

Central Bank Survey of Foreign Exchange and Derivatives Market Activity at end-June 2007: Derivatives Amounts Outstanding, Japan

October 24, 2007

Bank of Japan

Financial Markets Department

The Bank of Japan is releasing today the results for the second part of the triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity in Japan, concerning the data on notional amounts outstanding at end-June 2007. This survey is a part of the triennial central bank survey, coordinated by the Bank for International Settlements (BIS).

Highlights of the survey results

1. Notional amounts outstanding: Overview

The notional amounts outstanding of the “over-the-counter” (OTC) derivatives transactions contracts by Japanese financial institutions at end-June 2007 was US\$26.0 trillion, increasing by +47.2 percent from the previous survey at end-June 2004.

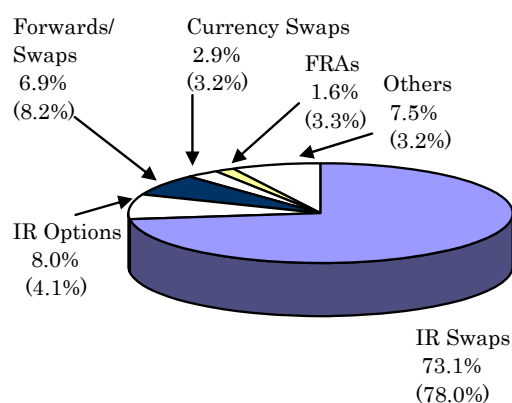
By risk factor, the amounts outstanding of interest rate contracts (IR contracts) accounted for 82.7 percent of the total contracts. In comparison with the previous survey, the amounts outstanding of foreign exchange-related contracts (FX contracts) and IR contracts increased by over +40 percent, while that of credit derivatives became more than ten times and those of equity derivatives and commodity derivatives became 3 and 2 times, respectively.

OTC Derivatives Outstanding for Japan at End-June 2007

US\$ billions	Notional Amounts Outstanding	
		change (percent)
Total OTC Contracts (Including Gold)	26,032	+ 47.2
Foreign Exchange Contracts	3,549	+ 44.3
Interest Rate Contracts	21,537	+ 42.8
Equity Contracts	105	+ 182.8
Commodity Contracts	29	+ 109.0
Credit Derivatives	813	+ 937.4
Other Derivatives	0	- 99.7

Note: Sub-items may not add up to totals due to rounding, etc. Figures for gold are included in the total

(Chart1) Notional Amounts Outstanding by Type of Instrument

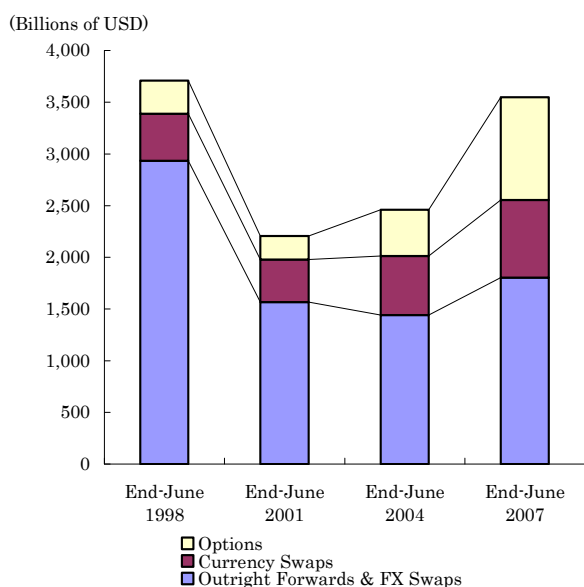


Note: Figures in parentheses represent the share of each instrument at previous period.

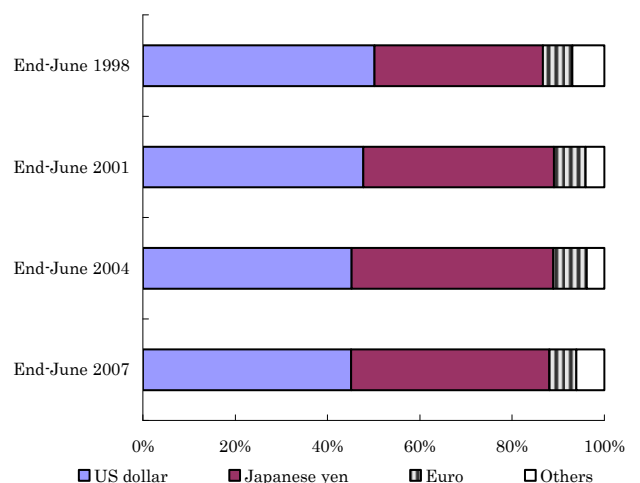
2. Foreign exchange-related contracts (FX contracts)

The notional amounts outstanding of FX contracts was US\$3.5 trillion, increasing by +44.3 percent from the previous survey. By currency, the US dollar and the Japanese yen held the market shares of 45.1 percent and 42.9 percent, respectively. The market share of currencies other than the US dollar, the Japanese yen and the Euro was 6.1 percent, up from 3.8 percent in the previous survey. By counterparty, inter-dealer transactions, defined as transactions between major dealers reporting for the “Regular Derivatives Market Statistics in Japan,” accounted for 69.8 percent of the total. By remaining maturity, the market share of the contracts with remaining maturity of one year or less was 64.5 percent, down from 74.2 percent at end-June 2004.

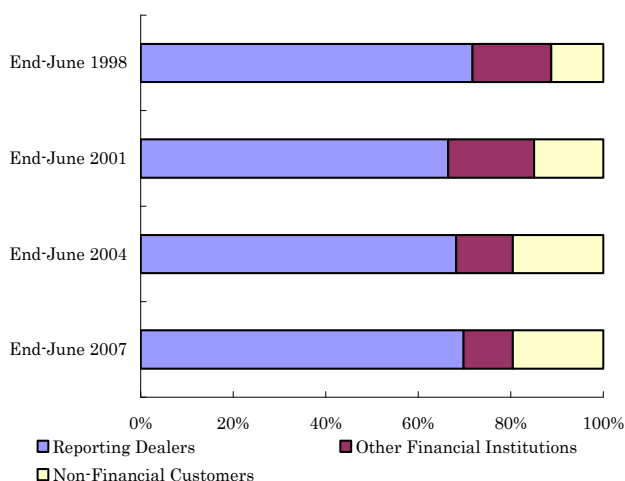
(Chart2-1) Notional amounts of FX contracts



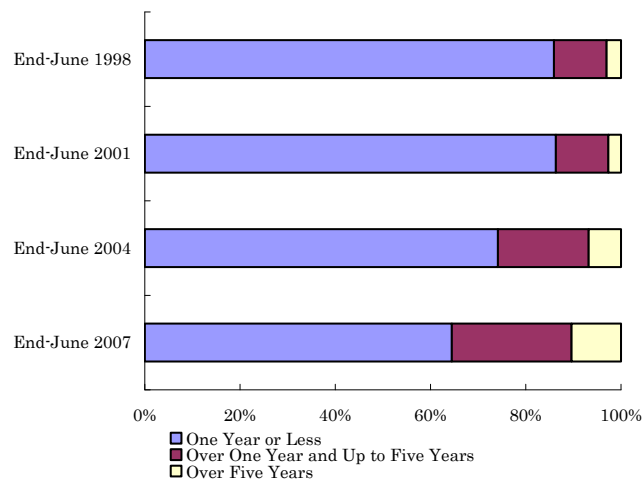
(Chart2-2) FX contracts by currency



(Chart2-3) FX contracts by counterparty



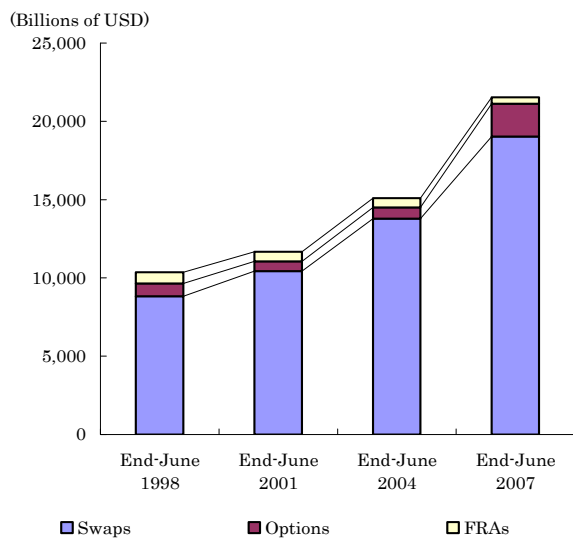
(Chart2-4) FX contracts by remaining maturity



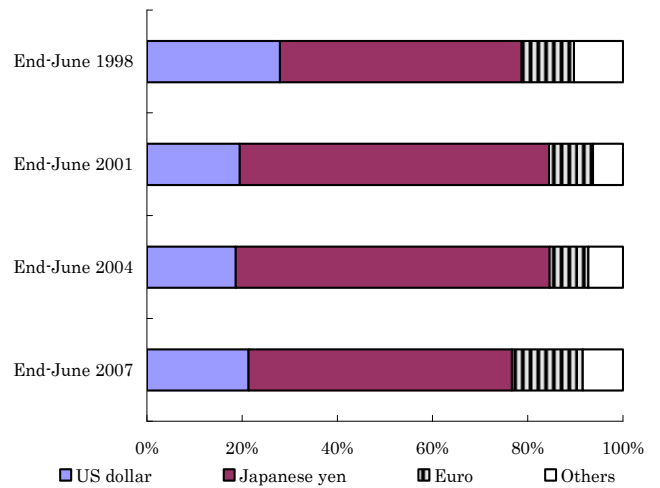
3. Interest rate contracts (IR contracts)

The notional amounts outstanding of IR contracts was US\$21.5 trillion, increasing by +42.8 percent from the previous survey. By currency, the market share of the Japanese yen was 55.3 percent, down from 66.0 percent. Those of US dollar and Euro were 21.3 percent and 14.9 percent, up from 18.7 percent and 8.1 percent, respectively. By counterparty, inter-dealer transactions accounted for a large percentage of the total. By remaining maturity, the share of the contracts with remaining maturity of one year or less was 33.0 percent, up from 28.6 percent.

(Chart3-1) Notional amounts of IR contracts

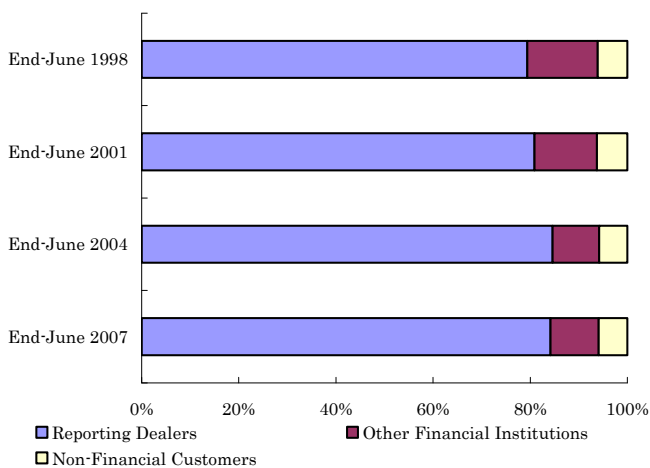


(Chart3-2) IR contracts by currency

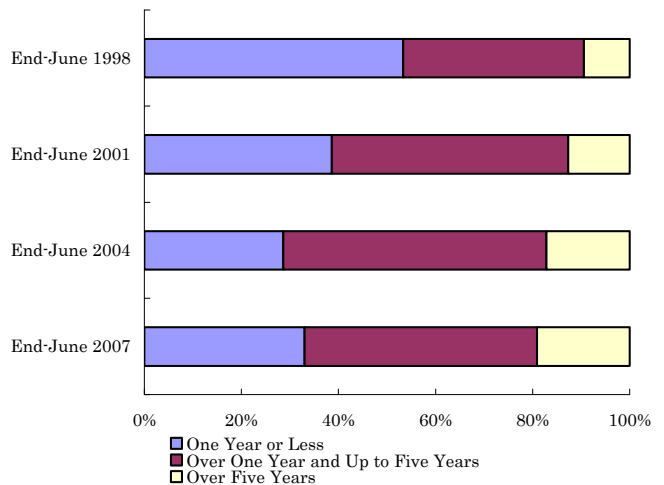


Note: Euro figures for 1998 are represented by the sum of DM and FF.

(Chart3-3) IR contracts by counterparty



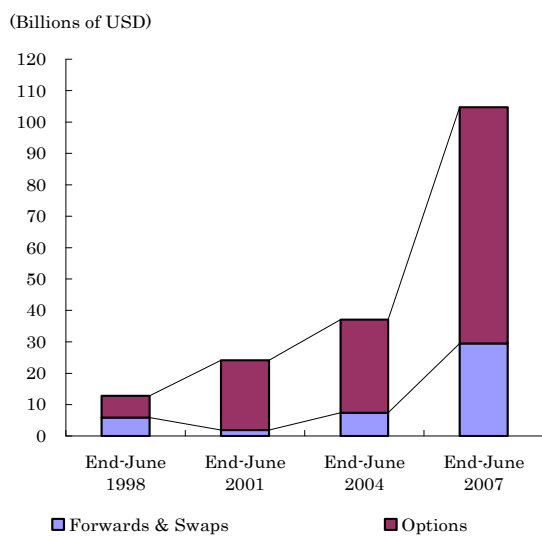
(Chart3-4) IR contracts by remaining maturity



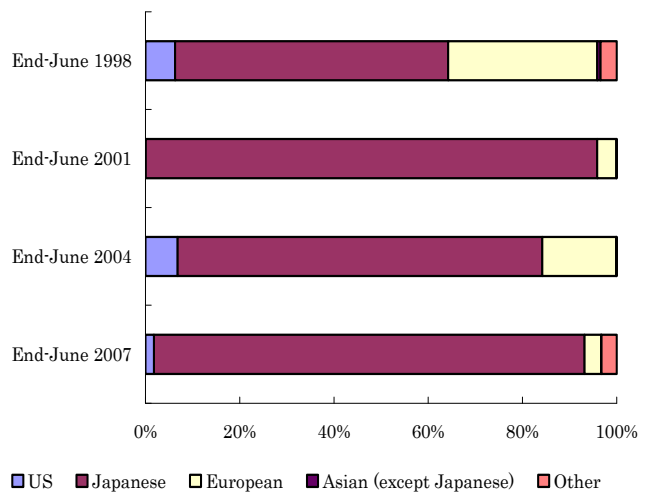
4. Equity contracts

The notional amounts outstanding of equity contracts was US\$104.7 billion, increasing by +182.8 percent from the previous survey. By related market of underlying equity, the share of Japanese market related contracts was 91.3 percent. By counterparty, inter-dealer transactions was 71.6 percent, up from 60.3 percent. By remaining maturity, the share of contracts with remaining maturity of one year or less decreased from 69.2 percent to 46.2 percent, and that of the other contracts increased.

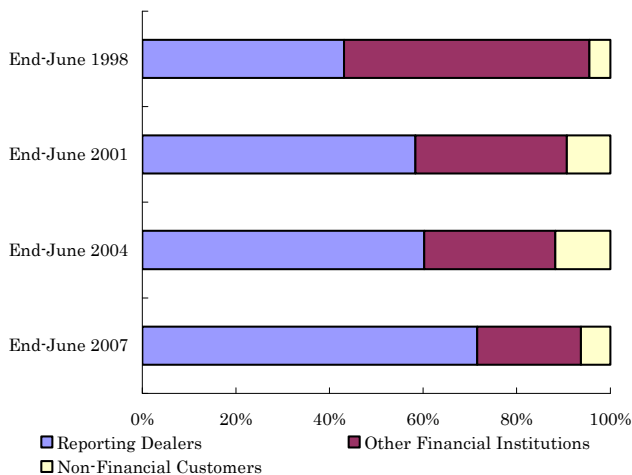
(Chart4-1) Notional amounts of equity contracts



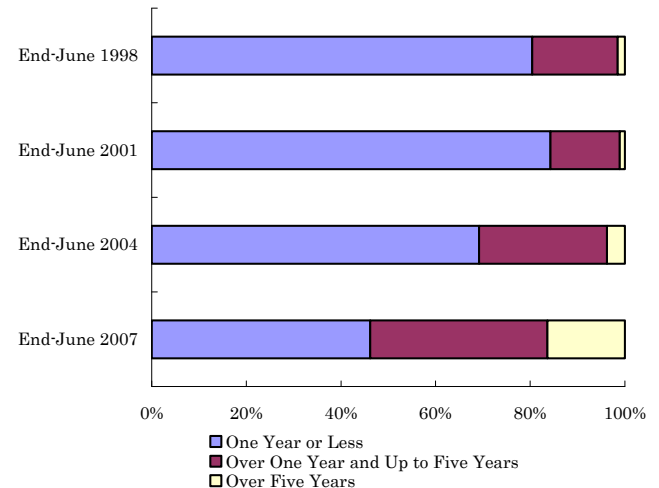
(Chart4-2) Equity contracts by related market



(Chart4-3) Equity contracts by counterparty



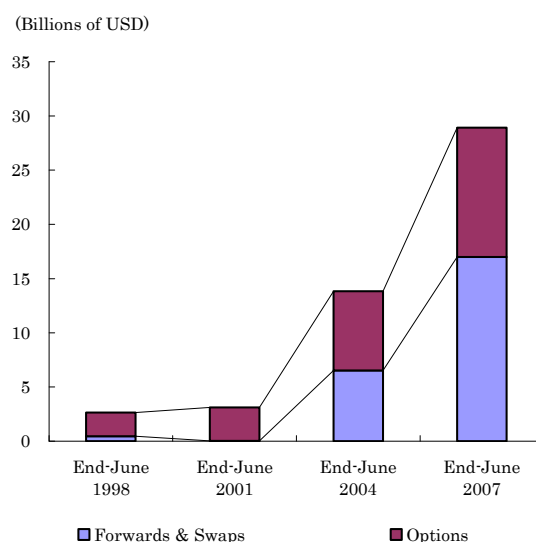
(Chart4-4) Equity contracts by remaining maturity



5. Commodity contracts

The notional amounts outstanding of commodity contracts was US\$28.9 billion, increasing by +109.0 percent from the previous survey.

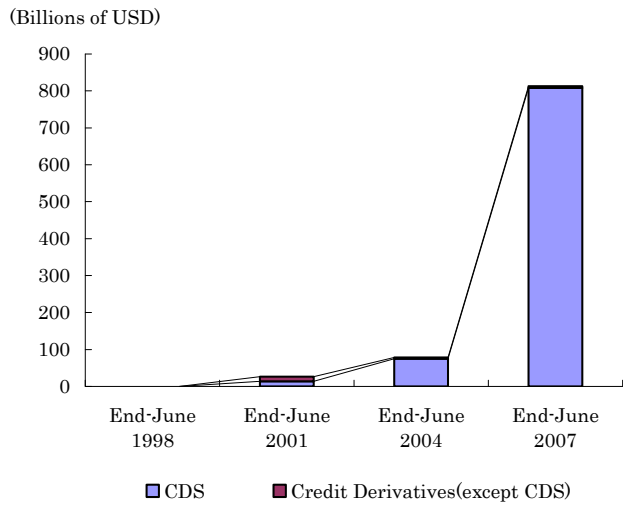
(Chart5) Notional amounts of commodity contracts



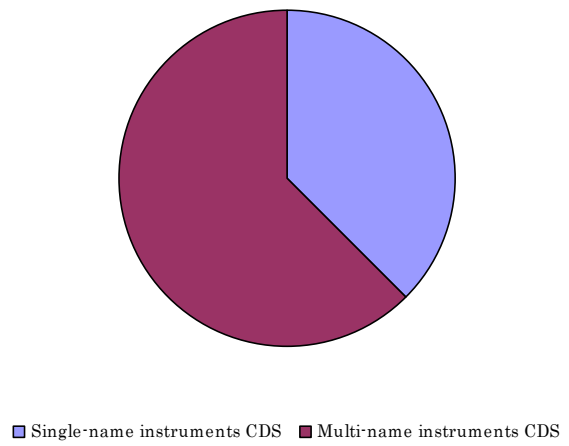
6. Credit derivatives

The notional amounts outstanding of credit derivatives was US\$812.9 billion, increasing by +937.4 percent from the previous survey. As for the result of the detailed survey of CDS, which was newly introduced in this survey, by instrument type, multi-name CDS accounted for 62.5 percent of the total CDS. By counterparty, for both single-name CDS and multi-name CDS, inter-dealer transactions was dominant and the market share of transactions with non-financial customers was small. By obligor of the underlying reference obligation, for single-name CDS, the aggregated market share of financial firms and non-financial firms was over 90 percent, and, for multi-name CDS, the portfolio and structured products accounted for over 90 percent.

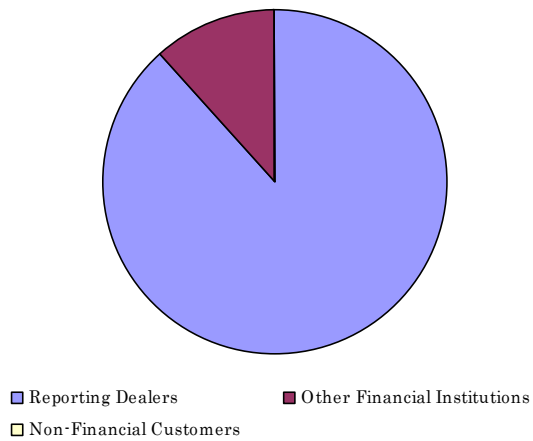
(Chart6-1) Notional Amounts of Credit Derivatives



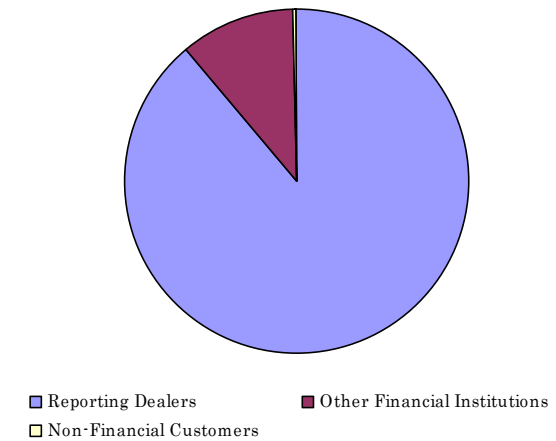
(Chart6-2) CDS by type of instrument



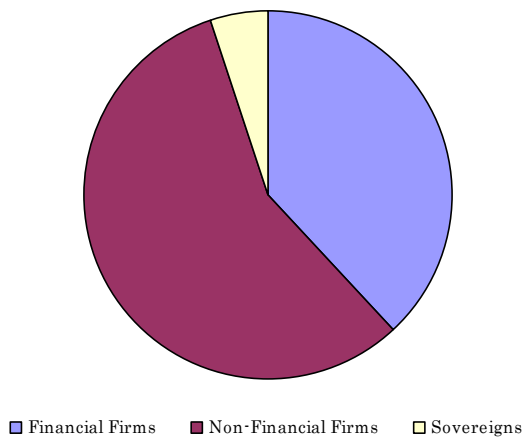
(Chart6-3) Single-name CDS by counterparty



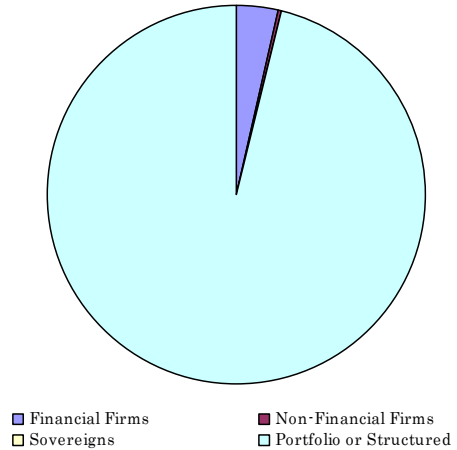
(Chart6-4) Multi-name CDS by counterparty



(Chart6-5) Single-name CDS by obligor of the underlying reference obligation



(Chart6-6) Multi-name CDS by obligor of the underlying reference obligation



(attachment)

Outline of the OTC Derivatives Survey¹

This Survey is a part of the triennial Central Bank Survey, coordinated by the BIS.² The first part of the Survey on turnover covering data for April 2007 was released on September 26, 2007.

The second part of the Survey covers notional amounts outstanding on a consolidated basis³ at end-June 2007. The coverage, covering reporting financial institutions in 54 countries and regions, is more comprehensive than that for the semi-annual Regular Derivatives Market Statistics which covers major dealers in G10 countries. In Japan, data from financial institutions with headquarters in Japan were collected from a total of 18 banks and 2 securities firms, including the 11 banks participating in the Regular Derivatives Market Statistics.

The preliminary results of the second part of the Survey and the global figures are scheduled to be released in November or December by the BIS, which coordinates and aggregates the global results of the Survey (to be available on the BIS's web site at <http://www.bis.org/>). The results of the Regular Derivatives Market Statistics at end-June 2007 for Japan were released by the Bank of Japan on August 30, 2007.

The second part of the triennial survey and the Regular Derivatives Market Statistics covers the notional amounts outstanding and gross positive/negative market values of foreign exchange, interest rate, equity, commodity, and credit derivatives. Breakdown by forwards, swaps, and options are also provided, as well as by currency and counterparty.^{4,5} Breakdown by maturity is also available for FX contracts, IR contracts, and equity derivatives.

In this Survey, the breakdowns of CDS by type of instrument and obligor of the underlying reference obligation, etc. were newly introduced.

¹ Data for previous survey results for Japan are available on the Bank of Japan's web site (<http://www.boj.or.jp/>).

² Derivatives have been included since the end-March 1995 survey.

³ Consolidated basis covers branches, subsidiaries, and affiliated companies both domestic and abroad.

⁴ Classification of transactions for this survey is as follows. FX contracts and gold includes outright forwards and FX swaps, currency swaps, and currency options. IR contracts includes FRAs, IR swaps, and IR options. Equity, commodity, and other derivatives each include forwards and swaps as well as options. Credit derivatives includes credit event/default swaps, total return swaps, credit spread products, credit-linked notes, and others.

⁵ Breakdown by currency is not available for commodity derivatives, credit derivatives, and other derivatives.