International role of the European financial system through the lens of the Triennial Survey

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* The views expressed in these slides are those of the presenter and do not necessarily reflect those of the BIS.
BIS Triennial Central Bank Survey

- Unique snapshot of activity in (opaque) FX and OTC derivatives markets
- 1300 dealers, 53 countries, 10'000+ data points/country (instrument, currency, counterparty, maturity, execution method)
- Every three years since 1986
- Coordinated by the BIS under the guidance of central banks’ Markets Committee and Committee on the Global Financial System
- [https://www.bis.org/statistics/rpfx19.htm](https://www.bis.org/statistics/rpfx19.htm)
OTC markets continue to grow ...

Interest rate derivatives trading

- OTC (lhs)
- EXT (lhs)
- OTC share (rhs)
- EUR share (rhs)

Daily average turnover, in USD trillion

- OTC = over-the-counter; EXT = exchange-traded

Foreign exchange trading

- OTC derivatives (lhs)
- EXT derivatives (lhs)
- OTC spot (lhs)
- EUR share (rhs)

Daily average turnover, in USD trillion
... propelled by offshore trading

Offshore share of OTC turnover

- Interest rate derivatives
- Foreign exchange spot and derivatives

Offshore trading and turnover growth

FX turnover growth (%) vs. Change in offshore share (%)

- 2019
- 2007/10/13/16
IR derivatives denominated in European currencies trade mostly offshore ...

* Offshore dealers’ share of turnover in April 2019. Offshore trading is overestimated because it includes cross-border trades between dealers abroad and customers onshore. + For EUR, offshore trading includes cross-border trades between counterparties within the euro area.
... mainly in London

UK dealers’ share of EUR-denominated OTC trading (net-gross basis)

- FX spot
- FX derivatives
- IR derivatives

Graph showing the share of EUR-denominated OTC trading by UK dealers from Apr-01 to Apr-19, with categories for FX spot, FX derivatives, and IR derivatives.
Compression and clearing help to contain outstanding OTC exposures

IR derivatives denominated in EUR*
- Notional (lhs)
- Market value (rhs)
- Exposure+ (rhs)

FX derivatives denominated in EUR*
- Notional (lhs)
- Market value (rhs)

* Amounts outstanding at end-June and end-year, in EUR trillion. + Reporting dealers' credit exposures after adjusting for netting agreements but not for collateral; total for all risks, instruments and currencies.
References

- P Wooldridge, “FX and OTC derivatives markets through the lens of the Triennial Survey”, *BIS Quarterly Review*, December 2019, https://www.bis.org/publ/qtrpdf/r_qt1912e.htm


