in the 2016 study.

Table 3. Turnover in interest rate derivatives in the Swedish market by type of instrument, daily average (April 2019)

	SEK billion	USD billion	Percentage share	Change in turnover, in SEK, compared with 2016	Change in turnover, in USD, compared with 2016
FRA	35.1	3.8	42%	-50%	-56%
Interest rate swaps	39.8	4.3	47%	1%	-12%
Interest-rate options	9.2	1.0	11%	253%	207%
Total	111.5	13.7	100%	-24.5%	-34.3%

Almost all turnover on the interest rate derivative market in Sweden (FRA, interest rate swaps and interest rate options), 97 per cent, is in instruments linked to interest rate in Swedish krona (see Table 4). In the 2016 study, interest rate derivatives in other currencies than the Swedish krona accounted for a good 40 per cent of the trade, primarily euros and US dollars. In this year's study, the other accounts for barely 3 per cent of trade in interest rate derivatives.

Table 4. Turnover in interest rate derivatives (FRAs, interest rate swaps and interest rate options) in the Swedish market by currency, daily average (April 2019)

Currency	SEK Billions	USD Billions	Percentage
SEK	82.1	8.8	97%
EUR	1.2	0.1	1%
Other information	0.8	0.1	1%
Total	84.2	9.0	100%