

Foreign exchange market turnover survey

In 1992 the Bank for International Settlements conducted a survey of foreign exchange market transactions in 26 countries. South Africa formed part of this survey and all the domestic authorised dealers were requested to report the turnover of their foreign exchange dealings in April 1992. Similar surveys were conducted in 1986 and 1989, but South Africa was not requested to participate in these surveys. No comparable information is therefore available. The preliminary results of this survey are furnished in the accompanying table and more detailed information will be made available when the results for all countries are published by the Bank for International Settlements in 1993.

The survey covered the turnover in the spot, forward, futures and options markets. The turnover in rand against all foreign currencies and transactions in US dollar and German mark against other third currencies had to be reported. The participating organisations were also asked to provide information on the portion of their deals conducted by way of automated dealing systems and the portion concluded through foreign exchange brokers. All the results are reported in gross amounts, and the Bank for International Settlements will adjust the reported data to eliminate double counting.

The survey revealed that the local foreign exchange market handled, on average, transactions worth US\$4,2 billion per working day in April 1992. This can be compared with turnover figures of US\$73 billion in Hong Kong and US\$5 billion in New Zealand, two of the participating countries which have already released the results of their surveys. It should be noted that these results differ slightly from the \$4,5 billion average daily turnover figure for April 1992 reported in the table on page S-86 of the *Quarterly Bulletin* because of differences in coverage and definitions. All transactions

of the South African Reserve Bank were omitted in the survey of the Bank for International Settlements and only one leg of a swap transaction was included, as well as third-currency transactions. In the regular survey undertaken by the Reserve Bank, transactions of the South African Reserve Bank and both legs of a swap transaction are included, but third-currency transactions are excluded.

The survey results also indicated that the average daily gross turnover of spot transactions amounted to US\$2,4 billion in April 1992, or about 56½ per cent of total turnover. The gross turnover in forward transactions was R1,8 billion, or 42 per cent of total turnover, of which about two-thirds consisted of swap transactions and roughly one-third of outright forwards. At 1½ per cent of total turnover, the currency futures and options markets were still relatively insignificant in South Africa in April 1992.

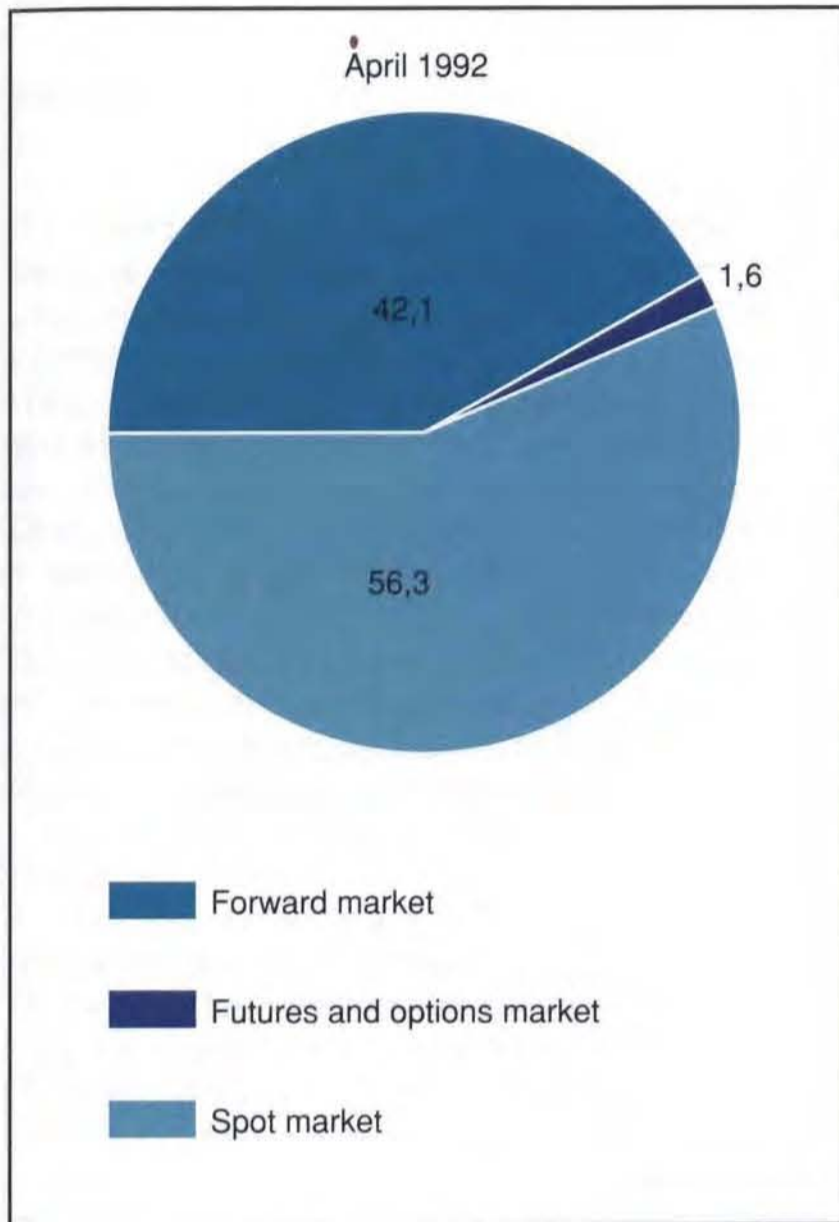
Rand transactions comprised 66,5 per cent (\$2,8 billion) of the total turnover, the US dollar against third currencies 33,2 per cent and the German mark against other third currencies only 0,3 per cent. As much as 96 per cent of all foreign exchange business in South Africa involved US dollars, either as a means of final settlement or as a vehicle currency. Other currencies mainly used in the rand market were the German mark (2,4 per cent), Japanese yen (1,3 per cent) and British pound (0,9 per cent). Forward transactions formed 50,1 per cent of total transactions in the rand market, of which 35,9 per cent were outright sales and purchases and 64,1 per cent forward swap transactions. The rand spot market, with 48 per cent of the total market, is divided into 61 per cent interbank business and 30 per cent transactions with non-residents. The table shows further that currency futures were conducted in the rand market only, while rand/dollar options formed the largest part of this market.

Average daily gross turnover in foreign exchange

US\$ millions

	Rand	US dollar	German mark	Total
Spot transactions.....	1 351	1 025	9	2 385
Forward transactions.....	1 411	369	3	1 783
Swap transactions.....	905	288	—	1 193
Outright transactions.....	506	81	3	590
Futures transactions.....	38	—	—	38
Options transactions.....	17	12	1	30
Total.....	2 817	1 406	13	4 236

Composition of the South African foreign exchange market



Spot transactions in the rand market represented 48 per cent of average daily gross turnover, against 50 per cent of forward transactions and 2 per cent of futures and options. Spot transactions in the dollar market comprised 73 per cent of total transactions and forward transactions 27 per cent. In the forward market in dollars, 78 per cent of transactions consisted of swaps and 22 per cent of outright, while the corresponding proportions in the rand forward market amounted to 64 and 36 per cent, respectively.

Nearly 90 per cent of all the transactions by authorised dealers in foreign exchange were concluded by way of automated dealing and only 10 per cent via brokers. In the spot market, 86 per cent of all transactions were concluded through the electronic dealing systems and 14 per cent of the turnover went through brokers. In the forward market, however, 97 per cent of deals were conducted through the dealing systems and only 3 per cent via brokers.