

# Central Bank Survey of Foreign Exchange and Derivatives Market Activity at end-June 2019: Amounts Outstanding, Japan

September 27, 2019

Financial Markets Department

Bank of Japan

The Bank of Japan has released today the results of the second part of the Central Bank Survey of Foreign Exchange and Derivatives Market Activity in Japan, concerning the data on notional amounts outstanding at end-June 2019. 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 "over-the-counter (OTC)" derivatives transactions by Japanese financial institutions at end-June 2019 were 63.6 trillion U.S. dollars, increasing by 7.3 percent from the previous survey as of end-June 2016.

A breakdown of OTC contracts by risk factor shows that the amounts outstanding of interest rate (IR) contracts accounted for 86.6 percent of total contracts. In comparison with the previous survey, while the amounts outstanding of IR contracts, foreign exchange (FX) contracts, and equity-linked contracts increased by 8.5 percent, 1.4 percent, and 2.8 percent, respectively, those of commodity derivatives decreased by 1.9 percent. The amounts outstanding of credit derivatives decreased by 21.3 percent.

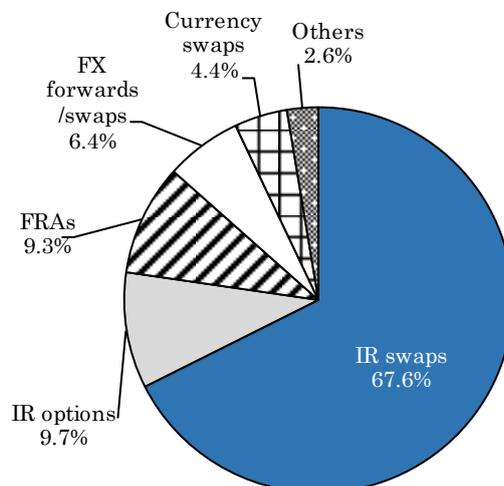
By type of instrument, IR swaps continued to hold the largest share of OTC contracts, accounting for 67.6 percent.

**Notional amounts outstanding of OTC derivatives contracts  
in Japan at end-June 2019**

(bil. U.S. dollars, percent change)

	Amounts outstanding	Changes
Total OTC contracts (including Gold)	63,592.8	+ 7.3
FX contracts	7,886.2	+ 1.4
IR contracts	55,078.9	+ 8.5
Equity-linked contracts	217.0	+ 2.8
Commodity contracts	6.9	- 1.9
Credit derivatives	401.8	- 21.3
Other derivatives	2.1	+ 174.3

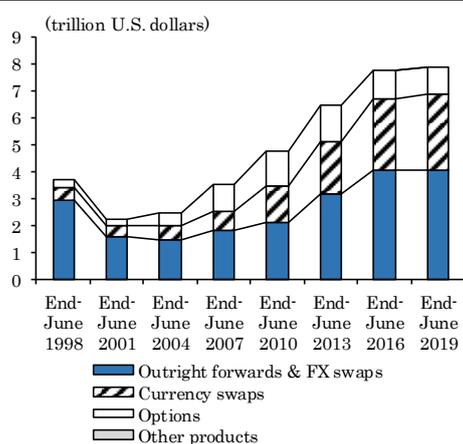
**OTC contracts by instrument type**



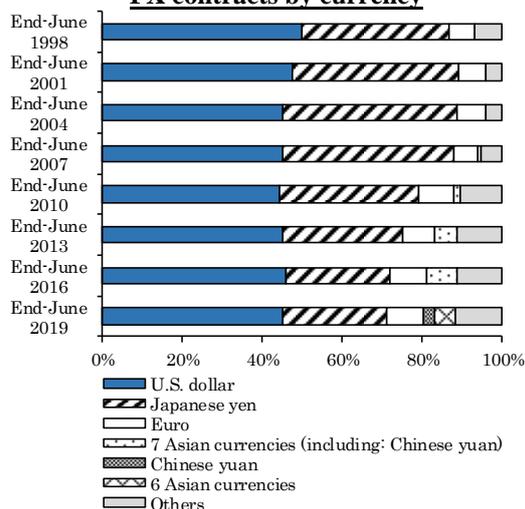
## 2. FX contracts

The notional amounts outstanding of FX contracts were 7.9 trillion U.S. dollars, increasing by 1.4 percent from the previous survey. By currency<sup>1</sup>, while the share of the Japanese yen was 25.7 percent, down from 26.2 percent, that of currencies other than the U.S. dollar, the Japanese yen, and the euro was 19.7 percent, up from 18.8 percent. By counterparty, inter-dealer transactions, defined as transactions between major dealers reporting for the BIS regular derivatives market statistics<sup>2</sup>, accounted for 66.5 percent of the total FX contracts, down from 70.0 percent. Meanwhile, transactions with other financial institutions accounted for 22.5 percent, up from 19.5 percent. By remaining maturity, while the share of contracts with remaining maturity of one year or less was 67.6 percent, down from 69.4 percent, that of contracts with remaining maturity of over one year and up to five years was 23.9 percent, up from 22.3 percent.

**Notional amounts outstanding of FX contracts**

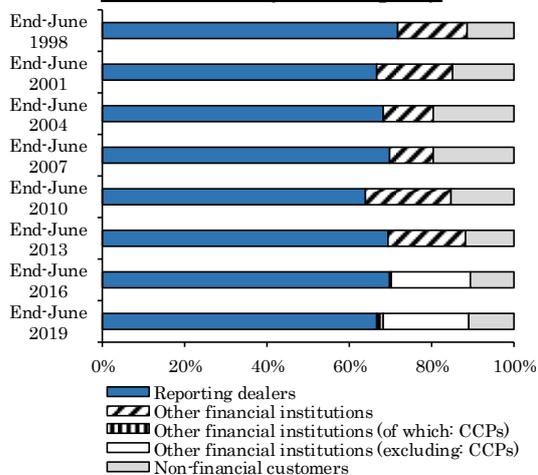


**FX contracts by currency**

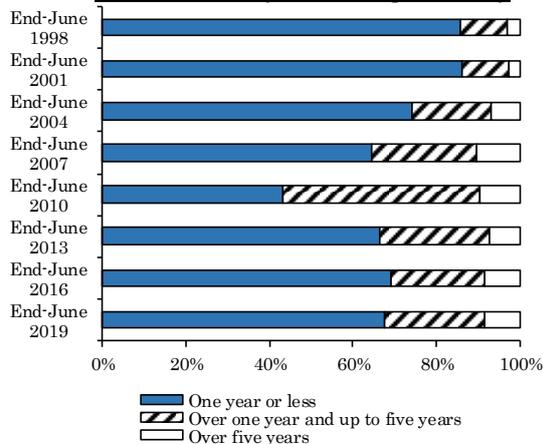


(Note) Euro figures for 1998 are represented by the sum of DM and FF.

**FX contracts by counterparty**



**FX contracts by remaining maturity**



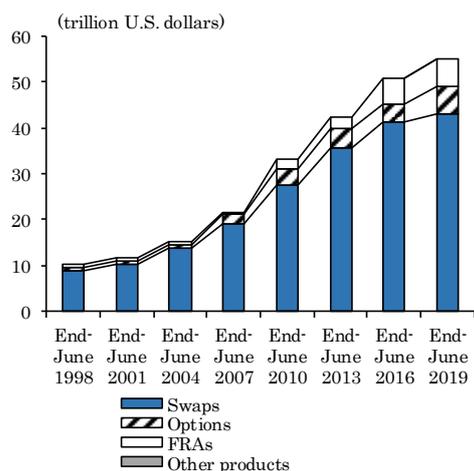
<sup>1</sup> As of the end-June 2019 results, "Chinese yuan (CNY)" has been added as a new currency sub-item. Accordingly, "7 Asian currencies," which included CNY until the previous survey as of end-June 2016, has been modified as "6 Asian currencies," which excludes CNY.

<sup>2</sup> Please refer to the reference at the end of this paper for the outline of the Triennial Central Bank Survey and the BIS Regular Derivatives Market Statistics.

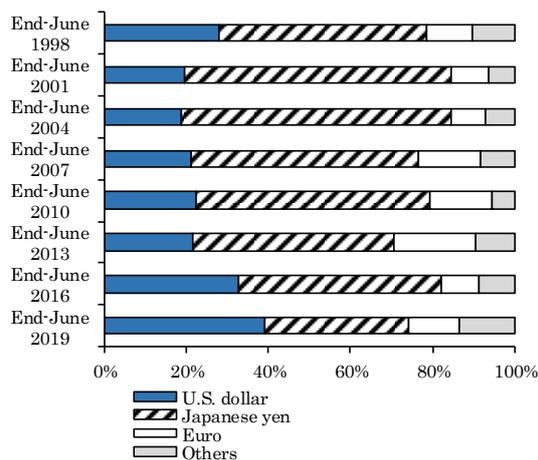
### 3. IR contracts

The notional amounts outstanding of IR contracts were 55.1 trillion U.S. dollars, increasing by 8.5 percent from the previous survey. By currency, the shares of the U.S. dollar and the euro were 38.9 percent and 12.4 percent, both up from 32.7 percent and 9.1 percent, respectively, while that of the Japanese yen was 35.1 percent, down from 49.5 percent. By counterparty, inter-dealer transactions accounted for 11.5 percent of the total IR contracts, down from 16.7 percent. Meanwhile, transactions with other financial institutions (of which: central counterparties [CCPs]) accounted for 79.1 percent, up from 74.5 percent, due to central clearing of IR swaps. By remaining maturity, while the share of contracts with remaining maturity of one year or less was 34.4 percent, up from 32.2 percent, that of contracts with remaining maturity of over five years was 24.7 percent, down from 28.3 percent.

**Notional amounts outstanding of IR contracts**

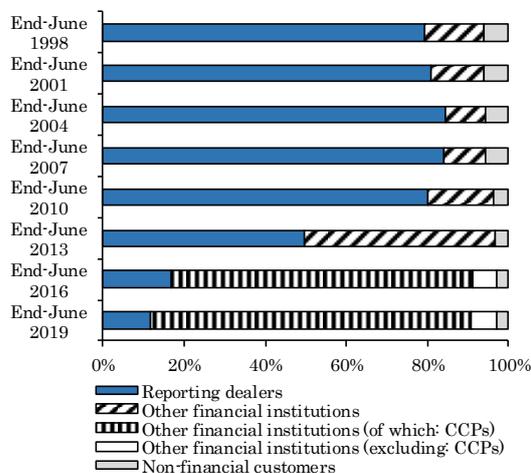


**IR contracts by currency**

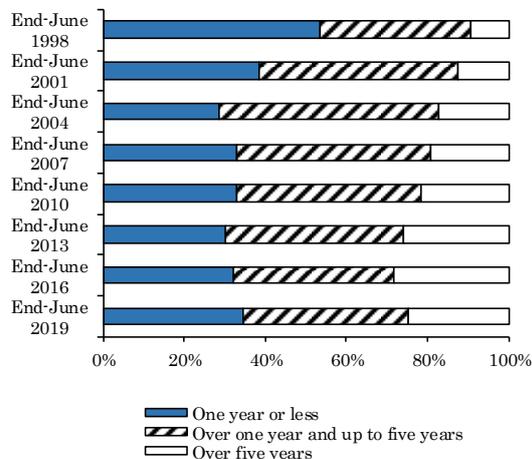


(Note) Euro figures for 1998 are represented by the sum of DM and FF.

**IR contracts by counterparty**



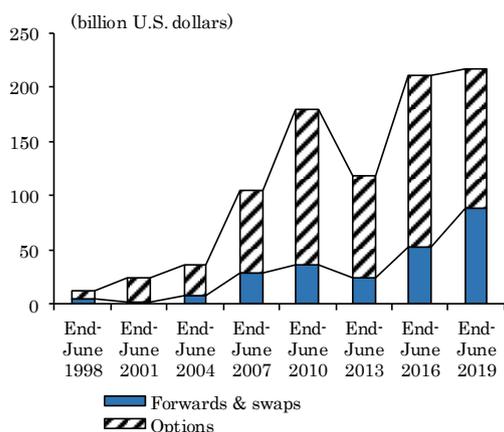
**IR contracts by remaining maturity**



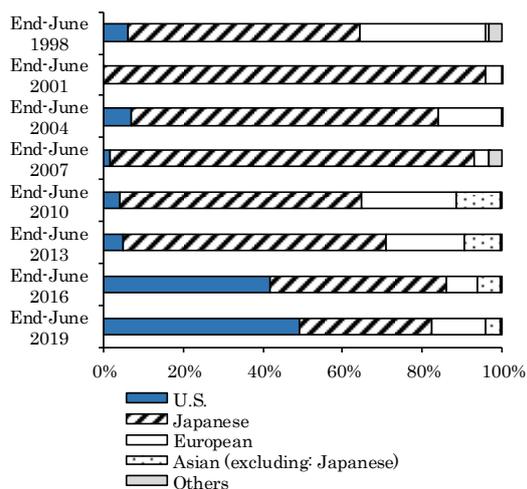
## 4. Equity-linked contracts

The notional amounts outstanding of equity-linked contracts were 217.0 billion U.S. dollars, increasing by 2.8 percent from the previous survey. By related market of underlying equity, the share of Japanese market-related contracts was 33.2 percent, down from 44.2 percent, while the shares of U.S. market- and European market-related contracts were 49.2 percent and 13.4 percent, both up from 42.0 percent and 7.7 percent, respectively. By counterparty, while the share of transactions with other financial institutions was 46.9 percent, up from 31.3 percent, that of inter-dealer transactions was 45.5 percent, down from 60.7 percent. By remaining maturity, while the share of contracts with remaining maturity of one year or less was 57.4 percent, up from 45.8 percent, that of contracts with remaining maturity of over one year and up to five years was 39.0 percent, down from 48.3 percent.

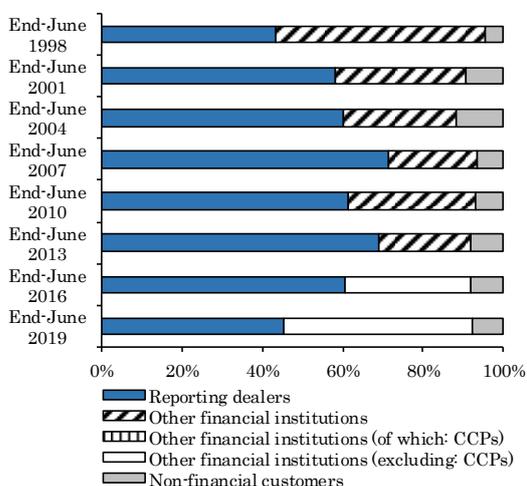
**Notional amounts outstanding of equity-linked contracts**



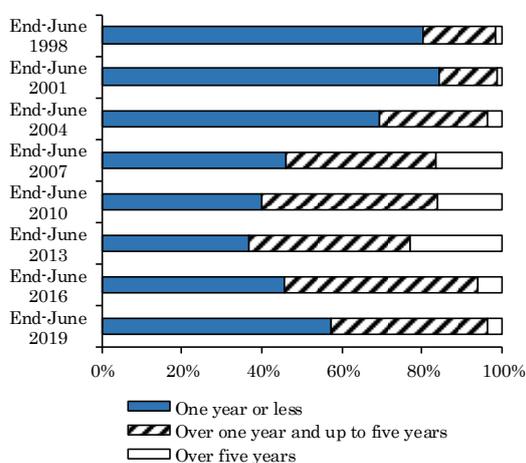
**Equity-linked contracts by related market**



**Equity-linked contracts by counterparty**

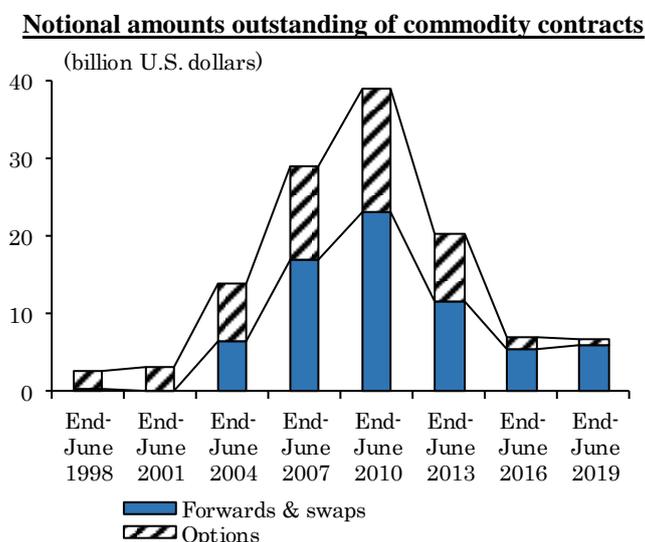


**Equity-linked contracts by remaining maturity**



## 5. Commodity contracts

The notional amounts outstanding of commodity contracts were 6.9 billion U.S. dollars, decreasing by 1.9 percent from the previous survey.



## 6. Credit derivatives

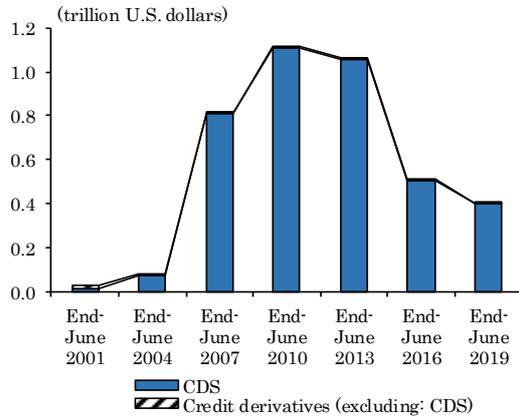
The notional amounts outstanding of credit derivatives were 401.8 billion U.S. dollars, decreasing by 21.3 percent from the previous survey. As for breakdowns of credit default swaps (CDS) contracts, by instrument type, single-name CDS accounted for 63.2 percent of total CDS, down from 72.1 percent.<sup>3</sup> By counterparty, for single-name CDS and multi-name CDS, transactions with other financial institutions accounted for 39.8 percent and 73.3 percent, both up from 15.3 percent and 31.2 percent, respectively. A detailed counterparty breakdown of transactions with other financial institutions<sup>4</sup> indicates that transactions with CCPs were dominant, accounting for 65.6 percent for single-name CDS and 81.8 percent for multi-name CDS. A breakdown by sector of the reference entity shows that, for single-name CDS, the share of non-financial firms was 42.4 percent, up from 31.5 percent, while that of financial firms was 24.9 percent, down from 32.9 percent. For multi-name CDS, while the share of financial firms was 74.4 percent, up from 56.3 percent, that of the portfolio or structured products<sup>5</sup> was 22.5 percent, down from 37.7 percent.

<sup>3</sup> "Single-name CDS" is a CDS contract referencing a single named entity, while "multi-name CDS" is a CDS contract referencing more than one name as in portfolios, basket credit default swaps, or credit default swap indices.

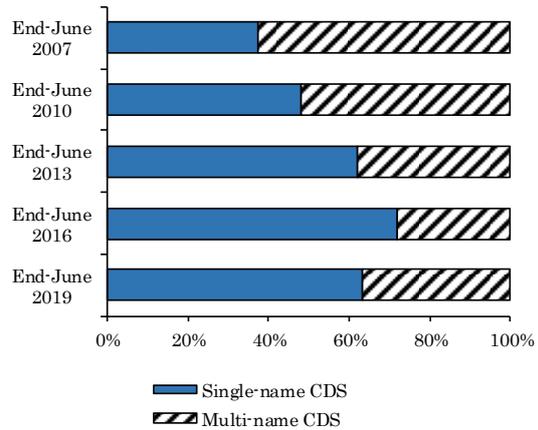
<sup>4</sup> As of the end-June 2019 results, "central counterparties" has been added as a new counterparty sub-sector for both single-name CDS and multi-name CDS.

<sup>5</sup> Of CDS contracts that are categorized as multi-name CDS, "portfolio or structured products" are

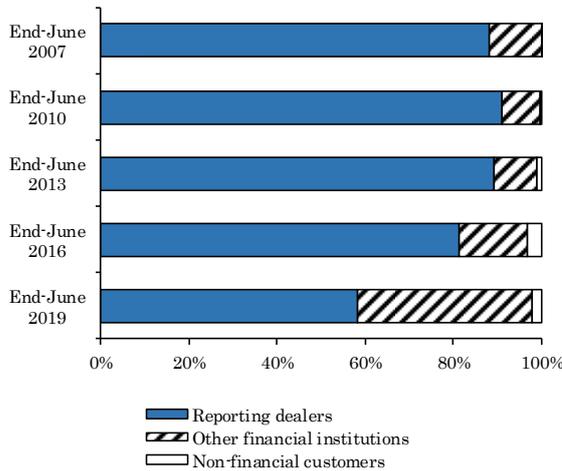
**Notional amounts outstanding of credit derivatives**



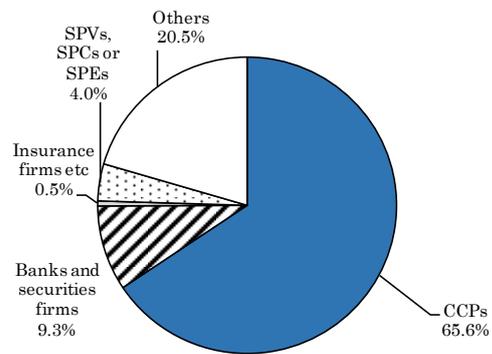
**CDS by instrument type**



**Single-name CDS by counterparty**

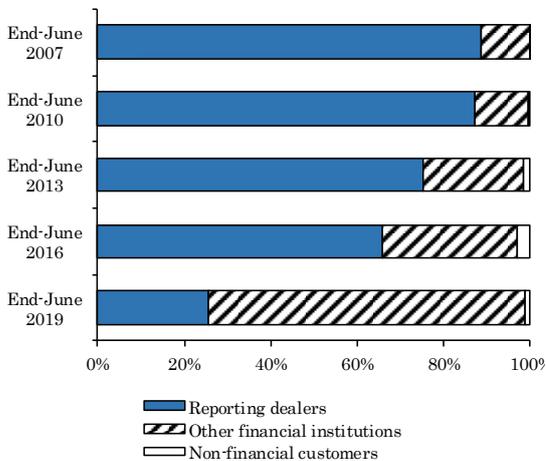


**Detailed counterparty breakdown of other financial institutions as of end-June 2019**

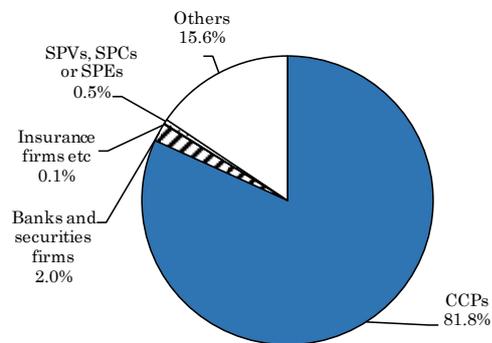


Note: "Insurance firms etc" includes pension funds, reinsurance and financial guaranty firms.

**Multi-name CDS by counterparty**



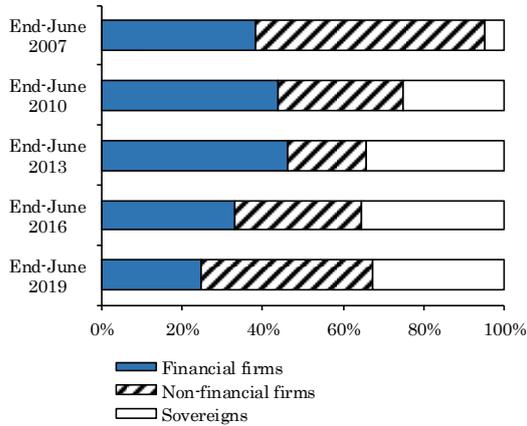
**Detailed counterparty breakdown of other financial institutions as of end-June 2019**



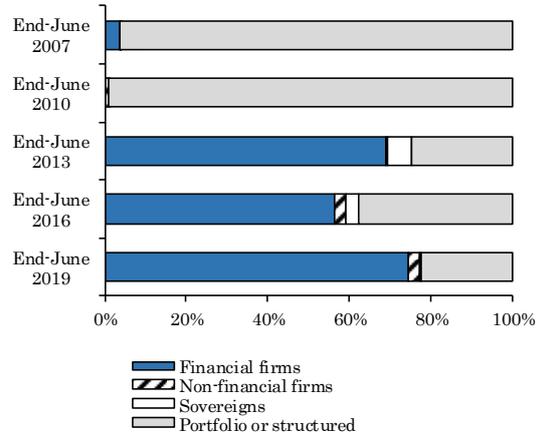
Note: "Insurance firms etc" includes pension funds, reinsurance and financial guaranty firms.

CDS contracts whose reference entities cannot be classified by sector (i.e., CDS contracts on a securitized product such as MBS, and those on other securitized products where the reference entities belong to different sectors).

**Single-name CDS by sector of reference entity**



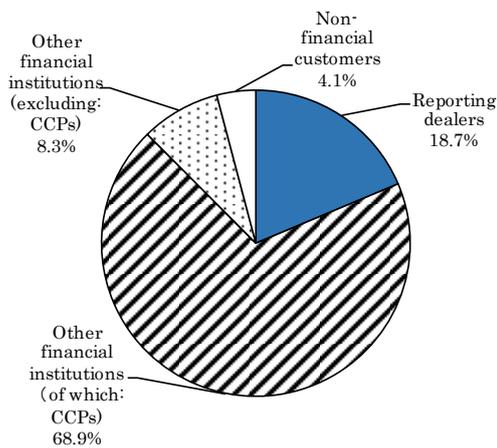
**Multi-name CDS by sector of reference entity**



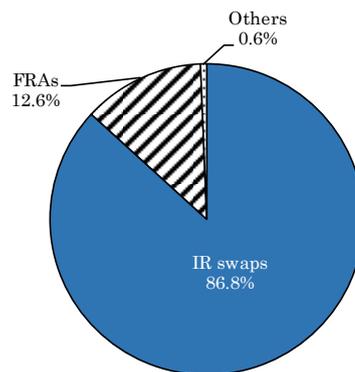
## 7. OTC derivatives contracts with CCPs

By counterparty, the notional amounts outstanding of OTC derivatives contracts with CCPs were 43.8 trillion U.S. dollars, increasing by 15.6 percent from the previous survey. They accounted for 68.9 percent of total OTC contracts (64.0 percent as of end-June 2016). By instrument type, IR swaps held the largest share at 86.8 percent (previously at 87.5 percent).

**Notional amounts outstanding of OTC contracts by counterparty**



**OTC contracts with CCPs by instrument type**



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(reference)

## **Outline of the Triennial Central Bank Survey (Amounts Outstanding)<sup>1</sup>**

This survey is a part of the Triennial Central Bank Survey, which is coordinated by the BIS, and conducted by central banks and other authorities on the derivatives market in their home country or region on a triennial basis.<sup>2</sup> The first part of the survey, covering the data on turnover in Japan in April 2019, was released on September 20, 2019.

The second part of the survey covers notional amounts outstanding on a consolidated basis<sup>3</sup> as of end-June 2019. Covering reporting financial institutions in 53 countries and regions, this survey is more comprehensive than the semi-annual Regular Derivatives Market Statistics, which covers major dealers in 12 reporting countries. In Japan, data were collected from a total of 21 financial institutions -- banks and securities firms, etc. -- headquartered in Japan, including the 16 major dealers that participate in the Regular Derivatives Market Statistics.

The global results of the second part of the survey are to be released by the BIS, which coordinates and aggregates the results of the survey in each country and region, and are to be made available on the BIS's website (<http://www.bis.org/>). The BIS is also scheduled to release the global results of the Regular Derivatives Market Statistics as of end-June 2019. The results for Japan were released by the Bank of Japan on September 6, 2019.

The second part of the Triennial Central Bank Survey and the Regular Derivatives Market Statistics cover the notional amounts outstanding and gross positive/negative market values of the following risk factors: (1) foreign exchange (FX) and gold, (2) interest rate (IR), (3) equity, (4) commodity, (5) credit derivatives, and (6) other derivatives. A breakdown by forwards, swaps and options is also provided, as well as those by currency and counterparty.<sup>4,5</sup> A breakdown by remaining maturity is also available for FX and gold contracts, IR contracts, and equity-linked contracts.

In the survey as of end-June 2007, the breakdowns of CDS by type of instrument and sector of the reference entity were enhanced, and in the survey as of end-June 2016, "central counterparties" was added as a new sub-sector of "other financial institutions" in a counterparty breakdown. Moreover, in the survey as of end-June 2019, "Chinese yuan (CNY)" was added as a new currency sub-item for each instrument in FX contracts and IR contracts, and "central counterparties" was added as a new counterparty sub-subsector for both "single-name CDS" and "multi-name CDS."

<sup>1</sup> Data for past survey results in Japan are available on the Bank of Japan's website (<http://www.boj.or.jp/en/index.htm>).

<sup>2</sup> The derivatives part has been included since the end-March 1995 survey.

<sup>3</sup> Consolidated basis data cover branches, subsidiaries, and affiliated companies both at home and abroad.

<sup>4</sup> Classification of transactions for this survey is as follows. FX and gold contracts include outright forwards and FX swaps, currency swaps, currency options, and other products. IR contracts include FRAs, IR swaps, IR options, and other products. Equity-linked, commodity, and other derivatives each include forwards and swaps, as well as options. Credit derivatives include credit default swaps (CDS), total return swaps, and credit spread products. In addition to these three items in credit derivatives, the Bank of Japan releases "credit-linked notes" and "others" as memorandum items.

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