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FRBNY

Triennial FAQ's

Contents

A. INSTRUMENTS

Q A.1 What should be included in the row "Total FX Contracts" on Tables A4, A5, and A6?

A This row captures the total for all instruments including Spot, Outright Forwards, and Foreign Exchange Swaps from Tables A1, A2 or A3, and Currency Swaps, and OTC Options Bought and Sold from Tables A4, A5, or A6. For example, for transactions involving the dollar, this is the sum for the instruments on Table A1 plus Table A4.

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Q A.2 How should currency swaptions and interest rate swaptions be categorised?

A Categorise them as currency options and interest rate options, respectively.

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Q A.3 How should straddles be reported?

A A straddle is an options trading strategy involving the simultaneous purchases of a call option and a put option with the same expiration dates. If a reporter bought a straddle with a principal amount USD 10 million, it should be reported as options bought - USD 20 million (one call and one put - each option with principal USD 10 million).

The same applies to the simultaneous purchase or sale of calls and puts in connection with all other types of options strategies, such as strangles and butterflies. Each portion of an option should be reported separately.

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Q A.4 Should the unsettled short leg of foreign exchange swap transaction be reported?

A If the unsettled short leg of foreign exchange swap transaction is supposed to be settled within two business days, there is no need to report data on the short leg. However, if the settlement of the short leg is due more than two business days later, please regard this transaction as forward / forward swap and report data on each leg.

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Q A.5 Should CLS "in/out swaps" be reported?

A No, "in/out swaps" between CLS members to reduce their payment obligations to CLS Bank should be excluded from the survey.

B. COUNTERPARTIES

Q B.1 On the Turnover Survey, are trades reported based on where the traders are located or where they are booked? For example, what is the treatment for options that were bought or sold by an institution's traders in Europe but that are booked at the U.S. office.

A For the Turnover part of the survey, do not include trades arranged by traders overseas even if the transactions are reflected on the books of an office in the United States. Please note, however, for the June Amounts Outstandings part of the survey, report all activity on a consolidated basis no matter where your traders are located.

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Q B.2 Who should be considered as the counterparty in the case of "prime brokerage?"

A A "prime broker" is a dealer who sets up an arrangement between a customer and third party dealers that permits the customer to trade directly with the third party dealers in the name of the prime broker. The customer "gives up" the original transactions with these dealers and the prime broker enters into equal and opposite trades with the customer and the third party dealers.

In reporting on the turnover and amounts outstanding parts of the survey and assuming that the prime broker and the third party dealer are reporting dealers, the prime broker and the third party dealer should each report the trade with each other. If the third party dealer is not a reporting dealer, the prime broker should report the transaction as a deal with other financial institutions or nonfinancial customers as appropriate. In addition, the prime broker should also report the trade with its customer.

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Q B.3 Who should be considered as the counterparty in the case of deals that are settled through clearinghouses (so-called central counterparty clearing)?

A OTC derivatives contracts can be settled through clearinghouses. In these cases, the original contract between the two counterparties is novated to a clearinghouse resulting in two contracts, with the clearinghouse becoming buyer to one of the counterparties and seller to the other.

This results in the deal between two reporting dealers converting into two separate contracts between dealers on one side and an “other financial institution”, i.e. the clearinghouse on the other side.

Contracts that are novated to a clearinghouse for settlement should always be allocated to the original counterparty of the deal. This applies to the reporting for the turnover and amounts outstanding parts of the survey. If it is burdensome to reallocate outstanding deals with clearinghouses to the original counterparties, reporters may report these transactions as deals with other reporting dealers.

C. CURRENCY AND OTHER RISK FACTOR BREAKDOWNS

Q C.1 On Table A2, should USD transactions be included in the EUR against Other column?

A No, transactions involving the U.S. dollar should only be reported on Table A1.

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Q C.2 For trades between two currencies that are both listed on Table A3, should both sides be reported?

A For a trade between two currencies on Table A3, report both the sale of one currency and the purchase of the other. For a trade between NOK and DKK, both the purchase of Norwegian krone and the sale of Danish kroner should be reported. If the trade involved the Danish krone against the dollar, then only the Danish krone side would be reported on this table. The dollar side would be reported on Table A1 in the USD against Other column.

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Q C.3 What are the G-10 currencies?

A G-10 currencies are the currencies of the countries that comprise the Group of Ten. This group is made up of eleven industrial countries. They are Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States.

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Q C.4 What are cross currency deals passing through a "vehicle currency"?

A The term “vehicle currency” refers to a currency that may be used when there is not a well-developed market between two other currencies. For example, suppose a trader wanted to exchange Japanese yen for Swedish kronas. The trader might do a JPY/US$ trade and then a US$/SEK trade. In this example, the dollar is the vehicle currency. On the survey, both the JPY/US$ trade and the US$/SEK trade should be reported.

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D. MATURITIES

Q D.1 How should the maturity of outright forwards and fx swap transactions be calculated?

A The maturity of outright forward contracts is the difference between the delivery date and the date of the conclusion of the contract.

A FX swap is typically an outright forward plus a spot transaction (settled within t+2). Measure the maturity of the fx swap on the same basis as that of outright forwards, i.e. the difference between the settlement date of the long leg and the date of the conclusion of contract.

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Q D. 2 How should the maturity of forward/forward swaps be determined?

A In the turnover part of the survey, forward/forward swaps are reported once as a single deal (see page 2 of the instructions) and the maturity classification principle is the original maturity of each deal. The maturity of these swaps should therefore be determined as the difference between the date of initiation of the deal and the far end or due date of the second leg of the deal.

In the amounts outstanding part of the survey, for swaps executed on a forward/forward basis, both forward parts of the transaction are reported separately and the principle of maturity classification is the remaining maturity of each deal. In these circumstances, the maturity of each leg (in case the first leg has not come due) should be determined as the difference between the reporting date and the settlement or due dates, respectively, for both legs.

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E. Additional Information Requirements

Q E.1 On Table C1, Forward Contracts for Differences, where should Caribbean, Pacific, and Middle East currencies be reported?

A Please report Pacific currencies under Asia. Caribbean currencies should be included along with Latin American currencies. Africa and Middle East currencies belong in the Other column.

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Q E.2 On Table C2, Role of Electronic-Based Systems, what is meant by "single bank proprietary systems"?

A A single-bank proprietary system is one developed by a single bank. They are often available to other banks and non-bank clients on a 'white label'/prime brokerage basis. The primary provider of liquidity, however, is the single bank. Prime brokerage business conducted through electronic systems should be reported under the single-bank platform category.