

# Statistical definitions for the foreign exchange market (FX) reporting

The foreign exchange market (FX) reporting covers the turnover of foreign exchange and turnover of short term interest rate derivatives in Swedish kronor (SEK). The reporting gives Sveriges Riksbank a deeper understanding of the activity on the Swedish foreign exchange and money market in Swedish kronor and a better picture of how market shares are distributed between the reporting institutions.

Turnover refers to the amount of currency purchased and sold (of Swedish Kronor) and the total principal amount of newly entered derivatives. The turnover must be allocated to the various asset types, contract types, transaction types and counterparty types as specified below. In addition, prime brokerage related turnover of foreign exchange must be reported in an additional way as specified under Counterparty Types. All amounts must be expressed in millions of Swedish kronor without decimal. Aggregate turnover for all reporting institutions is published on Sveriges Riksbank’s website. For more technical instructions regarding the reporting, please see the document SELMA-Exchange specifications.

It is important that the reporting institutions appoint a responsible person for questions concerning the statistics reported.

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## 1. Asset Types

The assets are divided into two main categories: currency and interest rate derivatives. The latter is restricted to those derivatives where all legs are exposed to interest rates in only one currency (Swedish kronor). Thus it excludes contracts with exposure to more than one currency (e.g. FX-swaps and cross-currency swaps) which are to be reported under the currency category.

### 1.1 Currency

**SEK/EUR:**

Foreign exchange transactions between Swedish krona (SEK) and euro (EUR).

**SEK/USD:**

Foreign exchange transactions between Swedish krona (SEK) and US dollar (USD).

**SEK/OTH:**

Foreign exchange transactions between Swedish krona (SEK) and other currencies except EUR and USD.

### 1.2 Interest Rate Derivatives

**FRA:**

Forward rate agreements (FRAs) on deposits in Swedish kronor. All FRAs (are to be reported regardless of maturity and construction, including standardised/non-standardised and cleared/non-cleared FRAs.

**STINA Swap:**

Short-term interest-rate swaps, denominated in Swedish kronor, with a maturity of up to and including one year. Generally, these swaps have the STIBOR T/N interest rate as basis for the floating leg and are therefore called STINA swaps (Stockholm Tomnext Interbank Average) swaps. Only new swaps are to be reported. Note that only the fixed interest rate leg of the swap is to be reported.

**RIBA Future:**

RIBA Future is a cash-settled futures contract based on the Riksbank's repo rate, denominated in Swedish kronor.

## 2. Contract Types

### 2.1. Currency

Turnover of currency is to be broken down into the following contract types:

**Spot:**

Spot transactions involving the exchange of two currencies at a rate agreed on the trade date and delivery (cash settlement) within two business days (t+2). Please note that the spot legs of swaps should not be included among 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 "tomorrow/next day" transactions).

**Outright Forward:**

Outright forward transactions involving the exchange of two currencies at a rate agreed on the trade date and 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, e.g. uneven swaps.

**Short Swap:**

FX-swap transactions where the long leg is maximum trade date + 2 days (t+2). For more information, see FX Swap below.

**FX Swap:**

FX-swap transactions where the long leg is trade date + 3 days (t+3) or longer.

FX-swap transactions involve the actual exchange of two currencies 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). Turnover of FX swaps are to be divided into "Short-Swap" and "FX Swap" based on the maturity of the long leg in the swap. This category also includes cross currency basis swaps in which counterparties commit to exchange streams of interest payments in different currencies for an agreed period of time and/or to exchange principal amounts in different currencies at a pre-agreed exchange rate at maturity.

Please note that both legs of FX swap transactions are always required to be reported as either Short Swap or FX Swap. It is accordingly not a matter of categorising the short leg in swap as a "Short Swap" and the long leg in the same swap transaction as an "FX Swap" or to categorise the short leg as a spot transaction and the long leg as a forward transaction.

*Example:*

*A FX Swap transaction where a reporter purchases 100 million SEK for 10 million USD with a Swedish Customer and agrees to sell back 99 million SEK and receive 10 million USD in 3 months should be reported as:*

*Asset type: SEK/EUR*

*Contract Type: FX Swap*

*Transaction type: Purchased*

*Counterparty type: Swedish Customer*

*Amount: 100*

*Asset type: SEK/EUR*

*Contract Type: FX Swap*

*Transaction type: Sold*

*Counterparty type: Swedish Customer*

*Amount: 99*

**Option:**

Option contracts that gives the right to buy or sell a currency against another currency at a specified exchange rate during a specified period. This category also includes exotic currency options such as average rate options and barrier options.

In addition, other short-term interest rate derivatives with a maturity of up to and including one year, denominated in Swedish kronor, not captured in the FRA, STINA Swap or RIBA Future categories should be reported under this category. This includes interest rate swaptions, caps, floors, collars and corridors.

## 2.2. Interest Rate Derivatives

Turnover of derivatives is not to be allocated by contract type.

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Not Applicable.

### 3. Transaction Types

#### 3.1. Currency

Turnover in the currency pairs SEK/EUR, SEK/USD and SEK/OTH is to be split into purchased and sold currency as follows:

**Purchased Currency:**

Foreign currency purchased for Swedish kronor from a counterparty by the reporter.

**Sold Currency:**

Foreign currency sold for Swedish kronor to a counterparty by the reporter.

#### 3.2. Interest Rate Derivatives

Turnover in FRAs and RIBA futures is to be split into purchased and sold as follows:

**Purchased:**

The reporter having purchased the contract from a counterparty, meaning that the reporter will make a profit if the fixing rate at maturity is higher than the agreed interest rate in the contract (i.e. long position in the fixing rate).

**Sold:**

The reporter having sold the contract to a counterparty, meaning that the reporter will make a profit if the fixing rate at maturity is lower than the agreed interest rate in the contract (i.e. short position in the fixing rate).

Turnover in STINA swaps is to be split into pay and receive as follows:

**Pay:**

The reporter paying fixed interest rate to a counterparty.

**Receive:**

The reporter receiving fixed interest rate from a counterparty.

## 4. Counterparty Types

### 4.1 Currency and Interest Rate Derivatives

Counterparty types refer to the type of counterparty the reporter has traded with. The counterparty is to be categorised as Reporter or Other Market Maker if acting as market maker. Otherwise it should be categorized as Swedish Customer or Non-Swedish Customer. A particular organization may have different functions that fall under different counterparty types. For example, an Interbank Dealer should be seen as market maker whereas an Asset Manager or Propriety Trader should be seen as a customer. Transactions with banks ALM department<sup>1</sup> should be reported as customer transactions. This includes internal trades with the reporting institutions ALM department. Other internal trades are not to be reported at all.<sup>2</sup>

#### **Reporter:**

The Riksbank's Counterparties in Foreign Exchange Transactions are defined as Reporters. For an updated list of reporters, see [www.riksbank.se](http://www.riksbank.se). The list can be found under Monetary Policy/Reporting SELMA/Documentation.

#### **Other Market Maker:**

Market makers that are not Reporters. These are mainly large investment banks actively buying and selling currency and derivatives. In addition, transactions with brokers, such as ICAP, Tullet Prebon and Martin Brokers should be reported under this category as well.

#### **Swedish Customer:**

Customers located in Sweden<sup>3</sup>. This also functions as a general category for counterparties in Sweden. That means all counterparties not categorised as Reporter or Other Market Maker.

#### **Non-Swedish Customer:**

Customers located outside of Sweden<sup>3</sup>. This also functions as a general item for counterparties outside of Sweden. That means all counterparties not categorised as Reporter or Other Market Maker.

#### **Sveriges Riksbank:**

The counterparty in the transaction is the Swedish central bank, the Riksbank.

### 4.2 Currency only - FX Prime Brokerage

Given the importance of prime brokered transactions in foreign exchange markets and its impact on the size of the reported turnover aggregates, turnover "of which prime brokered" must be reported separately to capture the amount of foreign exchange turnover that is attributed to trades conducted via FX prime brokerage relationships. 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. This may also involve granting the client access to electronic platforms that are traditionally available only to large dealers. In an FX prime brokerage relationship, the client trade is normally "given up" to the prime broker, who is interposed between the third-party bank and the client and therefore becoming the counterparty to both legs of the trade.

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<sup>1</sup> ALM department means the department that manages the balance sheet of the bank, i.e., manages the duration and refinancing risks, and the bank's securities investment portfolio.

<sup>2</sup> Other internal trades include trades between the government bond, swap, option and credit trading units of the reporter.

<sup>3</sup> The country of legal incorporation determines a customer's location. For branches, the customer's location is determined by the country of incorporation of its head office..

Reporting institutions that have acted as FX prime brokers are requested to report those transactions that they have brokered in two ways:

- (i) in the usual manner (see 4.1), treating the two legs as two separate deals, allocating them by asset type, contract type, transaction type and counterparty type and
- (ii) in the counterparty type "of which prime brokered" for each asset type, contract type and transaction type (one leg as Purchased Currency, the other leg as Sold Currency)

Those transactions that are not prime brokered by reporting institutions only need to be reported once in the usual manner. This also means that reporting institutions that have not acted as FX prime brokers only need to allocate their trades in the usual manner and never in the "of which" item.

**o/w Prime Brokered:**

Note that "of which prime brokered" is only a valid counterparty type for turnover of foreign exchange and not for turnover of interest rate derivatives. This counterparty type does not refer to the type of counterparty the reporting institution has traded with but is rather an item to separately capture turnover of foreign exchange with any type of counterparty that is a result of the reporting institution acting as a FX prime broker.