

ANNOUNCEMENT

Foreign Exchange Committee Releases FX Volume Survey Results

New York, January 24, 2005

The Foreign Exchange Committee today released the results of its inaugural Survey of North American Foreign Exchange Volume. This new survey was conducted in order to provide the market with frequent information on the size and structure of foreign exchange activity in North America. Key findings include:

- average daily volume in traditional foreign exchange instruments (spot transactions, outright forwards, and foreign exchange swaps) totaled \$335 billion, and
- average daily volume in over-the-counter foreign exchange options totaled \$36 billion.

"Our goal in launching this survey is to help market participants identify emerging trends in foreign exchange", said Mark Snyder, Chair of the Foreign Exchange Committee. "Moreover, we hope that this information will enable market participants to measure and effectively manage the risks associated with this high volume and rapidly evolving industry."

To achieve a representative survey, the Foreign Exchange Committee invited thirty-one leading financial institutions active in the North American foreign exchange market to contribute data on the level of turnover during the month of October 2004. The Committee also collaborated with the United Kingdom's Foreign Exchange Joint Standing Committee, which conducted a similar survey for the U.K. market over the same time period. The Federal Reserve Bank of New York provided technical support in collecting the data and administering the North American survey.

For the purposes of the survey, turnover is defined as the gross value of all new deals entered into during the reporting period and is measured in terms of the notional amount of the contracts. Survey data is broken out by four foreign exchange instruments, thirteen currency pairs, four counterparty types, and five execution method categories and is reported both in terms of daily average and total monthly volume. The reporting basis for the survey is the location of the price-setting dealer. While similar in nature, the survey is not comparable to the Bank of International Settlements' Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity, given differences in the reporting methodology.

The Foreign Exchange Committee includes representatives of major domestic and foreign commercial and investment banks engaged in foreign exchange transactions in



the United States, as well as foreign exchange brokers. The Committee's objectives include 1) providing a forum for the discussion of best practices and technical issues in the foreign exchange market, 2) fostering improvements in risk management in the foreign exchange market by offering recommendations and guidelines, and 3) supporting actions that facilitate greater contractual certainties for all parties active in foreign exchange. The Foreign Exchange Committee was formed in 1978 under the sponsorship of the Federal Reserve Bank of New York.

The results of this survey, together with the list of reporting dealers and explanatory notes, are available online at <www.newyorkfed.org/fxc>. The results of the Foreign Exchange Joint Standing Committee's survey for the U.K. market can be found at <www.bankofengland.co.uk/markets/forex/fxjsc/fxturnresults.pdf>.

The Survey of North American Foreign Exchange Volume will be conducted semiannually in April and October.

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