



BANCO DE MÉXICO

Results of the Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity coordinated by the Bank for International Settlements (BIS) – April 2007

I. General Considerations

Once every three years, the Bank for International Settlements (BIS) conducts a foreign exchange and derivatives market survey with the collaboration of central banks. On this occasion, 54 central banks and monetary authorities completed the survey. The purpose of this survey is to obtain comprehensive and internationally consistent information on the size and structure of foreign exchange and derivatives OTC markets.

In April 2007, Banco de México collected information from the most active banks in terms of foreign exchange and derivatives turnover in our country. This group was composed of ten banks, two brokerage houses, and two foreign exchange offices, which altogether account for 95% of the turnover in the foreign exchange and derivatives market.

The BIS computed the results sent by each participating central bank and adjusted for double reporting resulting from the trades performed among international entities. For the Mexican case, more than 60% of the turnover was carried out by institutions outside Mexico, and 90% out of the total turnover involved at least one foreign party. The methodology and the global results of the survey are available at www.bis.org/press/p070925.htm

For analytical purposes it is important to remark that April 2007 was a month of unusually low operating activity in Mexico. According to Banco de México's estimates, the month's volume was approximately 25% below the average of the preceding 12 months. This low volume could be associated with less activity from institutional investors given the high volatility that characterized financial markets in March, and the vacation period in April. However, the global daily volume operated in the peso market (USD40 billion) increased almost 100% compared to the last survey carried out in 2004. This growth stems almost completely from the increase in transactions carried out outside Mexico, which underlines the increasing internationalization of the Mexican peso and places it as number twelve among the currencies with the highest volume and as number one of emerging markets, according to the BIS preliminary results published today.



II. Relevant Information regarding the Mexican Peso Turnover

The information collected by Banco de México in April 2007 reveals that the daily domestic¹ trade volume is USD15.3 billion. This number represents a 3% increase compared to the last survey and a 75% increase compared to that of 2001.

Foreign exchange swaps are the financial instruments that have the highest domestic volume, accounting for 67% of the total domestic trade volume. Spot transactions account for 30% and forwards, 3%. Even though the Mexican peso options are negotiated in large sums, their operations are carried out mainly outside Mexico. This way, only 1% of the domestic trade volume corresponds to this type of instrument.

Regarding average maturities, 94% of swaps have maturities of 7 or fewer days, while 78% of forward operations have maturities ranging from 7 days to one year.

Trading continues to be highly concentrated in USD-MXN transactions: 99% of the trade volume in Mexico corresponds to USD-MXN transactions.

Regarding the operational execution of foreign exchange transactions in Mexico, the report shows that 75% of the trade volume in the spot market was executed through electronic systems and the remaining 25% through voice systems.

The daily trade volume in the interest rate derivatives market shows some variations. Even when the forward market operations (FRA) has gone from an average of USD 0.8 billion in 2004, to the current USD 0.3 billion, interest rate swaps (IRS) have increased their volume by approximately 400%, from USD 0.5 billion to USD2.4 billion in April 2007.

The information collected by Banco de México from the local markets, presented bellow, is expressed in terms of daily averages. Interbank local operations are adjusted for double-reporting purposes.

¹ In order to calculate the daily domestic trade volume, the results are adjusted to avoid double reporting among local institutions. This trade volume figure is different from the global number since the latter includes operations carried out in full outside Mexico, in addition to other adjustments made by the BIS. For further information please visit: www.bis.org/triennial.htm.



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Table 1: Spot, Forwards, and Swaps. Peso vs. other currencies.

FOREIGN EXCHANGE CONTRACTS ¹
Average daily turnover in nominal or notional principal amounts in April 2007
(in millions of USD)

Instruments	MXN against							
	USD	EUR	JPY	GBP	CHF	CAD	Other	TOT
SPOT ²	4,359	68	3	2	2	3	0	4,436
FORWARDS	388	3	0	0	0	0	1	392
SWAPS ³	10,081	160	0	0	0	0	0	10,240

¹ All transactions involving exposure to more than one currency, whether in interest rates or exchange rates.

² Excluding "tomorrow/next day" transactions.

³ A swap is considered to be a single transaction in that two legs are not counted separately. Includes "tomorrow/next day" transactions

Table 2: Spot, Forwards, and Swaps. Dollar vs. other currencies.

FOREIGN EXCHANGE CONTRACTS ¹
Average daily turnover in nominal or notional principal amounts in April 2007
(in millions of USD)

Instruments	USD against					
	EUR	JPY	GBP	CHF	Other	TOT
SPOT ²	65	1	11	1	4	82
FORWARDS	22	0	0	0	0	22
SWAPS ³	0	0	0	0	0	0

¹ All transactions involving exposure to more than one currency, whether in interest rates or exchange rates.

² Excluding "tomorrow/next day" transactions.

³ A swap is considered to be a single transaction in that two legs are not counted separately. Includes "tomorrow/next day" transactions.



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Table 3: Interest Rate Swaps and OTC Options. Peso vs. other currencies.

Instruments	MXN against		
	USD	Other	TOT
CURRENCY SWAPS ²	7	0	7
OTC OPTIONS SOLD ³	73	0	73
OTC OPTIONS BOUGHT ³	51	2	53

¹ All transactions involving exposure to more than one currency, whether in interest rates or exchange rates.

² Contract which commits two counterparties to exchange streams of interest payments in different currencies. A swap is considered to be a single transaction in that the two legs are not counted separately.

³ Option contract that gives the right to buy or sell a currency with another currency at a specified exchange rate. Including currency warrants and multicurrency swaptions.

Table 4: Interest Rate Swaps and OTC Options. Dollar vs. other currencies.

Instruments	USD against			TOT
	EUR	CAD	Other	
CURRENCY SWAPS ²	0.0	0.0	4	4
OTC OPTIONS SOLD ³	0.0	0.0	1	1
OTC OPTIONS BOUGHT ³	0.0	0.0	1	1

¹ All transactions involving exposure to more than one currency, whether in interest rates or exchange rates.

² A swap is considered to be a single transaction in that two legs are not counted separately.

³ Including currency warrants and multicurrency swaptions.



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Table 5: Forward Rate Agreements and Interest Rate Swaps. Single Currency.

SINGLE-CURRENCY INTEREST RATE DERIVATIVES ¹
Average daily turnover in nominal or notional principal amounts in April 2007
(in millions of USD)

Instruments	MXN	USD	Other	TOT
FORWARD RATE AGREEMENTS	311	0	0	311
SWAPS ²	2,266	96	0	2,362

1 All transactions where all the legs are exposed to one and only one currency's interest rate, including all fixed/floating and floating/floating single-currency interest rate contracts.

2 A swap is considered to be a single transaction in that two legs are not counted separately.

Table 6: OTC Interest Rate Options. Single Currency.

SINGLE-CURRENCY INTEREST RATE DERIVATIVES ¹
Average daily turnover in nominal or notional principal amounts in April 2007
(in millions of USD)

Instruments	MXN	USD	Other	TOT
SOLD OPTIONS	160	0	0	160
BOUGHT OPTIONS	87	0	0	87

1 All transactions where all legs are exposed to one and only one currency's interest rate, including all fixed/floating and floating/floating single-currency interest rate contracts.