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Instructions for the

Central Bank Survey of Foreign Exchange and Derivatives Market Activity

Turnover Survey

April 2016

FR 3036

OMB No. 7100-0285

This report is authorized by law [12 U.S.C. §§ 248(a), 353-359, and 461]. Your voluntary cooperation in submitting this report is needed to make the results comprehensive, accurate and timely. The Federal Reserve may not conduct or sponsor, and an organization is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The Federal Reserve System regards the individual institution information provided by each respondent as confidential [5 U.S.C. § 552(b)(4)]. If it should be determined that any information collected on this form must be released, other than in the aggregate in ways that will not reveal the amounts reported by any one institution, respondents will be notified.

Public reporting burden for this collection of information is estimated to be 55 hours per response, including time to gather and maintain data in the proper form, to review instructions and to complete the information collection. Send comments regarding this burden estimate to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project, (7100-0285), Washington, DC 20503.

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A. Introduction

These instructions cover the *turnover* part of the survey. ~~Separate instructions have been provided for the *amounts outstanding* part of the survey.~~ The *turnover* part of the survey will be conducted on a *locational* basis. Turnover data should be collected over the entire month of April 2016~~3~~. The data should reflect all transactions entered into during the month, regardless of whether delivery or settlement is made during that month.

In order to limit the reporting burden, the *turnover* part of the survey only covers spot transactions and turnover in OTC foreign exchange and interest rate derivatives. No data are collected on turnover of exchange-traded derivative instruments.

The Federal Reserve System treats information provided by each respondent as confidential. Aggregate totals will be published by the Federal Reserve Bank of New York and the Bank for International Settlements.

B. Coverage

1. Reporters

Reporting dealers are financial institutions that actively participate in local and global foreign exchange and derivatives markets. These entities (1) participate in the *interdealer* market or (2) actively conduct *business with large customers,* such as large corporate firms, and other financial institutions. That is, *reporting dealers* are institutions that are actively buying and selling currency and entering into OTC derivatives for their own account or in meeting customer demand. *Reporting dealers* also include the U.S. branches and subsidiaries of foreign institutions that have trading desks or sales desks in the United States.

2. Risk categories

The survey collects data on foreign exchange transactions and OTC derivative products according to the following broad market classification:

- foreign exchange contracts (Tables A1 to A6)
- single-currency interest rate derivatives (Tables B1 and B2)

Foreign exchange contracts. Foreign exchange contracts cover spot, outright forwards, foreign exchange swaps, currency swaps, currency options and other foreign exchange instrument transactions with exposure to more than one currency.

Single-currency interest rate derivatives. Interest rate contracts are contracts related to an interest-bearing financial instrument whose cash flows are determined by referencing interest rates or another interest rate contract (e.g., an option on a futures contract to purchase a Treasury bill). Interest rate contracts include forward rate agreements, single-currency interest rate swaps and interest rate options, including caps, floors, collars, and corridors.

This category includes only those deals where all the legs are exposed to only one currency's interest rate. Thus it excludes contracts involving the exchange of currencies (e.g., cross-currency swaps and currency options) and other contracts whose predominant risk characteristic is foreign exchange risk, which are to be reported as foreign exchange contracts.

3. Instrument types

The survey covers spot foreign exchange transactions and data on turnover of OTC derivatives. For OTC derivatives, the following instrument breakdown is reported:

- forwards
- swaps
- OTC options
  - sold
  - bought
- other products

Dealers should identify how much of their total turnover for each instrument and currency pair is attributed to:

- *Of which prime brokered* Prime brokers are defined as institutions (usually large and highly-rated banks) facilitating trades for their clients (often institutional funds, hedge funds and other proprietary trading firms). Prime brokers enable their clients to conduct trades, subject to credit limits, with a group of predetermined third-party banks in the prime broker's name. (both legs should be included here).
- *Of which retail-driven* Retail-driven transactions are defined as reporting dealers' (a) transactions with "wholesale" financial counterparties that cater to retail investors (i.e., electronic retail trading platforms and retail margin brokerage firms), and (b) direct transactions with "non-wholesale" investors (i.e., private individuals) executed online or by other means (e.g., phone)

Spot transactions. Spot transactions are single outright transactions involving the exchange of two currencies at a rate agreed on the date of the contract for value or delivery (cash settlement) within two business days. The spot legs of swaps should not be reported even when they are due for settlement within two days (i.e., spot transactions should exclude overnight swaps and "tomorrow/next day" transactions).

Forward contracts. Forward contracts are agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument or commodity at a specified price or yield. Forward contracts are generally not traded on organised exchanges and their contractual terms are not standardised. Transactions where only the difference between the contracted forward outright rate and the prevailing spot rate is settled at maturity, such as non-deliverable forwards (i.e., forwards which do not require physical delivery of a non-convertible currency) and other contracts for differences, should be reported. In addition reporting dealers should report non-deliverable forwards (NDF) under *Of which non-deliverable forwards*, to show volumes for six emerging market currency pairs with significant NDF volumes: USD/BRL, USD/CNY, USD/INR, USD/KRW, ~~USD/BRL,~~ USD/RUB and USD/TWD. The NDF turnover of other less well-traded pairs will also be captured but in aggregate only.

Swaps: Swaps are transactions in which two parties agree to exchange payment streams based on a specified notional amount for a specified period. Foreign exchange swaps involve the exchange of two currencies and the reverse exchange of the same currencies at a date further in the future. Forward-starting swap contracts should be reported as swaps.

For swaps executed on a forward/forward basis or as spot/forward transactions, both types of swaps should be reported only once. The unsettled portion of a foreign exchange swap transaction should be excluded as only the long leg of the swap is reportable.

OTC options. Option contracts convey either the right or the obligation, depending upon whether the reporting institution is the purchaser or the writer, respectively, to buy or sell a financial instrument or commodity at a specified price up to a specified future date. OTC option contracts include all option contracts not traded on an organised exchange. Swaptions, i.e., options to enter into a swap contract, and caps, floors, collars, corridors and other plain vanilla contracts should be reported as options.

Options such as call feature embedded in loans, securities and other on-balance-sheet assets do not fall within the scope of this survey and are therefore *not* to be reported unless they are a derivative instrument that must be treated separately under FAS 133. (FAS 133 requires the bifurcation of derivatives that are not clearly and closely related to the host contract.)

Sold options. OTC options contracts in which the reporter has, for compensation (such as a fee or premium), obligated itself to either purchase or sell financial instruments or commodities. Also to be reported are data for written caps, floors and swaptions and for the *written portion only* of collars and corridors.

Bought options. OTC option contracts in which the reporter has, for a fee or premium, acquired the right to either purchase or sell financial instruments or commodities. Also report data for purchased caps, floors and swaptions and for the *purchased portion only* of collars and corridors.

Other products. Other derivative products are instruments where decomposition into individual plain vanilla instruments such as forwards, swaps or options is impractical. Examples of "other" products are swaps with underlying notional principal in one currency and fixed or floating interest rate payments based on interest rates in currencies other than the notional (differential swaps or diff swaps) and instruments with leveraged payoffs and/or those whose notional principal varies as a function of interest rates, such as swaps based on LIBOR squared or index amortising rate swaps.

Further instrument definitions and reporting categorisations are provided in Section G below.

4. The types of data requested

To gauge the size of the foreign exchange and OTC derivatives markets, the survey collects turnover data for both proprietary and commissioned business of the reporting institution. Commissioned business refers to reporting institutions' transactions as a result of deals as an agent or trustee on behalf of third parties.

Turnover is defined as the gross value of all new deals entered into during a given period, and is measured in terms of the notional amount of the contracts. In addition to spot foreign exchange transactions, turnover data are requested for foreign exchange and interest rate derivatives.

No distinction should be made between sales and purchases (for example, a purchase of $5 million against sterling and a sale of $7 million against sterling would amount to a gross turnover of $12 million). Direct cross-currency transactions should be counted as single transactions; however, cross-currency transactions passing through a vehicle currency should be recorded as two separate deals against the vehicle currency (for example, if a bank sells $5 million against euro and then uses the euro to purchase krona, the reported turnover should be $10 million). The gross amount of each transaction should be recorded prior to netting or any offsets. In this context, reporting institutions are reminded that CLS payments are made on a net basis, and so should not be used as a source for completing the survey, which is on a gross basis.

For turnover of transactions with variable nominal or notional principal amounts, the basis for reporting should be the nominal or notional principal amounts on the transaction date. The data collected for the survey should reflect all transactions entered into during the calendar month of April 2016~~3~~, regardless of whether delivery or settlement is made during that month.

5. Reporting basis

For turnover data, the basis for reporting any trade should be the location of the *sales desk*, even if the trade was booked in another location. Transactions conducted by offices located in the United States should be reported to the Federal Reserve Bank of New York, even if these trades were booked at an office in another country. Where no sales desk is involved in a deal, the *trading desk* should be used to determine the location of deals. (Please see the list of illustrative examples of how to report trades by location of deals in the Attachment to these guidelines.)

Internal and related party trades. Reporting institutions should include trades between desks and offices, and trades with their own branches and subsidiaries and between affiliated firms, in their reported aggregates, and identify them as a separate “of which” memorandum item, under related party trades. These trades should be included regardless of whether the counterparty is resident in the same country as the reporting dealer or in another country. However, trades that are conducted back-to-back with related institutions and trades to facilitate internal bookkeeping and internal risk management within a reporting institution should be excluded from the survey. Other trades between separate affiliated entities within the same organization should be reported regardless of location. The reported trades with own branches and subsidiaries and between affiliated firms should be allocated to the category of reporting dealers or other financial institutions depending on whether the counterparty is a reporting dealer or not. In the event of an inter-desk deal within the same reporting entity, that trade should be reported twice in the reporting dealer local category. If the trade was with an affiliate overseas, which is also a reporting dealer; the two reporting dealers should report the transaction once in the reporting dealer cross-border category. The totals of such related party trades are reported separately as an *Of Which* memo item following Total Contracts (Table A5 and B2).

Large financial groups operating in a range of centers should ensure that the agreed definitions of the guidelines are followed, as consistently as possible, by all their reporting units. The guiding principle should be that each trade is reported once.

6. Currency of reporting and currency conversion

Transactions are to be reported in US dollar equivalents. Non-dollar amounts should be converted into US dollars using the exchange rates prevailing on the transaction date. However, if this is impractical, turnover data may be reported using average or end-of-period exchange rates.

When exchange rates other than those of the day of the transaction are used, the order of precedence of currencies' dollar exchange rates for purposes of conversion in deals which involve currencies other than the US dollar should be the same as listed in the foreign exchange turnover section of the survey forms (e.g., EUR, JPY, and GBP).

Transactions which involve the direct exchange of two currencies other than the US dollar should be measured by totalling the US dollar equivalent of only one side (preferably the purchase side) of the transaction.

7. Rounding

All data entered on the report form should be rounded to the nearest million US dollars (do not use decimals). Rounding should occur only when reporting the monthly totals for each category.

C. Counterparties

Reporting dealers should provide for each instrument in the foreign exchange and interest rate derivatives categories a breakdown of contracts by counterparty as follows: reporting dealers, other financial institutions and non-financial customers. For these three basic counterparty categories, reporting dealers should also provide separate information on local and cross-border transactions. The determination of local and cross-border should be determined according to the location of the counterparty and not its nationality. In addition, reporting dealers should provide a more detailed level of identification for “other financial institutions” in the counterparty breakdown. This additional breakdown is only used in the foreign exchange part of the survey. As some counterparties may potentially fall into

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more than one category, some judgement may be required on the part of reporting dealers to assign a specific counterparty to a category that best fits this entity. The primary business activity of the counterparty should serve as the criterion.

Transactions conducted under prime brokerage arrangements should be reported by the executing dealer with the prime broker as the counterparty (not the customer of the prime broker). The executing dealer should classify the prime broker as “reporting dealer” or “other financial institution” as appropriate. Similarly, the prime broker, if a reporting dealer, should report two trades, one for the executing dealer and a second trade for the customer.

Transactions that are subsequently novated to a clearinghouse for settlement (central counterparty clearing) should always be reported as a single transaction opposite the original counterparty to the deal.

- Reporting dealers

Reporting dealers are institutions throughout the world that are submitting this report to their local central bank. In order to allow the accurate elimination of double counting of inter-reporter transactions, reporting institutions should identify transactions with "reporting dealers" to the best of their ability. A list of reporting dealers is available at http://www.newyorkfed.org/banking/reportingforms/FR_3036.html.

- Other financial institutions

This category covers the financial institutions that are not classified as *reporting dealers*. It covers all non-reporting depository institutions and other financial institutions and intermediaries whose primary business is to extend credit for business purposes or for financing personal expenditures, such as investment banks and securities firms, mutual funds, pension funds, hedge funds, currency funds, money market funds, thrifts, leasing companies, insurance companies, and financial subsidiaries of non-financial companies. It also includes central banks. Other financial institutions is further broken down into five reportable sub-categories:

  - *Of which non-reporting banks* Smaller or regional commercial banks, publicly owned banks, securities firms or investment banks, not directly participating as reporting dealers.

  - *Of which institutional investors* Institutional investors such as mutual funds, pension funds, insurance and reinsurance companies and endowments. “real money investors”.

  - *Of which hedge funds and proprietary trading firms* (a) Investment funds and various types of money managers, including commodity trading advisers (CTAs) (b) Proprietary trading firms that invest, hedge or speculate for their own account. This category may include, for example, specialised “high frequency trading” (HFT) firms that employ high-speed algorithmic trading strategies characterised by numerous frequent trades and very short holding periods.

  - *Of which official sector financial institutions* Central banks, sovereign wealth funds, international financial institutions of the public sector (BIS, IMF etc), development banks and agencies.

  - *Of which other* All remaining financial institutions (e.g., retail-aggregators) that cannot be classified as any of the sub-categories above.

  - *undistributed* captures the amount of "other financial institutions" turnover that fails to be allocated into one of the sub-categories above

- Non-financial customers

This category covers any counterparty other than those describe above, i.e., mainly non-financial *end-users,* such as corporate and governments.

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D. Currency and other risk factor breakdowns

In order to obtain consistent data on *turnover* in principal currency segments of the foreign exchange market, reporting institutions are asked to report turnover data on foreign exchange contracts by currency pairs. Data should be provided separately for trading in the US dollar against the following individual currencies:

EUR: Euro
JPY: Japanese yen
GBP: Pound sterling
CHF: Swiss franc
CAD: Canadian dollar
AUD: Australian dollar
SEK: Swedish krona
BRL: Brazilian real
CNY: Chinese Yuan renmin~~m~~bi
HKD: Hong Kong dollar
INR: Indian rupee
KRW: Korean won
MXN: Mexican peso
NOK: Norwegian krone
NZD: New Zealand dollar
PLN: Polish Zl~~z~~o~~l~~ty
RUB: Russian ruble
SGD: Singapore dollar
TRY: Turkish lira
TWD: Taiwan dollar
ZAR: South African rand
Other currencies

Data should be provided separately for trading in the Euro against the following individual currencies:

JPY: Japanese yen
GBP: Pound sterling
CHF: Swiss franc
CAD: Canadian dollar
AUD: Australian dollar
SEK: Swedish krona
CNY: Chinese Yuan Renminbi
DKK: Danish Krone
HUF: Hungarian Forint
NOK: Norwegian Kroner
PLN: Polish Zloty
TRY: Turkish ~~New~~ Lira
Other currencies

Data should be provided separately for trading in the Japanese yen against the following individual currencies:

AUD: Australian dollar
NZD: New Zealand dollar
BRL: Brazilian Real
CAD: Canadian Dollar
TRY: Turkish ~~New~~ Lira
ZAR: South African Rand

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Other currencies.~~s~~ For emerging market currencies, reporters should provide supplementary information on total turnover for the following currencies, which also have to be included in the above columns for “other” currencies in the breakdown by currency pairs:

ARS: Argentine peso
CLP: Chilean peso
CZK: Czech koruna
DKK: Danish krone
HUF: Hungarian forint
IDR: Indonesian rupiah
ILS: Israeli new shekel
MXN: Mexican Peso
MYR: Malaysian ringgit
NOK: Norwegian krone
NZD: New Zealand dollar
PHP: Philippine peso
PLN: Polish Z~~z~~loty
RUB: Russian r~~o~~uble
SAR: Saudi riyal
SGD: Singapore dollar
THB: Thai baht
TR~~L~~Y: Turkish lira
TWD: new Taiwan dollar

Reporters should also report total turnover data in the additional blank columns provided on Tables A3 and A6 for other emerging market currencies included in the above columns for “other” and “residual” currencies but not individually listed on Tables A3 or A6, for which they have total monthly turnover of at least $10 million. Respondents should enter the appropriate 3-letter currency code in the space provided at the top of the column. Currencies to include are:

BHD: Bahraini dinar
BGN: Bulgarian lev
EEK: Estonian kroon
LTL: Lithuanian litas
LVL: Latvian lats
PEN: Peruvian nuevo sol
RON: Romanian new leu

For *turnover* of single-currency interest rate contracts, include:

USD, EUR, JPY, GBP, CHF, CAD, AUD, CNY, DKK, HKD, MXN, NOK, NZD, SEK, SGD, THB, and ZAR.

E. Maturities

In the *turnover* part of the survey, transactions in outright forwards and foreign exchange swaps should be reported according to the following (original) maturity bands:

- seven calendar days or less
- over seven calendar days and up to one year
- over one year.

The maturity of an outright forward contract is the difference between the delivery date and the date of initiation of the contract. The maturity of a foreign exchange swap contract is the difference between the due date of the long leg of the contract and the date of initiation of the contract. The maturity of a forward/forward swap is determined as the difference between the date of initiation of the deal and the due date of the second leg of the deal. A forward/forward swap should only be reported once as one single deal.

F. Categorization of derivatives involving more than one risk category

Individual derivatives transactions are to be categorised into two risk classes: foreign exchange and single-currency interest rate. Transactions should be reported in only one risk category, the category of the predominant risk. The allocation of such products with multiple exposures should be determined by the underlying risk component that is most significant.

G. Detailed instrument definitions and categorization

In each risk category OTC derivatives are in principle to be broken down into three types of plain vanilla instrument (forwards, swaps and options). Plain vanilla instruments are those traded in generally liquid markets using standardized contracts and market conventions. If a transaction is composed of several plain vanilla components, each part should in principle be reported separately. Foreign exchange spot and OTC derivatives transactions should be defined and categorized as follows:

1. Foreign exchange transactions

Spot transaction:	Single outright transaction involving the exchange of two currencies at a rate agreed on the date of the contract for value or delivery (cash settlement) within two business days. The spot legs of swaps do not belong to spot transactions but are to be reported as swap transactions even when they are for settlement within two days (i.e. spot transactions should exclude overnight swaps and “tomorrow/next day” transactions).
Outright forward:	Transaction involving the exchange of two currencies at a rate agreed on the date of the contract for value or delivery (cash settlement) at some time in the future (more than two business days later). This category also includes forward foreign exchange agreement transactions (FXA), non-deliverable forwards and other forward contracts for differences.
Foreign exchange swap:	Transaction which involves the actual exchange of two currencies (principal amount only) on a specific date at a rate agreed at the time of the conclusion of the contract (the short leg), and a reverse exchange of the same two currencies at a date further in the future at a rate (generally different from the rate applied to the short leg) agreed at the time of the contract (the long leg). Both spot/forward and forward/forward swaps should be included. For *turnover*, only the forward leg should be reported as such. The spot leg should not be reported at all, i.e., neither as spot nor as foreign exchange swap transactions. Short-term swaps carried out as “tomorrow/next day” transactions should also be included in this category. CLS Bank “in/out swaps,” used to facilitate settlement among CLS members should be excluded from the survey.
Currency swap:	Contract which commits two counterparties to exchange streams of interest payments in different currencies for an agreed period of time and to exchange principal amounts in different currencies at a pre-agreed exchange rate at maturity.

Currency option:	Option contract that gives the right to buy or sell a currency with another currency at a specified exchange rate during a specified period. This category also includes exotic foreign exchange options such as average rate options and barrier options. Each portion of an option strategy that involves the simultaneous purchase or sale of calls and puts, such as straddles, strangles, and butterflies should be reported separately.
Currency swaption:	OTC option to enter into a currency swap contract. Report under currency options.
Currency warrant:	OTC option; long-dated (over one year) currency option.

2. Single-currency interest rate derivatives

Forward rate agreement (FRA):	Interest rate forward contract in which the rate to be paid or received on a specific obligation for a set period of time, beginning at some time in the future, is determined at contract initiation.
Interest rate swap:	Agreement to exchange periodic payments related to interest rates on a single currency; can be fixed for floating, or floating for floating based on different indices. This group includes those swaps whose notional principal is amortised according to a fixed schedule independent of interest rates.
Interest rate option:	Option contract that gives the right to pay or receive a specific interest rate on a predetermined principal for a set period of time.
Interest rate cap:	OTC option that pays the difference between a floating interest rate and the cap rate.
Interest rate floor:	OTC option that pays the difference between the floor rate and a floating interest rate.
Interest rate collar:	Combination of cap and floor.
Interest rate corridor:	1) A combination of two caps, one purchased by a borrower at a set strike and the other sold by the borrower at a higher strike to, in effect, offset part of the premium of the first cap. 2) A collar on a swap created with two swaptions – the structure and participation interval is determined by the strikes and types of the swaptions. 3) A digital knockout option with two barriers bracketing the current level of a long-term interest rate.
Interest rate swaption:	OTC option to enter into an interest rate swap contract, purchasing the right to pay or receive a certain fixed rate. Report under interest rate options.
Interest rate warrant:	OTC option; long-dated (over one year) interest rate option.

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H. Additional Information

a)

~~Trend of trading activity~~	~~Reporting dealers should provide information on whether, in their experience, foreign exchange turnover (spot, outright forwards, foreign exchange swaps, currency swaps and OTC options) in the month of April 2013 was normal, below normal or above normal and whether turnover in the preceding six months was steady, increasing or decreasing.~~
Data on forward contractsfor differences (incl. non-deliverable forwards)	Dealers should report data on turnover of forward contracts where only the difference between the contracted forward outright rate and the prevailing spot rate is settled at maturity. Examples of these contracts are non-deliverable forwards (i.e., forward FX contracts which do not require physical delivery of a non-convertible currency) and other forward contracts for differences. The data are required with the following breakdown by currency groups: • G-10 currencies only: Contracts that involve G-10 currencies (USD, Euro, Japanese yen, Pound sterling, Swiss franc, Canadian dollar or Swedish krona) in both sides of the transaction. • Non-G10 currencies: Contracts that involve non-G10 currencies in only one or both sides of the transaction. In this category a further breakdown by regional area is required as follows: Africa & Middle East, Asia & Pacific, Europe, Latin America & Caribbean. Notional amounts of transactions involving non-G10 currencies from different regional areas should be split evenly between the two relevant columns in the form.
~~Information on "retail-driven" transactions~~	~~Dealers should assess the estimated percentage share of:~~ ~~a) Transactions with "wholesale" counterparties.~~ ~~b)~~a)~~Online transactions with "non-wholesale" investors.~~ ~~c)~~b)~~Phone transactions with "non-wholesale" investors.~~

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~~Coverage of algorithmic and high-frequency trading activity~~

~~These questions should only be filled out by dealers that act as FX prime brokers.~~

~~Algorithmic (Algo) trading is defined as trading that uses computer algorithms to make and execute trade decisions with little or no human intervention.~~

~~High frequency trading (HFT), a subset of Algo trading, is defined by the following two characteristics: (i) use of computer algorithms to make and execute trade decisions with little or no human intervention; and (ii) execution at very high speed, typically also with a very short risk holding period. Further characteristics of HFT include: a high daily trade count, a fairly small average trade size and co-location of trading/execution servers in three main global locations close to the servers of major FX electronic trading platforms.~~

~~The scope of reporting of Algo / HFT activity should be limited to the FX spot market and to trades with counterparties in the "Other Financial Institutions - Hedge Funds and Proprietary Trading Firms" category in which the counterparty relies on Algo / HFT as their prime method of execution (i.e. specialist firms).~~

~~Dealers should, with the help of their front office or trading desk, answer the following questions.~~

~~a) Of your spot FX turnover with counterparties belonging to the category "Other Financial Institutions – Hedge Funds and Proprietary Trading Firms", what is the estimated share of specialist Algo / HFT firms?~~

~~b)~~a) ~~Of your spot FX turnover with specialist Algo / HFT firms belonging to the counterparty category "Other Financial Institutions – Hedge Funds and Proprietary Trading Firms", which were the top 5 currency pairs traded?~~

I. Execution Method

Table C2 collects additional information on the execution method in millions of US dollars (notional amounts) used to settle foreign exchange turnover transactions. The execution method has to be separately identified for foreign exchange spot, outright forwards, FX swaps, and options reported in Tables A1-A6. Please note that this part of the survey has been modified as compared to the previous survey in order to better distinguish between different execution methods. There are four basic categories: Voice-Direct, Voice-Indirect, Electronic-Direct, and Electronic-Indirect. The two "Electronic" categories are further broken down into specific types of electronic trading platforms similar to those that already existed in the previous surveys.

Voice-Direct	Trades originated in person, by phone, by telefax, or through general messaging systems (e.g., Outlook, Hotmail, Gmail, or Yahoo mail) regardless of how they are subsequently matched, not intermediated by a third party.
Voice–Indirect	Executed over the phone, intermediated by a third party (e.g., via a voice broker).

Electronic–Direct	Trades ~~E~~executed over an electronic trading system~~medium~~, not intermediated by a third party. These include transactions originated through specific messaging systems that are part of trading platforms.
of which:	
Single-bank proprietary trading system	Electronic trading systems owned and operated by a bank (e.g., Autobahn, BARX, Velocity, FX Trader Plus, etc).
Other	Other direct electronic systems (e.g., Bloomberg FXGO, ~~means such as~~ Thomson Reuters Conversational Dealing, direct API price streams~~Bloomberg~~, etc.
Electronic–Indirect	Trades e~~E~~xecuted over an electronic medium, intermediated by a third party electronic platform (e.g., via a matching system).
of which:	
Reuters Matching / EBS	Major electronic trading platforms that have historically been geared towards the interdealer market.
Dark Pools	Private platforms for trading securities (especially for large trade sizes), where access is restricted and quotes are not revealed. They are operated by some major FX trading banks, as well as broker-dealers and platform providers (e.g., BGC, Hotspot QT, etc.).
Other electronic communication networks	Multi-bank dealing systems not falling in the categories above (e.g., ~~such as~~ Currenex FX Trades, FXall, KCG Hotspot ECN, Bloomberg Tradebook, ParFX, 360T, etc.) ~~etc~~.
~~Other~~	~~Other indirect electronic means, if any, that do not belong to either of the two sub-categories above.~~

Quality control. To prepare for the possibility that some reporting dealers may be technically incapable of properly allocating all their transactions to the new execution methods, an entry called “unallocated~~distributed~~” is available in the survey template. This entry captures the amount of turnover for each instrument and counterparty that fails to be allocated into one of the execution method categories above.

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Illustrative examples of how to report trades by location of deals in the context of the next triennial survey

The basic principle for determining the location of trades is as follows: For turnover data, the basis for reporting should be, if possible, the location of the *sales desk* of any trade. Where no sales desk is involved in a deal, the *trading desk* should be used to determine the location of deals.

Consider the transactions carried out in three countries C, X and M by a banking group with its Head Office and *trading desk* located in country C. It has a sales team in its Head Office (*sales desk 1*) in country C, as well as a *sales desk 2* in country X. Both the offices in countries C & X are recognised as reporting dealers by the relevant central bank. The group has no representation in country M. Then the table below illustrates how trades should be reported:

Originator and function	**Originator location**	**Counterparty location**	**Reported as**	**To Central Bank in**
1. Sales desk 1	C	C	Local	C
2. Sales desk 1	C	M	Cross border	C
3. Sales desk 2	X	X	Local	X
4. Sales desk 2	X	M	Cross border	X
5. Trading desk	C	X	Cross border	C
6. Trading desk	C	C	Local	C
7. Trading desk	C	M	Cross border	C

Note: Examples 5-7 do not involve a sales desk in the transaction.

It is assumed that sales desk 1 in country C will not deal with clients in country X (sales desk 2 would transact such business). Equally, it is assumed that sales desk 2 in country X will not deal with customers in country C (the Head Office - sales desk 1 - would be expected to transact such business). If such trades did occur, they would be reported as in Examples 2 & 4, respectively. But, it is possible that the trading desk in country C could deal directly with another trading desk located in country X, even though there is a sales desk located there (Example 5).

Take the above example, but assume under this scenario that the institution also has a third *sales desk* in country Y, but is not recognised in that country as a reporting dealer. It is assumed that if the sales desk is not recognised as a reporting dealer, its levels of business will be relatively low and will not be material in terms of the global results. Hence, trades through that sales desk should not be reported, and for completeness the matrix can be extended as shown below:

Originator and function	**Originator location**	**Counterparty location**	**Reported as**	**To Central Bank in**
8. Sales desk 3	Y	Y	Not reported	
9. Sales desk 3	Y	M	Not reported	

a) Other Points of clarification: Trades conducted by sales offices in countries that do not participate in the survey, or by offices that are not recognised as reporting dealers by their host central bank, should not be reported. (Examples 8 & 9)

b) Any trades by trading desk C with third parties, to cover or offset positions arising from the activities of its sales desks, should be reported in the normal manner (Examples 5-7 above).

c) A "leave" order is considered as a trade, regardless of location or timing of ultimate execution. The office accepting the order should report the trade, assuming that it is recognised by its host central bank as a reporting dealer (any of Examples 1-7).

d) Both parties should report trades between two reporting dealers, as trades with other reporting dealers, regardless of whether they are considered as sales or trading desks (any of Examples 1-7). This is essential to permit accurate elimination of double counting during the production of the final data. The only exception to this rule is internal trades between desks where, as noted in Section B.4 of the Guidelines, neither party should report the trade.