

# Central Bank Survey of Foreign Exchange and Derivatives Market Activity at end-June 2010: Derivatives Amounts Outstanding, Japan

October 29, 2010

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 nominal or notional principal amounts outstanding at end-June 2010. 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. Nominal or notional principal amounts outstanding: Overview

The nominal or notional principal amounts outstanding of the “over-the-counter” (OTC) derivatives transactions contracts by Japanese financial institutions at end-June 2010 was US\$39.3 trillion, increasing by +50.9 percent from the previous survey at end-June 2007.

By risk factor, the amounts outstanding of interest rate contracts (IR contracts) accounted for 84.5 percent of the total contracts. In comparison with the previous survey, the amounts outstanding of IR contracts increased by over +50 percent, while those of foreign exchange-related contracts (FX contracts), commodity derivatives and credit derivatives increased by +30-40 percent, and equity derivatives increased by over +70 percent, respectively.

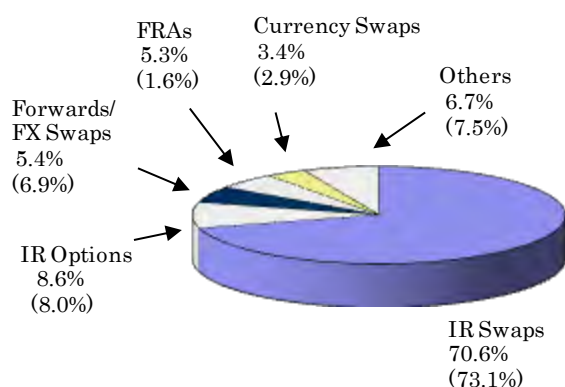
#### OTC Derivatives Outstanding for Japan at End-June 2010

US\$ billions

	<u>Nominal or Notional Principal Amounts Outstanding</u> change (percent)	
Total OTC Contracts (Including Gold)	39,281	+ 50.9
Foreign Exchange Contracts	4,748	+ 33.8
Interest Rate Contracts	33,197	+ 54.1
Equity Contracts	180	+ 72.3
Commodity Contracts	39	+ 35.2
Credit Derivatives	1,117	+ 37.4
Other Derivatives	0	+ 0.0

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

(Chart1) Nominal or Notional Principal Amounts Outstanding by Type of Instrument

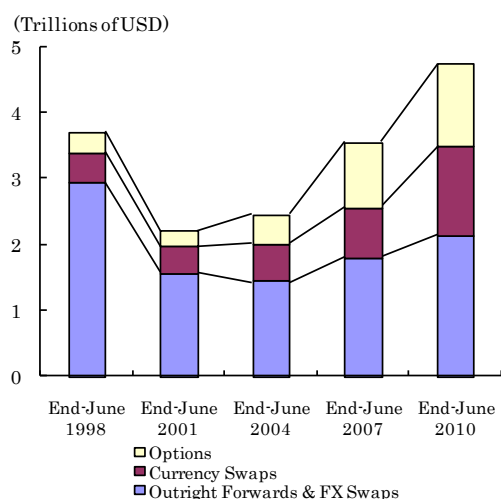


Note: Figures in parentheses represent the share of each instrument at previous period.

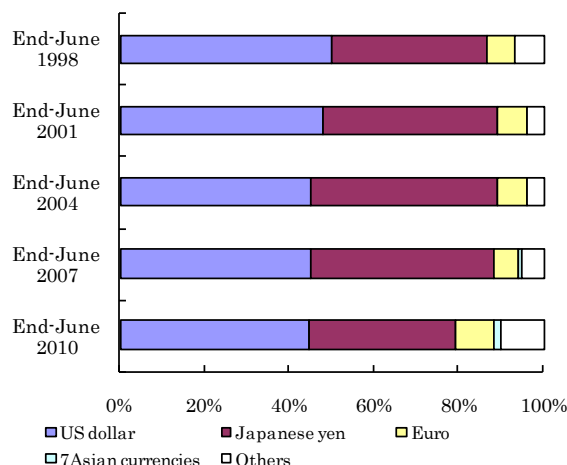
## 2. Foreign exchange-related contracts (FX contracts)

The nominal or notional principal amounts outstanding of FX contracts was US\$4.7 trillion, increasing by +33.8 percent from the previous survey. By currency, the market share of the US dollar and Japanese yen were 44.5 percent and 34.8 percent down from 45.1 percent and 42.9 percent. The market share of currencies other than the US dollar, the Japanese yen and the Euro was 12.0 percent, up from 6.1 percent. By counterparty, inter-dealer transactions, defined as transactions between major dealers reporting for the “Regular Derivatives Market Statistics in Japan,” accounted for 63.7 percent of the total, down from 69.8 percent, while the transaction with the other financial institutions accounted for 21.1 percent, up from 10.7 percent. By remaining maturity, the market share of the contracts with remaining maturity of one year or less was 43.3 percent, down from 64.5 percent, while that of the contracts with remaining maturity of over one year and up to five years was 47.2 percent, up from 25.1 percent.

(Chart2-1) Nominal or notional principal amounts outstanding of FX contracts

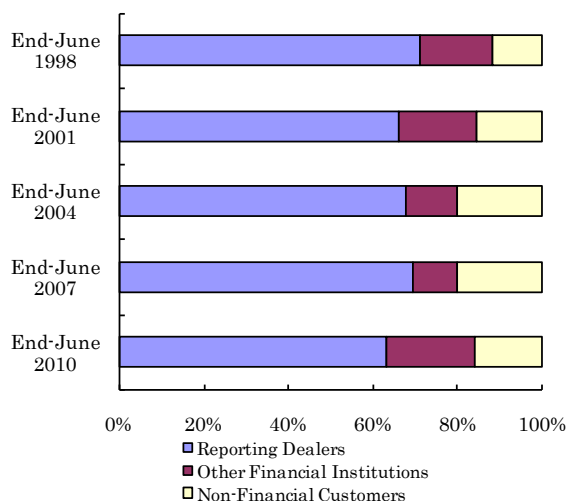


(Chart2-2) FX contracts by currency

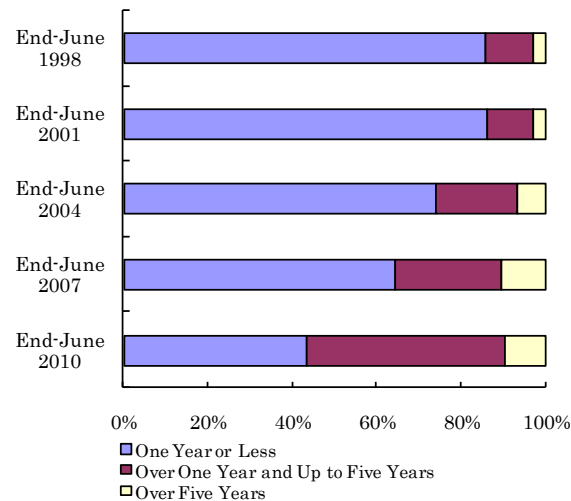


Note: Euro figures for 1998 are represented by the sum of DM and FF.

(Chart2-3) FX contracts by counterparty



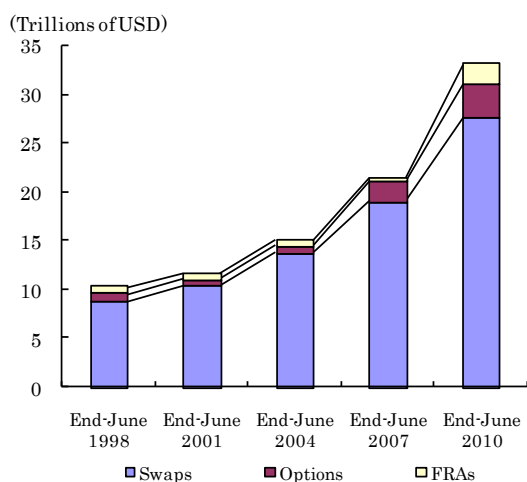
(Chart2-4) FX contracts by remaining maturity



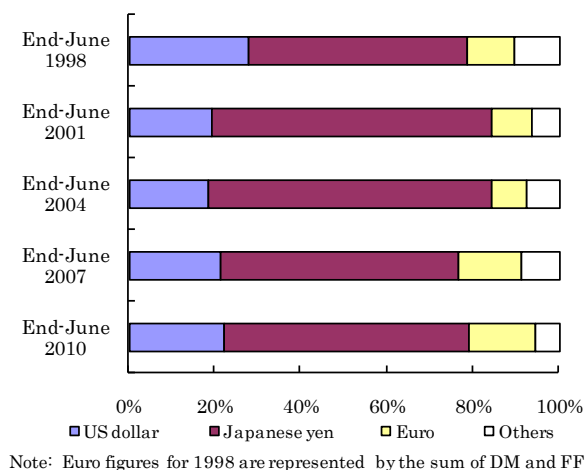
### 3. Interest rate contracts (IR contracts)

The nominal or notional principal amounts outstanding of IR contracts was US\$33.2 trillion, increasing by +54.1 percent from the previous survey. By currency, the market share of the Japanese yen, the US dollar and the Euro were 57.0 percent, 22.2 percent and 15.3 percent, up from 55.3 percent, 21.3 percent and 14.9 percent, respectively. By counterparty, inter-dealer transactions accounted for 79.9 percent of the total, down from 84.2 percent. The transactions with the other financial institutions accounted for 16.3 percent, up from 9.9 percent. By remaining maturity, the market share of the contracts with remaining maturity of over one year and up to five years was 45.5 percent, down from 47.9 percent, while that of the contracts with remaining maturity of over five years was 21.7 percent, up from 19.1 percent.

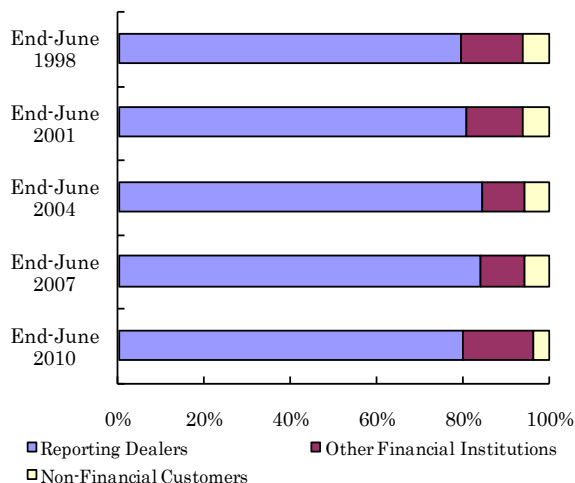
(Chart3-1) Nominal or notional principal amounts outstanding of IR contracts



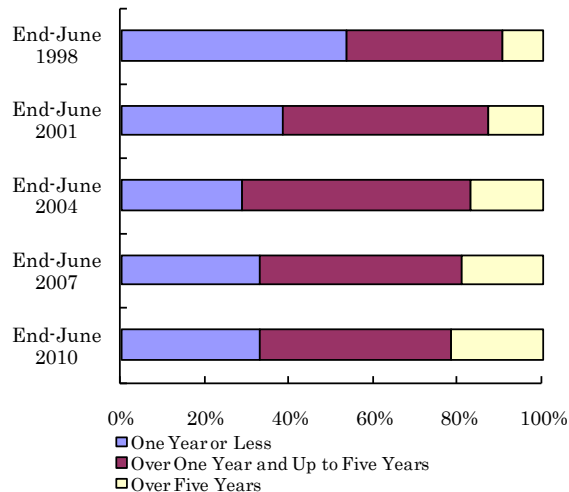
(Chart3-2) IR contracts by currency



(Chart3-3) IR contracts by counterparty



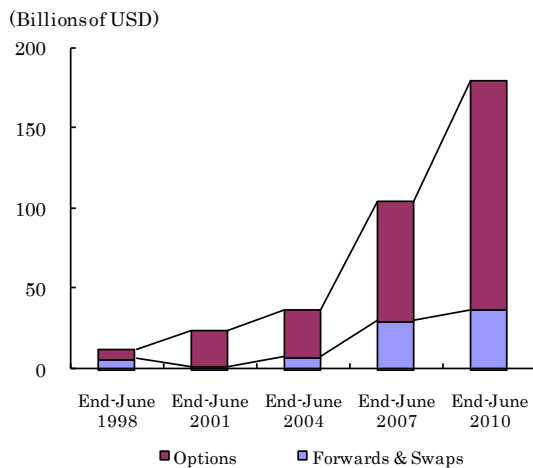
(Chart3-4) IR contracts by remaining maturity



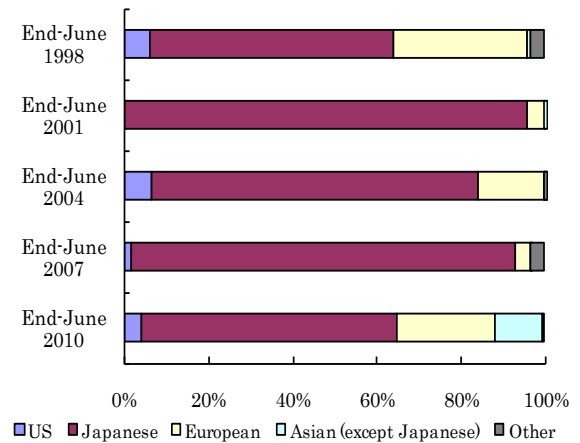
## 4. Equity contracts

The nominal or notional principal amounts outstanding of equity contracts was US\$180.5 billion, increasing by +72.3 percent from the previous survey. By related market of underlying equity, the market share of Japanese market related contracts was 60.7 percent, down from 91.3 percent, while that of European and Asian markets related contracts was 23.5 percent and 11.0 percent, up from 3.5 percent and 0.1 percent, respectively. By counterparty, inter-dealer transactions was 61.4 percent, down from 71.6 percent. The transactions with the other financial institutions was 31.9 percent, up from 22.2 percent. By remaining maturity, the market share of contracts with remaining maturity of one year or less was 40.1 percent, down from 46.2 percent. That of contracts with remaining maturity of over one year and up to five years was 43.7 percent, up from 37.4 percent.

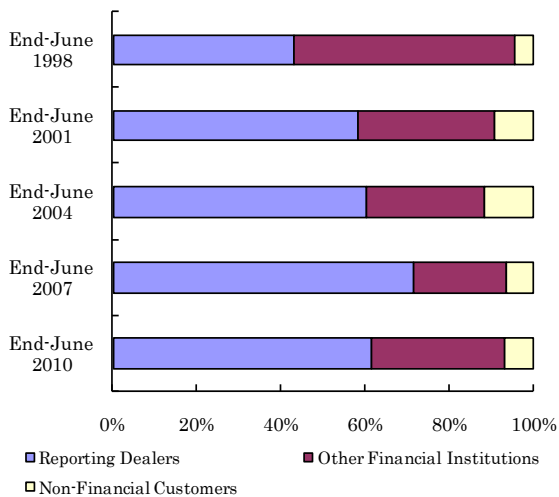
(Chart4-1) Nominal or notional principal amounts outstanding of equity contracts



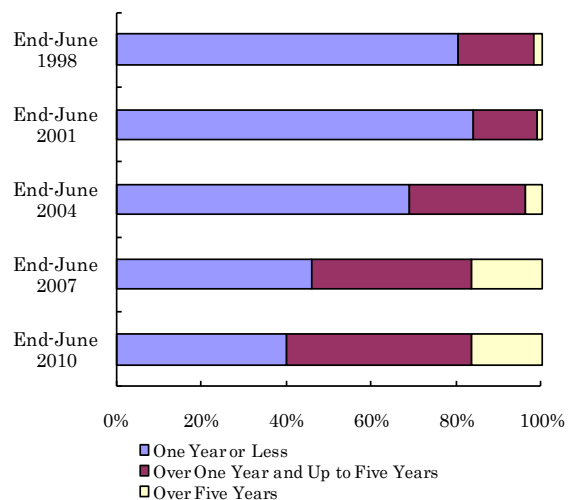
(Chart4-2) Equity contracts by related market



(Chart4-3) Equity contracts by counterparty



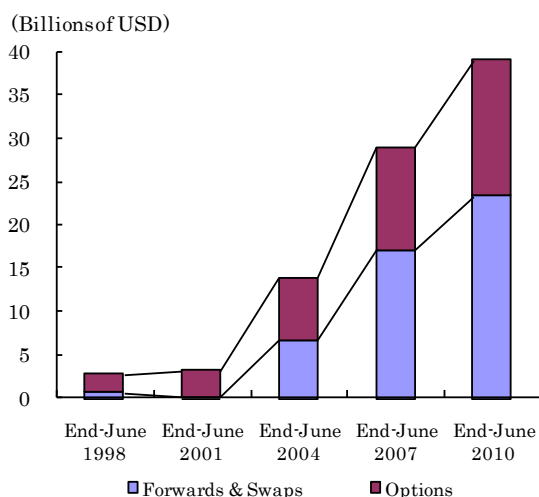
(Chart4-4) Equity contracts by remaining maturity



## 5. Commodity contracts

The nominal or notional principal amounts outstanding of commodity contracts was US\$39.1 billion, increasing by +35.2 percent from the previous survey.

(Chart5) Nominal or notional principal amounts outstanding of commodity contracts

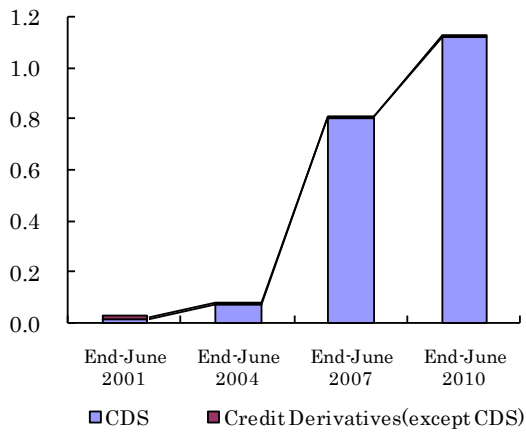


## 6. Credit derivatives

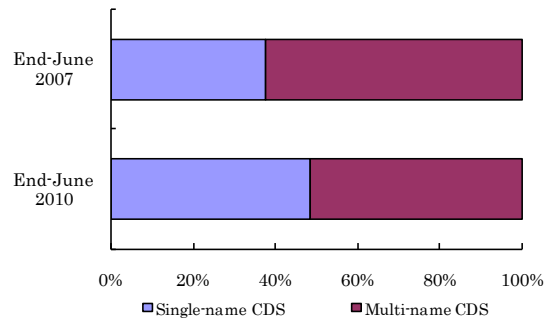
The nominal or notional principal amounts outstanding of credit derivatives was US\$1.1 trillion, increasing by +37.4 percent from the previous survey. As for the result of the detailed survey of CDS, by instrument type, multi-name CDS accounted for 51.7 percent of the total CDS, down from 62.5 percent. By counterparty, for both single-name CDS and multi-name CDS, inter-dealer transactions were dominant, 91.1 percent and 87.1 percent, respectively (in the previous survey, and the market shares of them were 88.3 percent and 88.8 percent, respectively). By obligor of the underlying reference obligation, for single-name CDS, the market shares of financial firms and sovereigns were 43.7 percent and 25.2 percent, up from 38.1 and 4.9 percent, respectively, while that of non-financial firms was 31.1 percent, down from 57.0 percent. For multi-name CDS, the market share of financial firms was 0.2 percent, down from 3.7 percent, while that of the portfolio and structured products was 99.1 percent, up from 96.1 percent.

(Chart6-1) Nominal or notional principal amounts outstanding of Credit Derivatives

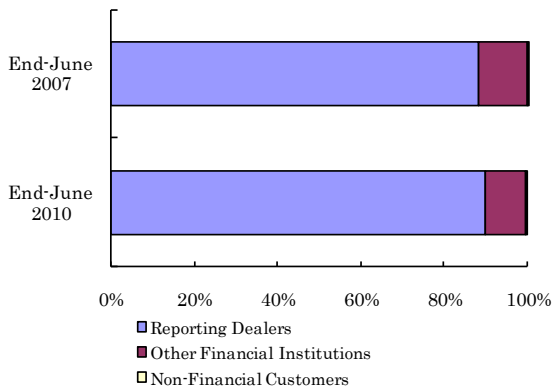
(Trillions of USD)



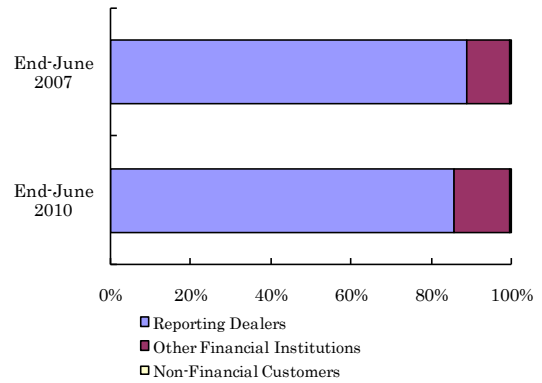
(Chart6-2) CDS by type of instrument



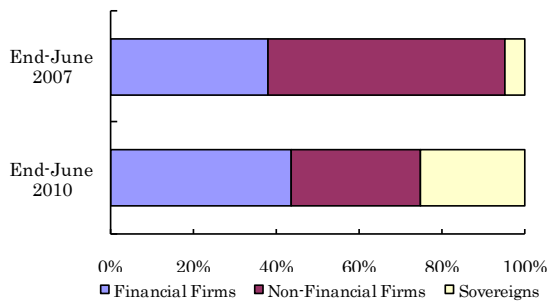
(Chart6-3) Single-name CDS by counterparty



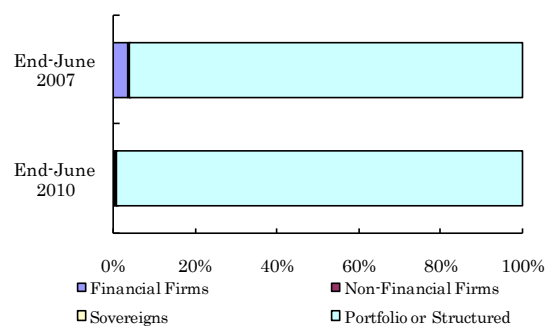
(Chart6-4) Multi-name CDS by counterparty



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



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



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(attachment)

## **Outline of the OTC Derivatives Survey<sup>1</sup>**

This Survey is a part of the triennial Central Bank Survey, coordinated by the BIS.<sup>2</sup> The first part of the Survey on turnover covering data for April 2010 was released on September 1, 2010.

The second part of the Survey covers nominal or notional principal amounts outstanding on a consolidated basis<sup>3</sup> at end-June 2010. The coverage, covering reporting financial institutions in 53 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 21 banks and 4 securities firms, including the 18 financial institutions (major dealers) 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 website at <http://www.bis.org/>). The results of the Regular Derivatives Market Statistics at end-June 2010 for Japan were released by the Bank of Japan on August 31, 2010.

The second part of the triennial survey and the Regular Derivatives Market Statistics covers the nominal or notional principal 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.<sup>4,5</sup> Breakdown by maturity is also available for FX contracts, IR contracts, and equity derivatives.

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

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

<sup>2</sup> Derivatives have been included since the end-March 1995 survey.

<sup>3</sup> Consolidated basis covers branches, subsidiaries and affiliated companies both domestic and abroad.

<sup>4</sup> 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.

<sup>5</sup> Breakdown by currency is not available for equity derivatives, commodity derivatives, credit derivatives and other derivatives.