

**Supporting Statement for the  
Central Bank Survey of Foreign Exchange and Derivatives Market Activity  
(FR 3036; OMB No. 7100-0285)**

## Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), is extending for three years, with revision, the Central Bank Survey of Foreign Exchange and Derivatives Market Activity (FR 3036; OMB 7100-0285). The FR 3036 is the U.S. portion of a global data collection that is conducted by central banks once every three years. Currently, more than 50 central banks plan to conduct the survey in 2019. The Bank for International Settlements (BIS), of which the Board is a member, compiles aggregate national data from each central bank to produce and publish global market statistics.

The Federal Reserve uses the survey to monitor activity in the foreign exchange and derivatives markets. Survey results also provide perspective on market developments for the Manager of the Federal Reserve System Open Market Account (the Desk), on the Desk's trading relationships, and for planning Federal Reserve and U.S. Treasury foreign exchange operations. Respondents are significant dealers in the United States foreign exchange market. They use the published data to gauge their market share. The survey is also an important source of available FX turnover data for the public.

The BIS survey has two parts: a Turnover (volume of transactions) survey and a Derivatives Outstanding survey collected at the end of June.<sup>1</sup> The FR 3036 covers only the Turnover portion of the BIS survey. The Derivatives Outstanding portion of the BIS survey is covered by the Semiannual Report of Derivatives Activity (FR 2436; OMB 7100-0286) in 2019; however, in the future it is possible that a respondent may not qualify to report the FR 2436 but they could meet the criteria to report both portions of the FR 3036.

The Board is changing the report form and instructions for the Turnover survey to align with some of the changes being adopted in the BIS survey. The Board is revising the FR 3036 by modifying the Execution Method schedule for foreign exchange contracts (Table C.2) to merge "Dark Pools"<sup>2</sup> with "Other Electronic Communication Networks" and renaming it under Electronic-Indirect Trading as "Disclosed Venues." "Reuters Matching/EBS" will be renamed under Electronic Indirect Trading as "Anonymous Venues." These changes will provide better information on the evolution of electronic trading methods, which have accounted for a large part of the growth in foreign exchange turnover in recent years.

The Board is adopting a number of other changes. First, the Board is merging the separate reporting of bought options and sold options to "Sum of Bought and Sold Options," to align with new BIS reporting guidelines on Tables A.4, A.5, and A.6. Second, the Board is modifying and expanding the maturity breakdown for foreign exchange forwards and swaps to

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<sup>1</sup> The Board will not conduct the Derivatives Outstanding portion of the survey in 2019.

<sup>2</sup> Dark pools are private platforms for trading securities especially for large trade sizes, where access is restricted and quotes are not revealed.

align with both broader market standards and practices as well as with the BIS reporting guidelines. Third, for single-currency interest rate turnover, interest rate swaps will be deleted and replaced by two separate categories, (1) “overnight indexed swaps” and (2) “other swaps.” Fourth, Table C.1, “Complementary Information for Foreign Exchange Contracts” will be deleted. Finally, the Board is making several clarifications to the reporting instructions to provide additional guidance to the definitions used for the Execution Method schedule as well as to reflect the changes and deleted items from the report form.

The estimated total annual burden for the FR 3036 is 1,155 hours for the 21 market-making financial institutions participating in the Turnover portion of the survey.

## **Background and Justification**

The survey is a comprehensive source of global information on the volume of foreign exchange and derivatives trading and, as such, is useful to the Federal Reserve System and other government agencies in understanding market developments and trends. The data provide the Manager of the Federal Reserve System Open Market Account with information for analyzing market developments and conducting Federal Reserve and U.S. Treasury foreign exchange operations. Survey data are also used by market participants to gain a perspective on the market that is not available from data at the firm level. Academics and the general public use the survey’s data for research and analysis.

The revised survey will cover the collection of market data on turnover in notional amounts of foreign exchange transactions and single-currency interest rate derivative transactions conducted in the U.S. in April 2019.

## **Description of Information Collection**

The survey will collect information on the size and structure of the foreign exchange and over-the-counter (OTC) derivatives markets. The survey will cover the turnover in the foreign exchange market on Tables A.1-A.6 (spot, forwards, foreign exchange swaps, currency swaps, and total bought and sold OTC options), and interest rate derivatives markets on Tables B.1-B.2 (forward rate agreements, overnight index swaps, other interest rate swaps, and bought and sold OTC options).

**Notional amounts of foreign exchange turnover (Tables A.1, A.2, A.3, A.4, A.5, and A.6).** Respondents should report the notional value of foreign exchange turnover in April 2019 for 21 major U.S. dollar currency pairs, 12 major non-dollar Euro pairings, and six major non-dollar Yen pairings. Residual columns for non-specified currency pairs are also collected for an additional 37 specified foreign currencies.

**Notional amounts of single currency interest rate derivatives (Tables B.1 and B.2).** Respondents should report the notional value of single currency interest rate derivatives turnover in April 2019 for the U.S. dollar and 39 additional currencies. A residual column for turnover in non-specified currencies is also collected.

**Additional detail.** The tables above collect the following additional detail on the notional amounts of turnover in April 2019.

*Product types:* Foreign exchange spot, outright forwards, foreign exchange swaps, currency swaps, and sum of bought and sold OTC foreign exchange options (Tables A.1, A.2, A.3, A.4, A.5, and A.6); forward rate agreements, overnight indexed swaps, other interest rate swaps, and sum of bought and sold OTC interest rate options (Tables B.1 and B.2).

*Counterparty types:* Reporting dealers, other financial institutions, and non-financial customers. Counterparties are further broken out into local and cross-border. For foreign exchange turnover (Tables A.1, A.2, A.3, A.4, A.5, and A.6), other financial institutions are further broken out into (1) non-reporting banks, (2) institutional investors, (3) hedge funds and proprietary trading firms, (4) official sector financial institutions, (5) others, and (6) undistributed.

*Prime brokerage:* Total foreign exchange turnover for each product type (Tables A.1, A.2, A.3, A.4, A.5, and A.6) collects a memorandum item, of which prime brokered, to capture turnover conducted through a dealer's prime brokerage accounts. Prime brokers are institutions facilitating trades for their clients (often institutional funds, hedge funds and other proprietary trading firms). Prime brokers enable their clients to conduct trades with a group of predetermined third-party banks in the prime broker's name. These transactions have accounted for a large part of the growth in foreign exchange turnover in recent years.

*Retail turnover:* Total foreign exchange turnover for each product type (Tables A.1, A.2, A.3, A.4, A.5, and A.6) collects a memorandum item, of which retail-driven, to capture turnover associated with retail clients. Retail-driven transactions are defined as reporting dealers' transactions with "wholesale" financial counterparties that cater to retail investors and direct transactions with "non-wholesale" investors. In recent years, retail investors have increased their participation in the foreign exchange market, facilitated by internet-based trading platforms.

*Non-deliverable forwards:* Total turnover in foreign exchange outright forwards (Tables A.1, A.2, and A.3) collect a memorandum item, of which non-deliverable forwards (NDF), to capture turnover in six major U.S. dollar currency pairs (USD/BRL, USD/CNY, USD/INR, USD/KRW, USD/RUB and USD/TWD) with significant non-deliverable forward turnover. Turnover in NDF for other less well-traded pairs will also be captured in aggregate. NDF differ from deliverable forwards in that there is no physical delivery of the two underlying currencies at maturity and instead are settled in cash.

*Original maturities:* Total turnover in foreign exchange outright forwards and foreign exchange swaps capture original maturities according to the following maturity bands (1) seven days or less, (2) over seven days and up to one month, (3) over one month and up to 3 months, (4) over 3 months and up to 6 months, and (5) over six months.

**Execution method for foreign exchange contracts (Table C2).** The survey includes the execution method used for transacting foreign exchange contracts reported on Tables A.1-A.6 (spot, forward, swaps, and options) and counterparty (reporting dealers, other financial

institutions, and non-financial institutions). Execution is currently reported as (1) Voice Direct, (2) Voice Indirect, (3) Electronic Direct single-bank proprietary trading system, (4) Electronic Direct Other, (5) Electronic Indirect Reuters Matching/EBS, (6) Electronic Indirect Dark Pools, (7) Electronic Indirect Other electronic communications networks and (8) Unallocated (for turnover that fails to be allocated into one of the aforementioned execution method categories).

## **Revisions**

Revisions to the survey are:

1. For foreign exchange execution methods, “dark pools” will merge under electronic-indirect trading, with “other electronic communication networks” and will rename the category “disclosed venues.” The category “Reuters Matching/EBS” under electronic indirect trading will be renamed “Anonymous venues.” The instructions will be changed to provide updated guidance on definitions used for the Execution Method schedule.
2. For foreign exchange forwards and swaps, the maturity breakdown will be modified to
  1. Seven days or less
  2. Over seven days and up to one month
  3. Over one month and up to three months
  4. Over three months and up to six months
  5. Over six months
3. For both foreign exchange and single-currency interest rate turnover, bought options and sold options will be merged to “sum of bought and sold options.”
4. For single-currency interest rate turnover, interest rate swaps will be deleted and replaced by two separate categories, (1) “overnight indexed swaps” and (2) “other swaps.”
5. The complementary question on contracts for differences will be deleted.

## **Reporting Panel**

Respondents were identified for the survey based on their participation in the Survey of North American Foreign Exchange Volume. Respondents include commercial banks, brokers and dealers, and U.S. offices of foreign banking offices with dealing operations in the United States.

## **Time Schedule for Information Collection**

The FR 3036 will include all trading conducted during April 2019. The choice of April for Turnover data continues the practice of previous surveys. April was selected to avoid strong seasonal effects in the foreign exchange market at other times of the year. In addition, April is the month other central banks will be conducting their surveys and adoption of this date is critical for the aggregation of consistent global statistics.

The survey forms and instructions will be made available at the Board's website at [www.federalreserve.gov/apps/reportforms/default.aspx](http://www.federalreserve.gov/apps/reportforms/default.aspx). Market totals from the Turnover survey will be published by FRBNY and will also be provided to the BIS for its published report on global trading.

## **Legal Status**

The FR 3036 is authorized pursuant to sections 2A and 12A of the Federal Reserve Act (FRA). Section 2A of the FRA requires that the Board and the Federal Open Market Committee (FOMC) maintain long-run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates (12 U.S.C. 225a). Under section 12A of the FRA, the FOMC is required to implement regulations relating to the open market operations conducted by Federal Reserve Banks. Those transactions must be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country (12 U.S.C. 263). The Board and the FOMC use the information obtained from the FR 3036 to help fulfill these obligations. The FR 3036 is a voluntary survey.

Because the release of this information would cause substantial harm to the competitive position of the entity from whom the information was obtained, the information collected on the FR 3036 may be granted confidential treatment under exemption (b)(4) of the Freedom of Information Act (5 U.S.C. 552(b)(4)), which protects from disclosure "trade secrets and commercial or financial information obtained from a person and privileged or confidential."

## **Consultation Outside the Agency**

This survey is being coordinated by the BIS with other participating central banks.

## **Public Comments**

On February 7, 2019, the Board published an initial notice in the *Federal Register* (84 FR 2506) requesting public comment for 60 days on the extension, with revision, of the FR 3036. The comment period for this notice expired on April 8, 2019. The Board did not receive any comments. The revisions will be implemented as proposed. On May 1, 2019, the Board published a final notice in the *Federal Register* (84 FR 18537).

## **Estimates of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR 3036 is 1,155 hours and will remain unchanged with the revisions. The burden would be incurred on a one-time basis in 2019. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

<b>FR 3036</b>	<i>Estimated number of respondents<sup>3</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Turnover	21	1	55	1,155

The estimated total annual cost to the public for this information collection is \$66,528.<sup>4</sup>

### **Sensitive Questions**

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

### **Estimate of Cost to the Federal Reserve System**

The estimated cost of collecting and processing the FR 3036 data is \$600,000.

<sup>3</sup> Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets), [www.sba.gov/document/support--table-size-standards](http://www.sba.gov/document/support--table-size-standards).

<sup>4</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$19, 45% Financial Managers at \$71, 15% Lawyers at \$69, and 10% Chief Executives at \$96). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2018*, published March 29, 2019, [www.bls.gov/news.release/ocwage.t01.htm](http://www.bls.gov/news.release/ocwage.t01.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).