

ASIA Treasury Markets Summit

Regional Financial Integration and Cooperation

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Raising Professionalism in the Asian Treasury Markets

Hong Kong 11 July 2008



HONG KONG MONETARY AUTHORITY
香港金融管理局

Organisers



財資市場公會
Treasury Markets Association

Agenda

1. Markets in Asia: A Perspective
 - Growth
 - Opportunities
2. Development of markets
3. Summary and Key points

Foreign Exchange Market

Global foreign exchange market turnover ¹						
Daily averages in April, in billions of US dollars						
	1992	1995	1998	2001	2004 ²	2007
Spot transactions	394	494	568	387	631	1,005
Outright forwards	58	97	128	131	209	362
Up to 7 days	...	50	65	51	92	154
Over 7 days	...	46	62	80	116	208
Foreign exchange swaps	324	546	734	656	954	1,714
Up to 7 days	...	382	528	451	700	1,329
Over 7 days	...	162	202	204	252	382
Estimated gaps in reporting	44	53	60	26	106	129
Total "traditional" turnover	820	1,190	1,490	1,200	1,900	3,210
<i>Memo: Turnover at April 2007 exchange rates³</i>	880	1,150	1,650	1,420	1,970	3,210

¹ Adjusted for local and cross-border double-counting. Due to incomplete maturity breakdown, components do not always sum to totals. ² Data for 2004 have been revised. ³ Non-US dollar legs of foreign currency transactions were converted from current US dollar amounts into original currency amounts at average exchange rates for April of each survey year and then reconverted into US dollar amounts at average April 2007 exchange rates.

Table B.1

Source: BIS, "Foreign exchange and derivatives market activity in 2007", Triennial Central Bank Survey December 2007

Global Foreign Exchange Turnover

- Average daily turnover has grown by 69% in 2007 compared to April 2004
- USD3.21trn in 2007 compared to USD1.97tn 3 years ago

Turnover by Counterparty

Geographical Distribution of reported foreign exchange market turnover

Daily averages in April, in billions of US dollars and per cent

Country	2004		2007	
	Amount (billions)	% Share	Amount (billions)	% Share
China	1	0	9	0.2
Hong Kong	102	4.2	175	4.4
India	7	0.3	34	0.9
Indonesia	2	0.1	3	0.1
Japan	199	8.2	238	6.0
Korea	20	0.8	33	0.8
Malaysia	2	0.1	3	0.1
Philippines	1	0	2	0.1
Singapore	125	5.2	231	5.8
Taiwan	8	0.3	15	0.4
Thailand	3	0.1	6	0.2
Total	470	19.3	749	19.0

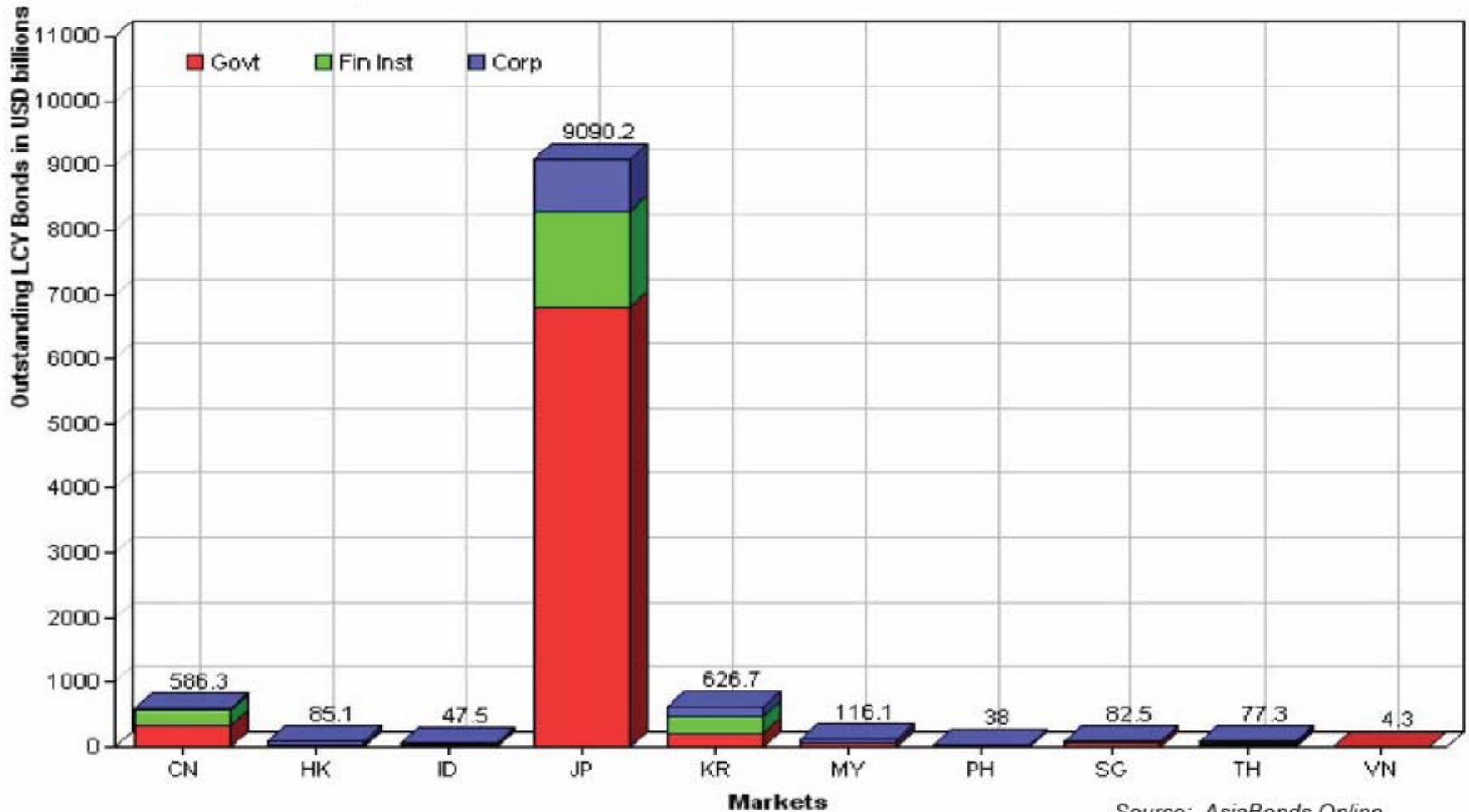
Adjusted for local double-counting ("net-gross")

Source: BIS, "Foreign exchange and derivatives market activity in 2007", Triennial Central Bank Survey December 2007

➤ **Daily avg. FX turnover for Asian EM has risen by 90% over in just 3 years**

Asian Bond Market Size (2004)

Local Currency Bonds in USD



Source: AsiaBonds Online

Foreign Exchange and Interest Rate Derivatives Market

Global OTC derivatives market turnover ¹				
Daily averages in April, in billions of US dollars				
	1998	2001	2004 ²	2007
Foreign exchange turnover	959	853	1,303	2,319
Outright forwards and foreign exchange swaps	862	786	1,163	2,076
Currency swaps	10	7	21	32
Options	87	60	117	212
Other	0	0	2	0
Interest rate turnover ³	265	489	1,025	1,686
FRAs	74	129	233	258
Swaps	155	331	621	1,210
Options	36	29	171	215
Other	0	0	0	1
Estimated gap in reporting	39	43	92	193
Total ⁴	1,265	1,385	2,420	4,198
<i>Memo: Turnover at April 2007 exchange rates⁵</i>	<i>1,410</i>	<i>1,700</i>	<i>2,550</i>	<i>4,198</i>
<i>Exchange-traded derivatives⁶</i>	<i>1,382</i>	<i>2,198</i>	<i>4,547</i>	<i>6,173</i>
<i>Currency instruments</i>	<i>11</i>	<i>10</i>	<i>22</i>	<i>72</i>
<i>Interest rate instruments</i>	<i>1,371</i>	<i>2,188</i>	<i>4,524</i>	<i>6,101</i>

¹ Adjusted for local and cross-border double-counting. ² Data for 2004 have been revised. ³ Single currency interest rate contracts only. ⁴ Including estimates for gaps in reporting. ⁵ Non-US dollar legs of foreign currency transactions were converted into original currency amounts at average exchange rates for April of each survey year and then reconverted into US dollar amounts at average April 2007 exchange rates. ⁶ Sources: FOW TRADEdata; Futures Industry Association; various futures and options exchanges. Reported monthly data were converted into daily averages of 20.5 days in 1998, 19.5 days in 2001, 20.5 in 2004 and 20 in 2007.

Table C.1

Source: BIS, "Foreign exchange and derivatives market activity in 2007", Triennial Central Bank Survey December 2007

➤ Global exch. traded derivatives turnover has risen 35% (USD4.5trn in 2004 to USD6.1trn in 2007)

Turnover by Currency

Growth of foreign exchange turnover

Average daily turnover in spot and OTC derivatives markets (by currency)

	Apr-04 USD Billions	April-07 USD Billions	Growth Rate (%)	Share (%)
CNY	1.9	15	646	0.5
HKD	35.8	101.7	185	3.1
IDR	2.2	3.7	78	0.1
INR	6.3	23.6	263	0.7
KRW	22.1	38.6	41	1.2
PHP	0.8	3.5	287	0.1
SGD	17.5	39.9	105	1.2
THB	3.9	6.5	50	0.2
TWD	8.1	12.1	50	0.4
Asia (AXJ)	98.6	244.6	132	7.5

Specified currency against all other currencies; adjusted for local and cross-border inter-dealer double counting.

Average daily turnover growth rate (%) for all currencies is at 63%

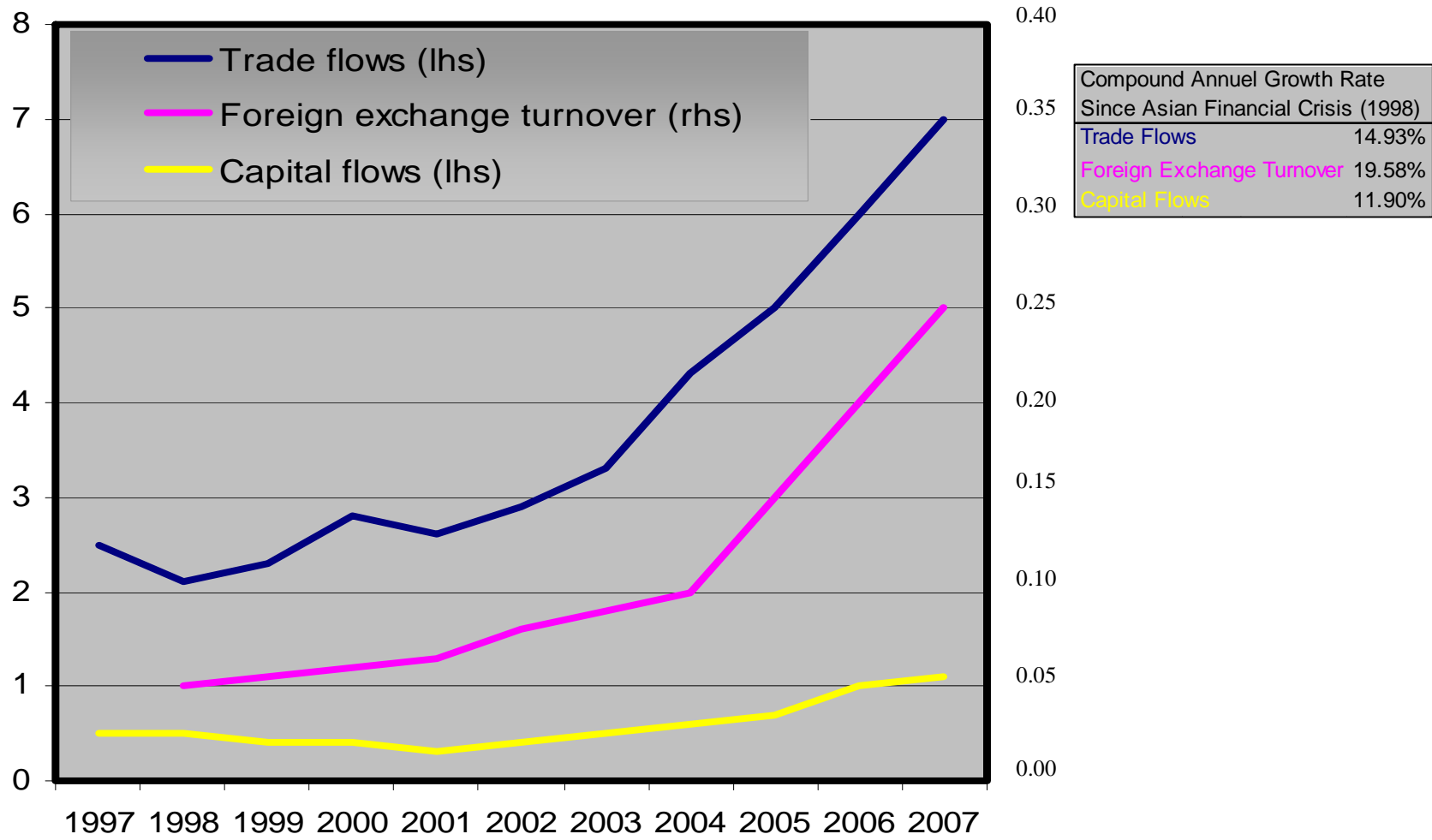
Source: BIS, "The evolution of trading activity in Asian foreign exchange markets", Monetary and Economic Department

➤ Turnover of spot FX and OTC derivatives combined in the the 9 Asian currencies has risen from about USD99bn per day in 2004 to USD245 billion per day in 2007

➤ Moreover, in these 3 years, the turnover of Asian currencies has grown twice as fast as global turnover in foreign exchange markets 132% vs. 63%.

Asian EM - Trade and Capital Flows

Asia excluding Japan, in trillions of US dollars



Source: BIS, "The evolution of trading activity in Asian foreign exchange markets", Monetary and Economic Department

Summary

3. Market Integration

- Deep Cash markets
- Systems
- Countries willingness to take some risk (incl cross border)

4. Need for all interested parties and key stakeholders to be involved

- Governments
- Regulators
- Trade Associations
- Market Players

ACI Asia has been established.

You are cordially invited to attend the ACI Asia Inauguration Ceremony in Room 5603 at 6pm.

Thank You !