

Réf.: C2.10-0086
Circular letter

Luxembourg, 29 January 2010

To all credit institutions

In case of discrepancies between the French and the English text,
the French text shall prevail

Concerns: Triennial central bank survey of foreign exchange and over-the-counter (OTC) derivatives market activity – Spring 2010

Ladies and Gentlemen,

The eight coordinated survey of the foreign exchange and OTC derivatives market took place in April 2007. A ninth survey is scheduled to take place in spring 2010. Like the last survey, Luxembourg will once again take part in this survey. Therefore, we should like to ask you to provide us with information on the activity of your institution on the foreign exchange and OTC derivatives market during April 2010 according to the methodological framework defined by the Bank for International Settlements (BIS). In order to provide information that is consistent with previously collected data the methodological framework remains largely identical to the one used for the last survey.

The objective of the reporting exercise is to obtain reasonably comprehensive and internationally consistent information on the size and structure of foreign exchange and over-the-counter (OTC) derivatives markets as well as on the activity on these markets. The purpose of the statistics is to increase market transparency and thereby help central

banks, other authorities and market participants to better monitor patterns of activity in the global financial system.

The data collected by the BCL will be aggregated for the whole financial centre and then provided to the BIS that will aggregate the national data sets before analysing the data. The results of this analysis will serve as input for a publication that the BIS and the BCL will publish on their respective websites.

In order to be able to aggregate the various national data sets and to run an analyse on comparable and consistent data, it has been decided to rely on a common methodology. The latter is presented in detail on the website of the BIS under the following link:

http://www.bis.org/statistics/triennialrep/triennial_turnover_rd.htm

The documentation available for the «*Turnover*» part is composed of the following elements:

- the necessary instructions for establishing the data, «Reporting guidelines»
- a set of generic questions that may be of use for establishing the data, «*Frequently asked questions*»
- the Excel files to be used for providing the data; in this context, the BCL recommends the use of the files containing the macros that allow to check the consistency of the information provided
- two lists of institutions participating in the survey, namely a list of institutions taking part in the BIS survey and a list of institutions participating in the foreign exchange and derivative markets

Thus, credit institutions must download the necessary instructions for establishing the data as well as the tables to fill in from the aforementioned link to website of the BIS.

It is important to mention that the BCL does only participate in the survey that takes place in April 2010, namely the «*Turnover part*» of the survey. The documentation for the «*Amounts outstanding part*» must not be taken into account since the BCL does not participate in this part of the survey.

We should like to draw your attention to the following major points of the reporting instructions.

- 1 The survey aims to gather data on the foreign exchange and derivatives according to the following market classification:
 - 1.1 *foreign exchange contracts*
 - 1.2 *single-currency interest rate derivatives*

- 2 Turnover data

The survey aims to assess the total value of all transactions on foreign exchange as well as all transactions on interest rate derivatives carried out in April 2010. Each transaction must only be recorded once taking into account only one element of the transaction. For instance, a transaction on USD and AUD must only be reported once for the pair USD-AUD and not a second time for the pair AUD-USD.

The data must be provided on a gross basis taking into account all sales and purchases of currencies without compensating sales and purchases. For instance, a purchase of USD against AUD, followed by the sale of USD against AUD must not be compensated but the total of the purchase and the sale must be recorded. Thus, netting arrangements and offsets should be ignored.

The operations that should be taken into account are the transactions concluded out during April 2010, regardless whether these transactions are settled within this period or within another period.

- 3 For Luxembourg credit institutions, transactions in EUR must be reported in tables «A1» and «A5» that contain the transactions in the domestic currency. Therefore, in the tables «A3» and «A7» the columns reserved for transactions in EUR must remain empty.

- 4 Pour les établissements de crédit luxembourgeois, les transactions portant sur l'euro (EUR) sont à renseigner dans les onglets intitulés «A1» et «A5» qui recensent les opérations sur la devise domestique. Ainsi, dans les onglets intitulés «A3» et «A7» les colonnes réservées au recensement des opérations en EUR doivent être vierges.

- 5 The institutional basis of the survey is limited to the Luxembourg territory. Therefore, the transactions concluded by the branches or subsidiaries of the Luxembourg banks must not be taken into consideration. However, the branches and subsidiaries of foreign banks established in Luxembourg must participate in the survey.

- 6 The survey does not only aim to assess the total value of all transactions on foreign exchange and derivatives but it aims also to assess the structure of the markets. This structure will be established around two pillars. The first one presents the various currencies whereas the second one splits the transactions according to their nature, maturity and counterpart.

- 7 Since an important share of foreign exchange and derivative transactions are concluded with market professionals that also report these transactions, a double counting problem occurs. This double counting unduly inflates the total size of the market and falsifies the image of the market structure that one obtains; thus, it is important to eliminate this effect. In order to ensure this elimination of double counting, it is important to identify the counterpart with whom the transaction is concluded. Therefore, the foreign exchange and derivatives transactions must be recorded according to the counterparts with whom they are concluded; with professionals that are also reporting the transactions, with other financial institutions or with non financial customers. For this distinction, it is important to know that all credit institutions established in Luxembourg must provide information on the foreign exchange and derivatives transactions concluded by them. As far as concerns the credit institutions in other financial centres, the BIS has prepared a typology of institutions that report their foreign exchange and derivatives transactions to their respective central banks; this typology may be downloaded from the aforementioned BIS website.

- 8 We should like to ask you to download the Excel files from the aforementioned website in order to fill in the data; the data filled in should then be saved and provided to the BCL on a CD-ROM.
The reporting unit for this data is the USD.
Transactions must be reported in million of USD without using decimals. The data that has to be recorded in the various cells must not be separated by a blank,

comma or any other separator even if it exceeds three digits. For instance, for an amount of 1 billion and 289 million USD, the cell must contain 1289.

In this context, we should like you to mention the name of the reporting credit institution as well as the name and contact details of the person responsible for providing the data.

Finally, we should like to ask you to provide the completed files to the BCL on 14 May 2010 at the latest and/or to inform the BCL by mail if your institution does not have any transaction to report.

Should you have technical problems to compile the data, please feel free to contact the BCL by mail to the following address reporting.banques@bcl.lu in order to obtain additional information.

Yours sincerely,

Roland NOCKELS
Conseiller de direction

Serge KOLB
Directeur