THE CANADIAN FOREIGN EXCHANGE COMMITTEE

SEMI-ANNUAL FOREIGN EXCHANGE VOLUME SURVEY
REPORTING GUIDELINES

April 2024

I. Purpose of the Survey

The purpose of this survey is to provide semi-annual data on the level of turnover in the foreign exchange market on the basis of sales desks in Canada. Survey participants include both domestic and foreign banks (reporting dealers) that are domiciled or resident in Canada, i.e., banks that have a sales desk in Canada. The volumes reported include transactions with clients and other dealers both within and outside of Canada and with other reporters in Canada. The survey also aims to gauge the importance of electronic trading systems and other execution methods in the foreign exchange market. The survey is similar in nature to the BIS triennial survey.

II. What to Report

For the purpose of this survey, turnover is defined as the gross value of all new deals entered into during the month and is measured in terms of the nominal or notional amount of the contract. The turnover data collected should reflect all transactions entered into during the calendar month of April (or October), regardless of whether delivery or settlement is made during that month. The gross amount of each transaction should be recorded once, and netting arrangements and offsets should be ignored. Do not net purchases and sales (e.g., a purchase of $5 million against sterling and a sale of $7 million against sterling would amount to a gross turnover of $12 million).

Turnover data includes both proprietary and commissioned business where the later refers to the reporting institutions' transactions as a result of deals as an agent or trustee in their own name, but on behalf of third parties, such as customers or other entities. Please note that CLS pay-in data are on a net basis and so should not be used as a source for completing the survey, which is on a gross basis.

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, take a bank that wants to sell dollars and obtain Swedish krona. If it sells $5 million against euro first and then uses the euro to purchase krona, the reported turnover should be $10 million.) For transactions with variable nominal or notional principal amounts, the basis for reporting should be the nominal or notional principal amounts on the transaction date.

III. Coverage

The turnover survey collects data on foreign exchange spot transactions, outright forwards, foreign exchange swaps and OTC currency options. Turnover on cross currency swaps is also included. In addition, a portion of the survey is dedicated to the execution methods used in the aforementioned transactions.

IV. Reporting Basis and Treatment of Related Party Trades

The basis for reporting is the location of the "sales desk" in Canada, even if the deals are booked elsewhere. Transactions that are priced and executed by traders located outside of Canada but are struck or facilitated by a sales desk in Canada, are included in the survey.

Transactions concluded by sales desks located abroad should not be reported, even if those deals are booked to an office in Canada. Where no sales desk is involved in a deal, the trading desk should be used to determine the location of deals.

With regard to the treatment of related party trades, reporting dealers are asked to include trades between desks and offices, and trades with their own branches and subsidiaries and between affiliated firms, in their reported aggregates. 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 as back-to-back deals and trades to facilitate internal bookkeeping and internal risk management within a given reporting dealer should be excluded from the reporting, be they on a local or cross-border basis.

The reported trades between desks and offices, with own branches and subsidiaries and between affiliated firms should be allocated to the category of reporting dealers or one of the other counterparty categories depending upon whether the counterparty is a reporting dealer or not. In the event of, for example, an inter-desk deal within the same reporting entity, that trade should be recorded twice in the reporting dealer category (because the Bank of Canada adjusts the reporting dealer category for double-counting). However, if the trade was with, for example, a subsidiary overseas, the trade would be recorded once in either the other dealers or other financial institutions category.

OTC derivatives transactions that are centrally cleared via central counterparties (CCPs) should be reported on a pre-novation basis (i.e., with the original execution counterpart as counterparty). Any post-trade transaction records that arise from central clearing via CCPs (e.g., through novation) should not be reported as additional transactions[1].

Some reporting dealers may undertake foreign exchange transactions with their domestic retail branches. If the name on the "ticket" is that of the retail branch, as opposed to the actual branch customer, the reporting dealer may not have the information to determine the counterparty category classification. However, if in

[1] For example, if a reporting dealer executed a non-deliverable forward (NDF) contract with a hedge fund and the contract was post-trade transferred to a CCP for central clearing, the reporting dealer should report only the turnover associated with that NDF contract with the hedge fund as counterparty. The post-novation contract with the CCP should not be reported as additional turnover.

most instances these transactions are thought to be related to commercial or corporate activity, they should be reported in the non-financial customers' category.

V. Currency of Reporting and Currency Conversion

Transactions are to be reported in U.S. dollar equivalents, rounded to the nearest million U.S. dollars (do not use decimals).

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

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

VI. Counterparties

Reporting dealers are requested to provide for each product or instrument a breakdown of contracts by counterparty as follows: reporting dealers, other dealers, other financial institutions, and non-financial customers (see below for definitions).

For two counterparty categories (other financial institutions and non-financial customers) reporting dealers are also requested to provide separate information on **local** (counterparty inside Canada) and **cross-border** (counterparty outside Canada) transactions. The distinction between local and cross-border should be determined according to the location of the counterparty and not its nationality.

Furthermore, reporting dealers are requested to provide a breakdown of the "other financial institutions" category into four "of which (o/w)" subcategories (see below for definitions). This breakdown categorizes counterparties by their primary business activity and/or their primary motives for trading in foreign exchange markets. As some counterparties may potentially fall into more than one category, some judgment may be required on the part of reporting dealers (perhaps with the help of front office staff) to assign a specific counterparty to a category that best fits that entity. In the case of ambiguity, the primary business activity of the counterparty should serve as the criterion.

Reporting Dealers – Report all transactions with institutions participating in this semi-annual survey. A list of participating institutions is included in Appendix A. Transactions with, for example, offices or affiliates of the institutions listed in Appendix A located outside of Canada are not included in this category because they are not participating reporting dealers (see Section IV on the treatment of related party trades).

Other Dealers – Report all transactions with institutions that actively participate as dealers in the foreign exchange market (e.g., commercial and investment banks and securities dealers) that are not semi-annual reporters and are not included on the list in Appendix A).

Other Financial Institutions – Report all transactions with non-bank financial institutions that are end users in the foreign exchange market (i.e., not dealers). Other financial institutions are institutions that extend credit or regularly take positions in securities or other financial markets. Include in this category mutual funds, pension funds, hedge funds, currency funds, money market funds, thrifts, leasing companies, insurance companies, and financial subsidiaries of non-financial companies.

Breakdown of Other Financial Institutions – Reporting dealers are requested to report the following four sub-categories of "other financial institutions" as "of which (o/w)" items:

o/w Institutional Investors – Institutional investors such as mutual funds, pension funds, insurance and reinsurance companies and endowments. Primary motives for market participation are to trade FX instruments, e.g., for hedging, investing and risk management purposes. A common label for this counterparty category is "real money investors".

o/w Hedge Funds and Proprietary Trading Firms – (a) Investment funds and various types of money managers, including commodity trading advisers (CTAs) which share (a combination of) the following characteristics: they often follow a relatively broad range of investment strategies that are not subject to borrowing and leverage restrictions, with many of them using high levels of leverage; they often have a different regulatory mandate than "institutional investors" and typically cater to sophisticated investors such as high net worth individuals or institutions; they often hold long and short positions in various markets, asset classes and instruments, with frequent use of derivatives for speculative purposes. (b) Proprietary trading firms that invest, hedge or speculate for their own account. This category may include, for example, specialized "high frequency trading" (HFT) firms that employ high-speed algorithmic trading strategies characterized by numerous frequent trades and very short holding periods.

o/w Official Sector Financial Institutions – Central banks, sovereign wealth funds[2], international financial institutions of the public sector (BIS, IMF etc), development banks and agencies.

o/w Other – All remaining financial institutions (e.g., retail aggregators) that cannot be classified as any of the sub-categories above.

[2] See What is a Sovereign Wealth Fund? - SWFI (swfinstitute.org) for an industry definition and examples of the largest sovereign wealth funds.

Non-financial Customers – Report transactions with counterparties other than those defined above, i.e., mainly non-financial end-users, such as corporates and non-financial government entities. This category may also include private individuals who directly transact with reporting dealers for investment purposes, either on the online retail trading platforms operated by the reporting dealers or by other means (e.g., giving trading instructions by telephone).

VII. Products

Spot - 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 (including USD-CAD transactions delivered within one day). The spot legs of swaps should not be included in 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 Forwards - Transactions 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 one business day for USD-CAD transactions or more than two business days for all other transactions). This category also includes forward foreign exchange agreement transactions (FXA), non-deliverable forwards (i.e., forwards which do not require physical delivery of a nonconvertible currency), and other forward contracts for differences. In other words, include transactions where only the difference between the contracted forward outright rate and the prevailing spot rate is settled at maturity.

Non-deliverable Forwards (NDFs) – Reporting dealers are requested to identify as an "of which" item NDFs (as distinct from deliverable forwards). This volume is captured in aggregate only (no currency pair breakdown is required). NDFs differ from deliverable forwards in that there is no physical delivery of the two underlying currencies at maturity. An NDF contract is settled in cash (very often in US dollars, or any pre-agreed currency). The settlement amount is calculated based on the difference between the contracted NDF rate and the prevailing spot exchange rate at maturity (the fixing date), and the pre-agreed notional amount.

Foreign Exchange Swaps - Transactions which involve the 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 are 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. (A swap is considered to be a single transaction and hence the two legs are not counted separately.) Short-term swaps carried out as “tomorrow/next day” transactions should also be included in this category. In/out swaps, which are undertaken between CLS Bank members, should be excluded from the survey.

Cross Currency Swaps - Contracts which commit 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 Options - A contract that gives the right or the obligation, depending upon whether the reporting institution is the purchaser or the writer, respectively, 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. Options include multicurrency swaptions (an option to enter into a currency swap contract) and currency warrants (long-dated (over one year) currency options).

Note: If a transaction is composed of several plain vanilla components, each part should in principle be reported separately. If this is not feasible, then the foreign exchange options section takes precedence in the instrument classification, so that any foreign exchange derivative product with an embedded option is reported as a foreign exchange option. All other foreign exchange derivative products should be reported in the foreign exchange outright forwards, foreign exchange swaps or cross-currency swaps sections, as appropriate.

VIII. Maturities

A maturity breakdown, based on the original maturity of each deal, is requested for outright forwards, foreign exchange swaps and foreign exchange options according to the maturity bands specified in the template.

For outright forward contracts, the maturity band for the transaction is determined by the difference between the delivery date and the date of the initiation of the contract. For both spot/forward and forward/forward foreign exchange swaps, the maturity band for the contract is determined by the difference between the due date of the second or long leg of the swap and the date of the initiation of the contract.

IX. Foreign Exchange Prime Brokerage

This category *is to be filled out by only those reporting dealers that have acted as the foreign exchange (FX) prime broker to the trade*. FX prime brokerage is reported as an “of which prime brokered” item that is intended to capture the amount of foreign exchange turnover for each instrument and currency pair that is attributed to trades 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 becomes the counterparty to both legs of the trade.

Reporting dealers 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, treating the two legs as two separate deals, allocating them by instrument, currency pair and counterparty; and
(ii) In the item "of which prime brokered" under the total of each instrument and currency pair (both legs should be included here).

Those transactions that are not prime brokered by reporting dealers only need to be reported once in the usual manner. This also means that reporting dealers 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.

X. Execution Methods

Reporting institutions are asked to provide information on the execution methods used for their foreign exchange transactions. The organizing principle distinguishes execution along two dimensions: (i) "voice" versus "electronic" and (ii) "direct" versus "indirect".

This yields four basic categories: Voice-Direct, Voice-Indirect, Electronic-Direct and Electronic-Indirect. The latter two "electronic" categories are augmented with sub-categories: Single-bank proprietary trading system, Other direct electronic means, Reuters Matching/EBS, Other ECNs etc.

Trades originated by voice (over the phone) should be classified as "voice" regardless of how they are subsequently matched.

These execution methods are accompanied by a breakdown by instrument and counterparty (the four main types only) in Table B.

Categories should be identified and reported separately as follows:

Voice Direct – Executed over the phone, 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 – Executed over an electronic medium, not intermediated by a third party.

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 means such as Reuters Conversational Dealing, Bloomberg, etc.

Electronic Indirect – Executed 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.
>
> **Other Electronic Communication Networks** – Multi-bank dealing systems such as Currenex, FXall, Hotspot, Bloomberg Tradebook etc.
>
> **Other** – Other indirect electronic means, if any, that do not belong to either of the two sub-categories above. Reporting dealers are requested to provide explanations should the reported amount be significant.

XI. Settlement of FX Transactions

1. Reporting Basis – all trades settled globally by the Reporting Dealer should be captured, regardless of the jurisdiction in which the trade was executed

The FX settlement data should be reported on a global banking group basis and include the value of all deliverable two-way trades settled by the legal entities pertaining to the Reporting Dealer that conduct active business with large customers. This should include majority-owned subsidiaries and branches.

All trades settled during the reporting period should be captured, regardless of the jurisdiction in which the trade was executed, including settlement of intragroup trades when both of the counterparties are from the same banking group. The legal entities captured do not need to be direct or indirect members of a Payment versus Payment (PvP) system.

Please include a list of **all legal entities** that you are reporting for[3].

Note: the reporting basis differs from the approach taken by turnover surveys which use a sales or trading desk perspective (in the sense that it looks at the location of the sales desk of any transaction or the desk where the deal is priced).

2. Data Collection Period

Data will be collected over a one-month period to reduce the likelihood of short-term variations in settlement activity. The data collected should reflect all transactions settled during the calendar month of April or October depending on which survey the information is reported for.

3. Type of Data – Transactions Settled in the Reporting Period

The Settlement Survey measures the value of deliverable two-way trades where the value date (settlement) was within the reporting period. Please note that this is not a measure of FX turnover (e.g., the gross value of new deals entered during the reporting period).

Examples of transactions during the reporting period:

- Example 1: In the month prior to the reporting period a Reporting Dealer executes a $15mn FX spot transaction with an entity that is part of the same Banking Group. The value date (settlement) is two business days later (T+2) which falls within the reporting month. This trade <u>would be reported</u> in the survey (e.g., total of $15mn value settled) as settlement falls within the reporting period.

- Example 2: During the reporting period a Reporting Dealer enters a one month (1M) outright forward with an entity that is not part of the same Banking Group. The relevant spot date is two business days later which is also in the reporting period. The delivery date (settlement) of the transaction is in the month after the reporting period. This <u>would not be reported</u> given settlement will take place outside of the reporting month.

- Example 3: During the reporting period a Reporting Dealer executes a 3M FX swap transaction with an entity that is not part of the same Banking Group. The due date (settlement) for the short leg is also in the reporting period. The long leg delivery date (settlement) is three months after the reporting period. Only the <u>first leg where settlement was within the reporting period would be reported</u>.

[3] The Bank of Canada will provide a separate template to report legal entities.

- Example 4: During the reporting period a Reporting Dealer executes a $5mn Tomorrow-Next FX swap with an entity that is part of the same Banking Group. The due date (settlement) of the short leg is one business day later and the due date (settlement) of the long leg is the subsequent business day. Both fall within the reporting period. <u>Both legs of the transaction would therefore be reported (e.g., total of $10mn value settled).</u>

- Example 5: During the reporting period a Reporting Dealer executes a $10mn overnight FX swap with an entity that is not part of the same Banking Group. The short leg settles same-day outside of an applicable PvP system. The long leg settles via an applicable PvP system on the subsequent working day which also falls within the reporting period. <u>Both legs of the transaction would therefore be reported</u> separately in their respective section of the Reporting Template (i.e. $10mn value settled in each section).

4. Products – Only Report Products That Have Two-Way Payments

The Settlement Survey covers trades that involve two-way payments (e.g., FX spot, FX swaps, FX forward and cross- currency swaps, or FX options that are not cash-settled). Any payments or products that are a single payment transaction should not be reported (e.g., NDFs and option premiums). There is no requirement to breakdown settlement by product type within the survey.

FX bullion transactions (e.g., gold or silver) should be excluded from reporting.

5. Reporting Leg and Currency

Please report only the pay (deliver) leg of the transaction.

Transactions are to be reported in millions of US dollar (USD) equivalents. Transactions which involve the direct exchange of USD should use the USD amount.

Transactions which involve the direct exchange of two currencies other than USD should be calculated and recorded in USD using the pay (deliver) leg of the transaction.

Non-USD amounts should be converted into USD using the exchange rates on the settlement date. However, if this is impractical or not possible, 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’ USD exchange rates, for purposes of conversion in deals which involve currencies other than the US dollar, should be the following: EUR, JPY, GBP, CHF, CAD, AUD, SEK, AED, ARS, BGN, BHD,

BRL, CLP, CNY, COP, CZK, DKK, HKD, HUF, IDR, ILS, INR, KRW, MXN, MYR, NOK, NZD, PEN, PHP, PLN, RON, RUB, SAR, SGD, THB, TRY, TWD and ZAR.

Where the deal involves none of these currencies, please convert to USD using whichever currency is most convenient, maintaining consistency across all trades involving said currencies.

- Example 1: A Reporting Dealer settles a USD/EUR [Buy/Sell] spot transaction in the reporting month. The Reporting Dealer is buying (receiving) USD and paying (delivering) EUR. The Reporting Dealer should report the EUR payment (delivery), using the USD equivalent amount from the transaction.
- Example 2: A Reporting Dealer settles a GBP/EUR [Buy/Sell] spot transaction in the reporting month. The Reporting Dealer is buying (receiving) GBP and paying (delivering) EUR. The Reporting Dealer should report the EUR payment (delivery) by converting and using the EUR/USD exchange rate.

6. Counterparty Breakdown

The Reporting Template uses a three-way counterparty split:

- **Reporting Dealers** – Financial institutions that participate in the Settlement Survey as Reporting Dealers. These are mainly large commercial and investment banks and securities houses that (i) participate in the inter-dealer market and/or (ii) have an active business with large customers, such as large corporate firms, governments, and non-reporting financial institutions; in other words, Reporting Dealers are institutions that are actively buying and selling currency both for their own account and/or in meeting customer demand.

- **Other financial institutions** - Financial institutions that are not classified as 'Reporting Dealers' in the Settlement Survey. These are typically regarded as end users in the FX market. They mainly cover all other financial institutions, such as non-reporting commercial banks, investment banks and securities houses, and, in addition, mutual funds, pension funds, hedge funds, currency funds, money market funds, building societies, leasing companies, insurance companies, other financial subsidiaries of corporate firms and central banks.

- **Non-financial customers** - Any counterparty other than those described under 'Reporting Dealers' and 'other financial institutions', i.e., mainly non-financial end users, such as corporations and non-financial government entities. This may also include private individuals who directly transact with Reporting Dealers for investment purposes.

7. Currency Breakdown

The Reporting Template provides a breakdown of amounts settled that are of-which (o/w) CLS eligible currency pairs (see **Appendix C** for CLSSettlement eligible currencies).

To be an "o/w CLS eligible pair" both legs of the trade must be in a CLSSettlement eligible currency. For example, a USD/EUR trade would be included in the "o/w CLS eligible pair" column, whereas a USD/CNY trade would not.

8. Back-to-Back Trades

Back-to-back trades are linked trades where the liabilities, obligations, and rights of the second trade are exactly the same as those of the original trade or set of trades. A back-to-back trade may be: i) linked to a single original trade for the purpose of transferring risk, or ii) linked to a set of trades that transfer risk in bulk at regularly scheduled intervals (e.g.; automatic risk transfers (ART)).

Back-to-back deals should not be included in the Settlement Survey unless they are subject to a physical cash settlement / bilateral exchange of cash.

Example: Group Entity A executed a back-to-back trade with Entity B, for Entity B to manage the risk. On the value date there was an exchange of cash settled internally between Entity A and Entity B. If settlement took place during the reporting period this trade would be reported in Section D of the Reporting Template.

Note, the original trade or set of trades that led to the back-to-back trade(s) should be included.

9. Compression Trades

Portfolio compression is a post-trade risk management tool that enables counterparties to reduce the size of their outstanding portfolios without fundamentally changing their market positions. Compression replaces multiple offsetting trades with fewer trades.

Only trades remaining post-compression should be reported – i.e., only report trades that actually settled during the reporting period, and not the trades that were cancelled (or compressed) prior to settlement taking place.

10. Prime Brokerage Trades

In a FX prime brokerage relationship, the client trade is normally "given up" to the prime broker, which is interposed between the third-party bank and the client and therefore becomes the counterparty to both legs of the trade.

Reporting Dealers that have acted as a prime broker should report the pay leg of the prime brokerage transaction to the extent that FX settlement has taken place.

11. CLS in/out Swaps

A CLS in/out swap is a swap transaction used exclusively between CLS members to reduce pay-ins when settling FX transactions via CLS. These transactions are carried out only for liquidity management purposes. The swap transaction involves two legs settling on the same value day. The first leg settles inside CLSSettlement, and the second leg settles outside CLSSettlement.

Recording a CLS in/out swap in the Settlement Survey:

- 'In leg' of the swap is recorded under Section B - (2) – 'Settlement via applicable PvP Systems'
- 'Out-leg' of the swap is recorded:
    - If you participate in CLSNow and settle the 'out-leg' there, report under Section B – (2) – 'Settlement via applicable PvP systems';
    - If settled via bilateral netting, report under Section C - (3) – 'Settlement subject to netting';
    - If settled gross bilateral, report under Section E - 5 (b) and 5(b)ii – 'non-PvP gross settlement: o/w trade type is not eligible for applicable PvP systems'.

12. Trades Subject to External Settlement Methods

Section C covers the pre-netting settlement value (in gross terms) for all transactions settled bilaterally and subject to bilateral netting. This should be recorded on a gross basis before the netting has taken place.

The 'o/w CLS eligible pair' within (C) are transactions in which the currency pair is CLSSettlement eligible, even though the transaction did not settle via an applicable PvP system and was settled by bilateral netting.

Line (3a) is an o/w section under (3) which covers the net payable amount, after netting of transactions under (3) has taken place. This number should not be negative and is strictly concerned about the deliverable (payable) amount. To avoid double counting the remaining payable amount should not be reported elsewhere in the template.

13. Trades Subject to Internal Settlement Methods

Section D covers settlement of intragroup transactions when both counterparties to the trade are from the same banking group.

Section D also covers trades where the Reporting Dealer has direct control over the timing of settlement.

The 'o/w CLS eligible pair' within (D) are transactions in which the currency pair is CLSSettlement eligible, even though the transactions did not settle via an applicable PvP system and were settled internally.

14. Deals Involving Multiple Two-Way Trades

The Settlement Survey measures the value of trades that were settled within the reporting month. You should report the pay leg of each trade in the deal that settled during the reporting month (e.g., report both the short and the long pay leg of a multiple swap trade as long as they are both settled during the reporting month).

Appendix A

Reporting dealers[4]

- Bank of America Canada
- Merrill Lynch Canada
- Bank of Montreal
- Bank of Nova Scotia
- CIBC
- National Bank
- Royal Bank
- State Street Canada
- TD Bank

[4] Bank of America Canada, Merrill Lynch Canada and State Street Canada are not required to provide information on Table C (FX Settlement Risk).

Appendix B

Settlement of FX Transactions Reporting Templates Categories

Category	Definition
Section A – Gross financial obligations settled [Gross = 1 = 2 + 3 + 4 + 5]	
1) Total gross financial obligations settled	All gross amounts settled by the Reporting Dealer during the reporting period. This amount is prior to any actions taking place (i.e., Payment versus Payment (PvP), settlement methods) Note: It is expected that the gross value of (1) should be equal to the sum of the subsequent gross sections (1 = 2 + 3 + 4 +5).
Section B – PvP systems [Gross = 2]	
2) Settlement via applicable PvP Systems [gross]	Amounts that are settled on a gross basis via applicable PvP systems (e.g., CLS). Value is before any netting has taken place. Note: 'Applicable' PvP Systems is defined as any PvP system in which your firm (as the Reporting Dealer) is a settlement member - both direct or indirect.
Section C – External settlement methods [Gross = 3]	
3) Settlement subject to netting [gross]	Gross value to be settled with at least two payments that is then subject to external bilateral netting, before any netting takes place. Note: This category only includes trades that are subject to external bilateral netting. Any transactions that settled on a gross basis should be reported in section D or E.
a) o/w net amount [value after netting]	The value of bilaterally netted contracts reported under (3) that remains to be settled after netting has taken place. Note: Only required to provide the total net payable amount for all counterparties
Section D – Internal settlement methods [Gross = 4]	
4) Gross amounts settled internally	Two corresponding payment obligations that are settled internally. Note: It is expected that the gross value of internally settled amounts (4) should be equal to the sum of the subsequent o/w sections (4 = 4a + 4b + 4c).

Category	**Definition**
a) o/w Inter-branch settlement [gross]	Payment obligations transferred between branches of the same legal entity.
b) o/w Inter-affiliate settlement [gross]	Payment obligations settled between two subsidiaries or affiliates of the Reporting Dealer (i.e.; within the same banking group).
c) o/w amounts settled over bank accounts where the Reporting Dealer has direct control over the timing of settlement [gross]	Trades, which are not inter-affiliate or inter-branch, where settlement activity occurs over bank accounts fully within the timing control of the Reporting Dealer (for example where the Reporting Dealer is the paying agent for the counterparty).
Section E - Gross settlement [Gross = 5]	
5) Trades settled on a gross bilateral basis [gross]	Total gross amounts that settled outside an applicable PvP system (Section B) and not via a settlement method (Section C or D) It is expected that the gross value of (5) should be equal to the sum of the subsequent gross sections (5 = 5a + 5b). Note: Applicable PvP Systems is defined as any PvP system in which your firm (as the Reporting Dealer) is a settlement member – both direct and indirect.
a) o/w trades eligible for applicable PvP systems but settled on a gross bilateral basis [gross]	Trades must have been in a PvP eligible currency pair, product and with a counterparty who is a direct or indirect member of an applicable PvP system.
b) o/w trades not eligible for applicable PvP systems and settled on a gross bilateral basis [gross]	Gross amount where settlement is not eligible for applicable PvP systems. **Note: 5(b) should reflect the true value of settled trades ineligible for applicable PvP systems.** **Sections 5(b) (i-iii) are not mutually exclusive events. Trades can and should therefore be reported under each section (i-iii) where applicable, such that 5b(i) + 5b(ii) + 5b(iii) should not equal 5b.** For example, a same day USD/CNH trade with a CLSSettlement eligible counterparty should be recorded under 5bi and 5bii.
i) o/w currency pair is not eligible for applicable PvP systems [gross]	The transaction involved a currency pair that was not eligible for the applicable PvP Systems (systems in which your institution is a member) **Note: Sections 5(b) (i-iii) are not mutually exclusive events. Trades can and should therefore be reported under each**

Category	**Definition**
	section (i-iii) where applicable, such that 5b(i) + 5b(ii) + 5b(iii) should not equal 5b.
ii) o/w trade type is not eligible for applicable PvP systems [gross]	Section includes any same day settlement transactions that are not eligible for applicable systems. This does not include currency pair ineligibility which is covered in 5b(i) **Note: Sections 5(b) (i-iii) are not mutually exclusive events. Trades can and should therefore be reported under each section (i-iii) where applicable, such that 5b(i) + 5b(ii) + 5b(iii) should not equal 5b.**
iii) o/w counterparty is not a member (direct or indirect) of applicable PvP systems [gross]	The counterparty was not eligible for the applicable PvP systems in which your firm (as the Reporting Dealer) is a settlement member – both direct and indirect. **Note: Sections 5(b) (i-iii) are not mutually exclusive events. Trades can and should therefore be reported under each section (i-iii) where applicable, such that 5b(i) + 5b(ii) + 5b(iii) should not equal 5b.** Note: Please complete this section as accurately as possible. Include trades where: i) you know that the counterparty is not a member of the applicable PvP systems, and/or ii) your firm does not have an agreement in place with the counterparty to be able to settle via the applicable PvP system.
Section F – Failed trades [Gross = 6]	
6) Trades that had an original settlement date in the reporting month but failed to settle during reporting month [gross]	Any trades which were originally due to settle during the reporting period but failed to do so (for example due to operational issues). Only include amounts that remained outstanding at the end of the reporting period.

Appendix C

CLSSettlement ELIGIBLE CURRENCIES

Currency	Abbreviation
Australian dollar	AUD
Canadian dollar	CAD
Danish krone	DKK
Euro	EUR
Hong Kong dollar	HKD
Hungarian forint	HUF
Israeli new shekel	ILS
Japanese yen	JPY
Mexican peso	MXN
New Zealand dollar	NZD
Norwegian krone	NOK
Singapore dollar	SGD
South African rand	ZAR
South Korean won	KRW
Swedish krona	SEK
Swiss franc	CHF
Pound sterling	GBP
United States dollar	USD