



BANK OF CANADA

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SURVEY OF DERIVATIVES MARKET ACTIVITY IN CANADA

OTTAWA - Summary results of a survey of the Canadian derivatives markets are now available. The survey was conducted by the Bank of Canada in April 1995 and covered activity in the major derivatives markets in Canada. The central banks of 25 other industrialized countries are also releasing the results of similar surveys today. This is the first time derivatives markets have been surveyed by the Bank of Canada.

All financial institutions active in the Canadian wholesale derivatives markets were surveyed. These included 23 banks and 16 other financial institutions. The survey covered financial derivatives in the four principal market risk categories: foreign exchange, interest rates, equities and commodities. Instruments surveyed included forwards, swaps, exchange-traded and over-the-counter (OTC) options, futures, and other composite products. Participants were also asked to identify transactions by currency and counterparty. Detailed results and an analysis of the survey will appear in the winter 1995-1996 issue of the *Bank of Canada Review*.

Highlights of the 1995 survey

- The following table shows the principal amount of derivatives contracts outstanding in the four main market risk categories as at 31 March 1995.

**Derivatives contracts outstanding as at 31 March 1995 in Canada
(Billions of U.S. dollars)**

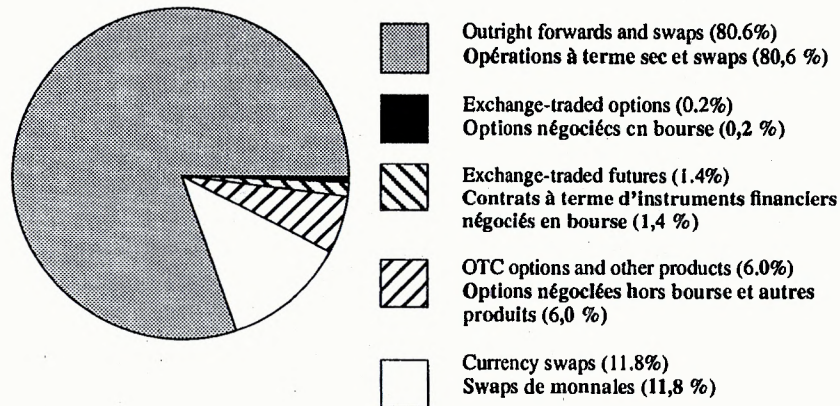
	Market risk category			
	Foreign exchange	Interest rate	Equity	Commodity
Nominal value	693.7	1,113.0	10.5	9.2
Market value	29.0	15.2	0.4	1.5

- Outright forwards and foreign exchange swaps accounted for about 81 per cent of **foreign exchange derivatives** contracts outstanding. Currency swaps accounted for about 12 per cent of outstanding contracts, while options and futures made up the balance. Most of these outstandings were in Canadian/U.S. dollar products (approximately 68 per cent), with U.S. dollar/German mark products the next most common (about 12 per cent).
- In the **interest rate risk** category, swaps accounted for almost 46 per cent of the total outstandings followed by futures (31 per cent), forward rate agreements (12 per cent) and options (11 per cent). Virtually all single-currency interest rate derivatives outstanding were Canadian dollar (37 per cent) or U.S. dollar (60 per cent) products.
- In the much smaller **equity** and **commodity risk** categories, options accounted for over 64 per cent of equity derivatives outstanding, while forwards and swaps accounted for almost 75 per cent of the commodity derivatives outstanding.
- As shown in the table, the **market values** of outstanding derivatives are small compared with the nominal or principal values. Gross market values indicate the cost of replacing the derivative contracts shown as at 31 March 1995 and are a better measure of the economic significance of these markets.
- In terms of **turnover volume**, trade in foreign exchange derivatives products during the month of April 1995 amounted to about U.S.\$19 billion per day in nominal value. Single-currency interest rate derivatives activity averaged about U.S.\$15 billion per day. No turnover data were collected for equity or commodity derivatives.

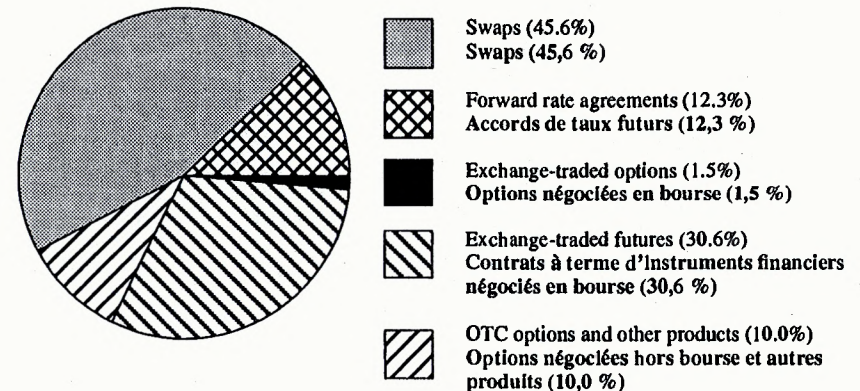
Note: The data collected by the Bank of Canada and monetary authorities in 25 other major market centres will be adjusted for cross-border double-counting and aggregated by the Bank for International Settlements (BIS). These aggregate data on global derivatives market activity will also be released today. In the first half of 1996, the BIS will release a full study on the global survey of both foreign exchange and derivatives market activity.

**Derivatives market activity in Canada
Les opérations des marchés des produits dérivés au Canada**

Foreign exchange derivatives outstanding totalled U.S. \$693.7 billion as at 31 March 1995
L'encours des contrats de change s'élevait à 693,7 milliards de dollars É.-U. au 31 mars 1995

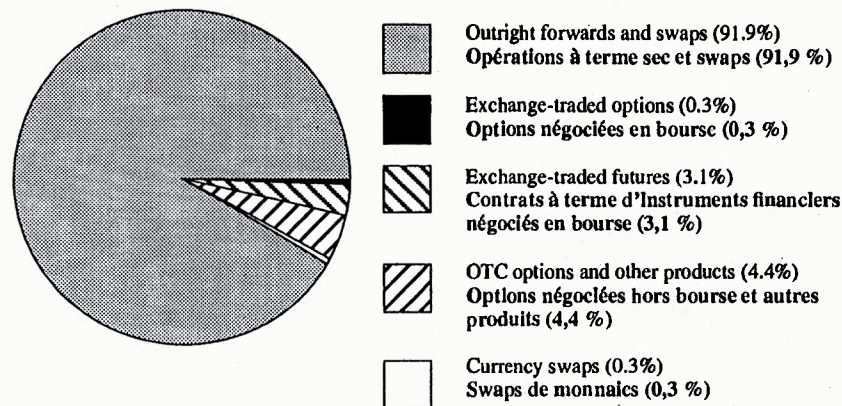


Interest rate derivatives outstanding totalled U.S. \$1,113.0 billion as at 31 March 1995
L'encours des contrats de taux d'intérêt s'élevait à 1 113 milliards de dollars É.-U. au 31 mars 1995



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Transactions in foreign exchange derivatives averaged U.S. \$19.3 billion per day in April 1995
Les opérations portant sur des contrats de change se sont élevées en moyenne à 19,3 milliards de dollars É.-U. par jour en avril 1995



Transactions in interest rate derivatives averaged U.S. \$15.2 billion per day in April 1995
Les opérations portant sur des contrats de taux d'intérêt se sont élevées en moyenne à 15,2 milliards de dollars É.-U. par jour en avril 1995

