Results of the Actual Conditions Survey of Over-The-Counter Retail Foreign Exchange Margin Trading

August 31, 2015
The Financial Futures Association of Japan

Introduction

The Financial Futures Association of Japan (hereinafter referred to as the "Association"), in cooperation with the Tokyo Foreign Exchange Market Committee, conducts every April a survey of business model and other actual conditions of over-the-counter (OTC) retail foreign exchange (FX) margin trading conducted by members that handle OTC retail FX margin trading.

The Association also collects on a regular basis from Association members various data that are necessary for examining the management condition of each member company of the Association (hereinafter referred to as the "Monitoring Data" in this report[1]).

The results of the survey of actual conditions mentioned above are aggregated and analyzed while taking the Monitoring Data into account, and are summarized as follows:

Part I: Survey of Actual Conditions of Over-The-Counter Retail Foreign Exchange Margin Trading in April 2015

1. Survey Method

We conducted the survey by distributing questionnaires (please refer to the material separately attached) to all members that handled OTC retail FX margin trading as of April 30, 2015 (excluding members that only provide intermediary services) and asking then to answer the questions on the questionnaires.

2. Number of Members Subject to the Survey

The number of members subject to the survey (unless otherwise specifically provided, hereinafter referred to as the "Members") [2] was 56 which was down by five companies compared with the last survey.

Exhibit 1: Change in Number of Members Subject to the Survey

(Unit: Company (Member))

2015	2014 [Note]	2013	Year-on-Year Change
56	61	59	-5

Note: A revision is made on the figure for 2014 (addition of one company).

[1] Trading volume of over-the-counter-retail FX margin trading with customers uses a figure aggregated based on the monitoring survey that is reported by each member to the financial regulatory authority, a copy of which copy is to be submitted to the Association. Therefore, please note that the figures do not completely match those publicly announced by the Association on the monthly flash report on OTC FX transactions.

[2] Unless otherwise specifically explained or described, the "members subject to the survey" shall be referred to as the "Members" in this report. As all members that handle OTC retail FX margin trading are the "members subject to the survey," the meaning of the "members that handle OTC retail FX margin trading" is the same as the "members subject to the survey." However, please understand that both expressions are used in this report, depending on the context or for making the report easier to understand.

3. Collected Results

<Item 1>

(1) Business Model

In this survey, the Association focused on the flow of executing a transaction of OTC retail FX margin trading, and categorized the flows into 24 groups indicated in the "Table of Business Model Category" below (the total number of model numbers indicated in the table below ("model No." on the Exhibit")) as business models depending on the characteristics of the flow:

Table of Business Model Category

Model No. of Each Business Model (model No.)	White Label [Note 1]	No. of Firms Used for Cover Transactions to Formulate Prices [Note 2]	Marry (During Trading Hours) [Note 3]	Timing of Execution with Customers and Cover Transaction [Note 4]
1	Not Applicable	Single	Yes	Discretionary
2				After
3				Before
4			No	Discretionary
5				After
6				Before
7		Several	Yes	Discretionary
8				After
9				Before
10			No	Discretionary
11				After
12				Before
13	Applicable	Single	Yes	Discretionary
14				After
15				Before
16			No	Discretionary
17				After
18				Before
19		Several	Yes	Discretionary
20				After
21				Before
22			No	Discretionary
23				After
24				Before

Note 1: White label means a transaction form where a Member executes a transaction with a customer under its own name using a pricing/execution system managed by another foreign exchange broker (including FX operator). It includes a case where a Member uses a system provided by its parent company.

Note 2: It means the number of firms that provide a cover rate used for formulating the price, not the number of firms who actually conduct cover transactions. Under normal conditions, if a trading price with customers is formulated based on the rate provided by a specific single firm that is used for cover transaction, it is described as "Single," while if the rate is selected or synthesized from those provided by several firms that are used for cover transactions every time the price for customers is formulated, it is described as "Several."

Note 3: During the daytime, if there is a system that controls the price fluctuation risk arising from transactions with customers by using marry, it is described as "Yes," while if there is no such system, it is described as "No." Additionally, if cover transactions are conducted for all transactions executed with customers during the day time in principle, it is described as "No," while if cover transactions are not made for some of the transactions executed with customers during the daytime, and the price fluctuation risk is offset by open positions created by transactions with other customers that match the original transactions, it is described as "Yes."

Note 4: Under normal conditions, if a cover transaction is executed after executing a transaction with a customer, it is described as “After,” while if a transaction with a customer is executed only after a cover transaction is completed, it is described as “Before.” If a cover transaction can be executed either before or after executing a transaction with a customer, it is described as “Discretionary.” Also, if a Member holds its own position by conducting a cover transaction before receiving a customer order and can match its own position against the customer’s order, it is described as “Discretionary.” If a transaction with a customer can be completed at the same time when a cover transaction is conducted under a system such as STP, it is described as “Before.” In the case of white label, “Discretionary,” “After,” or “Before” is determined depending on the timing of cover transaction made by the outsourcing contractor. It is not necessary to consider response at the time of emergency.

(2) Distribution of Business Models

Exhibit 2 shows the number of Members subject to the survey (56 companies in total) that adopt a certain business model (model No.) shown in the Table of Business Model Category in Part 1, Section 3, <Item 1>-(1). The total number of responses was 66, which exceeded the total number of the Members subject to the survey, as some Members adopted several business models (model No.).

When we look at the breakdown of each business model (model No.), the number of Members that adopted Model No. 8 (the business model that is not a white label form, uses several firms for cover transactions, can conduct marry transactions, and conducts a cover transaction after executing a customer order) was 16 (accounting for approximately 24% of the total responses). Additionally, the number of Members that adopted Model Nos. 16 to 18 (the business model that is a white label form, uses a single firm for cover transactions, and cannot conduct a marry transaction) was totally 21 (accounting for approximately 32% of the total responses).

Exhibit 3 shows the number of Members subject to the survey (56 in total) that adopted either “Single (one)” or “Several (two, or three or more)” business models (Model No.).

Exhibit 2: Total Number of Members that Adopt Each Model Number in Part 1, 3-(1)

(Unit: Company (Member))

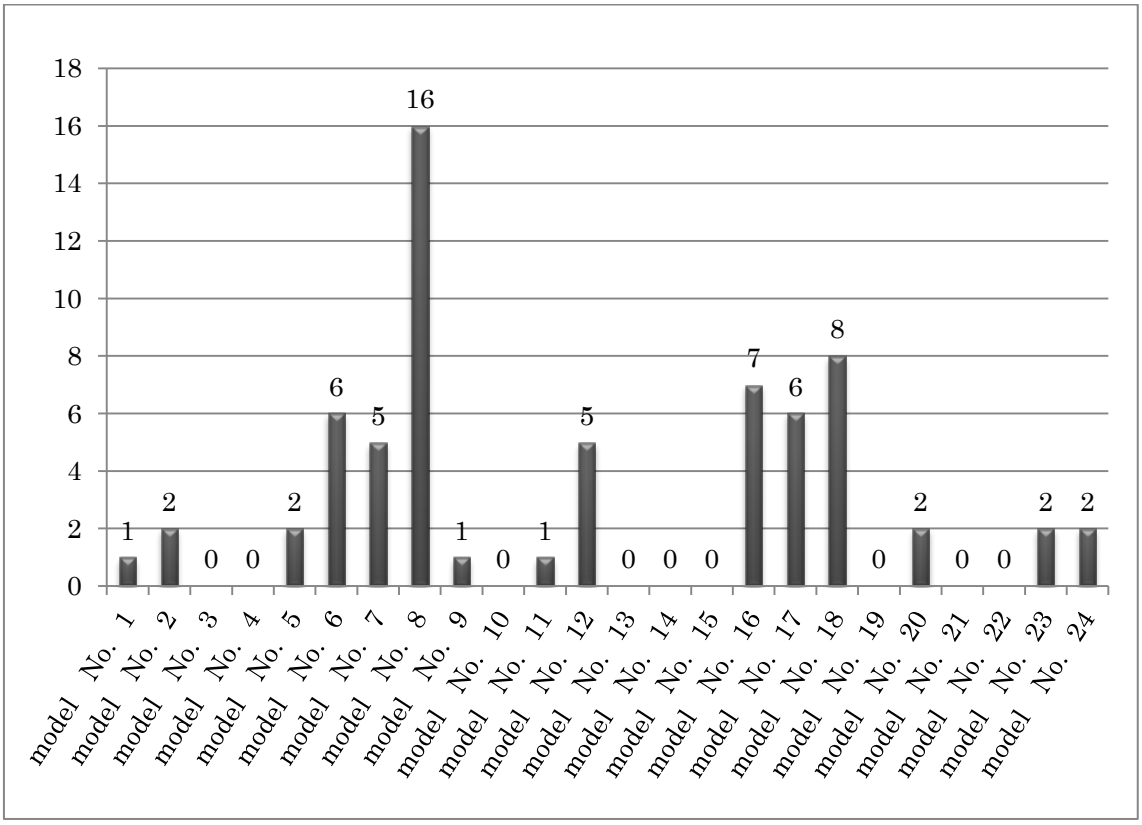


Exhibit 3: The Number of Business Models Adopted by the Members

(Unit: Company (Member))

The number of Members that adopt a single model	The number of Members that adopt several (two) models	The number of Members that adopt several (three or more) models
47	8	1

(3) Ranking of Members Based on Trading Volume of OTC Retail FX Margin Trading with Customers and Business Models Adopted

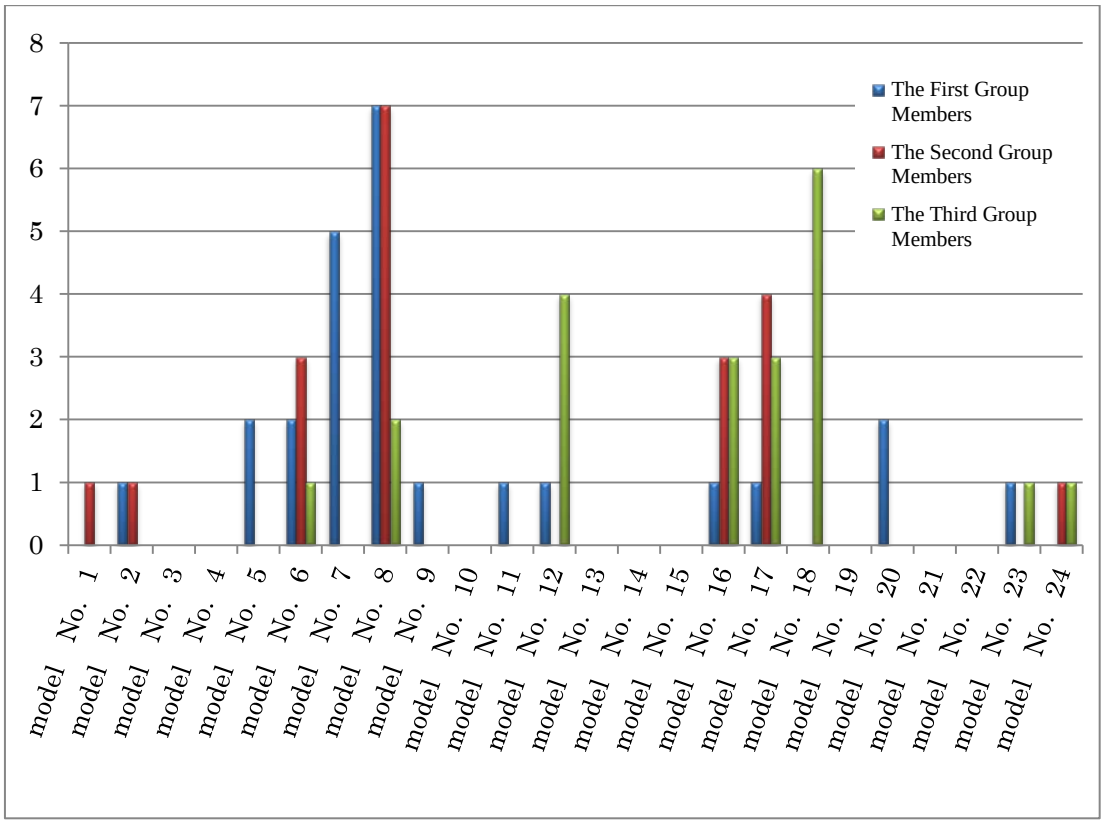
We rank the Members subject to the survey based on the trading volume of OTC retail FX margin trading, and categorize them into three groups[3]. Exhibit 4 shows the total number of Members by each of three groups that adopted a certain business model (Model No. show in 3-(1)) as in Exhibit 2.

When we look at the breakdown, we found that the most widely adopted models were Models 6 to 8 for the First Group, Model Nos. 6, 8, 16, and 17 for the Second Group, and Models No. 12 and 16 to 18 for the Third Group.

[3] We ranked the Members subject to the survey by the trading volume of OTC retail FX margin transaction in FY ended April 2015, and categorized the top one-third as the First Group (Rank 1st to 19th), the next one-third as the second Group (Rank 20th to 38th), and the remaining one-third as the Third Group (Rank 39th to 56th).

Exhibit 4: The Total Number of Members in Each of Three Groups Based on OTC Retail FX Margin Trading Volume Ranking that Adopted a Certain Model (model No.) Shown in Part 1, 3-(1)

(Unit: Company (Member))



<Item 2> Use of Prime Broker (PB)[4] System and Volume of Use

(1) Change in the Use of PBs by the Members Subject to the Survey

Exhibit 5 shows the number of Members using the Prime Broker (PB) system, the number of contracts made through the PB system, the number of PBs, and the trading volume of OTC retail FX margin transactions with customers under the PB system.

Exhibit 6 shows the number of Members by the use of Prime Broker (PB) system in terms of Newly started, Ceased (terminated), Increased, and Decreased:

[4] Prime Broker (PB) means a broker who intermediates a transaction between the Member and a bank that is used for a cover transaction, and takes up the position of the Members based on the give-up instruction or by a tri-party agreement for the settlement between the Member and the financial institution used for the cover transaction.

Exhibit 5: Use of PB system and the Usage Amount

Survey month/year [Note 1]	No. of Members using the PB System	No. of contracts made through the PB system (total)	No. of PBs (Net) [Note 2]	PB usage amount (million yen)
April 2015	17	31	8	99,643,704
April 2014	16	30	7	52,764,799
April 2013	17	30	―	―

Note 1: Survey of the number of PBs (net) and the PB usage amount began in April 2014 (The same shall apply in Exhibits 6 and 7).

Note 2: It is the number of PBs that the Members have contracted after deducting the overlapped numbers.

Exhibit 6: Use of PB system
(Newly started, Ceased (terminated), increased, and decreased)

(Unit: Company (Member))

Survey month/year	No. of Members that ceased using PBs	No. of Members that decreased the number of PBs used	No. of Members that increased the number of PBs used	No. of Members that newly started using PBs
April 2015 [Note]	0	3	3	1
April 2014	2	1	3	1

Note: For the data as of April 2015, one Member that used the PB system ceased the business.

(2)Attribute of PBs[5]

As shown in Exhibit 7, the number of PBs used by the Members that handle OTC retail FX margin trading was eight in 2015. Of these, the attribute of four PBs is the “i. financial institutions subject to the reporting to the Tokyo Foreign Exchange Market Committee”

Exhibit 7: Use of PBs by Attribute

(Unit: Company (PB))

Survey month/year	i. Financial institution subject to the reporting to the Tokyo Foreign Exchange Market Committee	ii. Financial institution subject to the reporting to the Bank of Japan (excluding those categorized as i)	iii. Financial institution subject to the reporting to a central bank (overseas) (excluding those categorized as i or ii)	Domestic PBs other than i to iii	Overseas PBs other than i to iii
April 2015	4	-	2	-	2
April 2014	6	-	1	-	-

<Item 3> Offering of Automatic Trading Tools

(1) Offering of Automatic Trading Tools to Customers

Exhibit 8 shows the number of Members that offered automatic trading tools to customers in April 2013, 2014, and 2015, and in the case where the automatic tool was offered, the number of Members that offered a tool that was internally developed, externally developed, or both.

Exhibit 8: The Number of Members Offering Automatic Trading Tools and the Attribute of Developer of the Tools

[5] Please refer to the footnote in Part 2, 3-(1) for each attribute of PBs.

(Unit: Company (Member))

Survey month/year	No. of Members that offered automatic trading tools	Whether the automatic trading tools offered were internally developed, externally developed, or both		
		Internally developed	Externally developed (developed by others)	Both
April 2015	23	4	16	3
April 2014	21	3	16	2
April 2013	19	1	16	2

(2) Impact of Automatic Trading Tools

Exhibit 9 shows the trading volume of OTC retail FX margin trading with customers executed by all Members subject to the survey, by the Members that offered automatic trading tools, and by the Members that did not offer automatic trading tools in each survey month and year for each survey conducted in April 2013, 2014, and 2015.

Exhibit 10 shows the trading volume of OTC retail FX margin trading with customers executed by the Members that offered automatic trading tools (12 members) in all surveys conducted in April 2013, 2014, and 2015, and by the Members that did not offer automatic trading tools (28 members) in all surveys conducted in April 2013, 2014, and 2015.

Exhibit 9: Trading Volume of OTC Retail FX Margin Trading with Customer

(By all Members Subject to the survey, and Members that offered/did not offer automatic trading tools in each survey conducted in April 2013, 2014, and 2015)

(Unit: million yen, %)

Category	Trading volume of OTC retail FX margin trading with customers			Change (from 2014 to 2015)	Change (from 2013 to 2014)	Change (from 2013 to 2015)
	April 2015	April 2014	April 2013			
Members subject to the Survey	453,041,189	238,252,636	442,119,319	190.2%	53.9%	102.5%
Members that offered automatic trading tools	36,697,371	35,660,526	74,879,925	102.9%	47.6%	49.0%
Members that did not offer automatic trading tools	416,343,818	202,592,110	367,239,394	205.5%	55.2%	113.4%

Exhibit 10: Trading Volume of OTC Retail FX Margin Trading with Customers

(By Members that offered or did not offer automatic trading tools in all surveys conducted in April 2013, 2014, and 2015)

(Unit: million yen, %)

Category	Trading Volume of OTC Retail FX Margin Trading with Customers			Change (from 2014 to 2015)	Change (from 2013 to 2014)	Change (from 2013 to 2015)
	April 2015	April 2014	April 2013			
Members that have offered automatic trading tools in all years from April 2013 to 2015 (12 members in total)	17,130,333	11,449,894	26,778,376	149.6%	42.8%	64.0%
Members that have not offered automatic trading tools in all years from April 2013 to 2015 (28 members in total)	371,513,201	191,871,505	343,366,676	193.6%	55.9%	108.2%

<Item 4> Offering of API[6] to Customers

(1) Offering of API to Customers

Exhibit 11 shows the number of Members that offered API in April 2013, 2014, and 2015.

Exhibit 11: The Number of Members that Offered API

(Unit: Company (Member))

Survey month/year	No. of Members that offered API	No. of Members that stopped offering API	No. of Members that started offering API
April 2015	15	0	8
April 2014	7	0	2
April 2013	5	―	―

(2) Impact of Application Programming Interface

Exhibit 12 shows the trading volume of OTC retail FX margin trading with customers executed by all Members subject to the survey, Members that offered Application Programming Interface (API), and Members that did not offer API in each survey conducted in April 2013, 2014, and 2015.

Exhibit 13 shows the trading volume of OTC retail FX margin trading with customers executed by the Members that have offered API in all surveys conducted in April 2013, 2014, and 2015 (five members) and by the Members that have not offered automatic trading tools in all surveys conducted in April 2013, 2014, and 2015 (39 members).

Exhibit 12: Trading Volume of OTC RFX Margin Trading with Customers

(By all Members subject to the survey, and Members that offered/did not offer API in each survey conducted in 2013, 2014, and 2015)

(Unit: million yen, %)

Category	Trading Volume of OTC Retail FX Margin Trading with Customers			Change (from 2014 to 2015)	Change (from 2013 to 2014)	Change (from 2013 to 2015)
	April 2015	April 2014	April 2013			
All Members subject to the survey	453,041,189	238,252,636	442,119,319	190.2%	53.9%	102.5%
Members that offered API in each survey month and year	81,606,353	24,711,589	50,594,975	330.2%	48.8%	161.3%
Members that did not offer API in each survey month and year	371,434,836	213,541,047	391,524,344	173.9%	54.5%	94.9%

[6] API(Application Programming Interface)means specifications of the interface that is used to exchange data with external software (mainly a system for system trading).

Exhibit 13: Trading Volume of OTC Retail FX Margin Trading With Customers

(By Members that offered/ did not offer API in all surveys conducted in April 2013, 2014, and 2015)

(Unit: million yen, %)

Category	Trading Volume of OTC Retail FX Margin Trading with Customers			Change (from 2014 to 2015)	Change (from 2013 to 2014)	Change (from 2013 to 2015)
	April 2015	April 2014	April 2013			
Members that have offered API for all years from 2013 to 2015 (five members)	45,631,247	23,717,351	50,594,975	192.4%	46.9%	90.2%
Members that have not offered API for all years from 2013 to 2015 (39 members)	368,748,935	193,445,472	355,380,916	190.6%	54.4%	103.8%

<Item 5> Currency Options

Exhibit 14 shows the number of Members handling OTC retail FX margin trading that also handled currency option trading (limited to the currency options regulated by the Financial Instruments and Exchange Act) in April 2013, 2014, and 2015

Exhibit 14: Number of Members Handling OTC Retail FX Margin Trading that Also Handled OTC Currency Option Trading

(Unit: Company (Member))

Category	Number of Members that handled OTC Currency Options	
		No. of Members that also handled retail BO trading [Note]
April 2015	10	8
April 2014	10	7
April 2013	8	6

Note: Retail BO means currency binary options for retail customers that are defined in the “Business Conduct Rules on Retail OTC Binary Option Trading” published by the Association.

Part 2: Aggregation and Analysis of Cover Transaction Data for Over-The-Counter Retail Foreign Exchange Margin Trading

1. Cover Transactions Subject to Aggregation and Attribute of Members

Table 1 shows the number of Members that handled OTC retail FX margin trading by type of business.

Table 1: Number of Members Handling OTC Retail FX Margin Trading by Type of Business

(Unit: Company (Member))

Attribute of Member (Business Type)	April 2015	April 2014	April 2013	April 2012
Registered Financial Institution	5	5	3	3
Securities Company [Note 1]	30	31	30	34
Financial Futures Company, etc. [Note 2]	21	25	26	27
Total	56	61	59	64

Note 1: Securities Company means a member of the Association that is also a member of the Japan Securities Dealers Association (excluding OTC derivative members and special members).

Note 2: Financial Futures Company, etc. means a member of the Association (including commodity futures trading companies) other than a Registered Financial Institution and Securities Company.

2. Impact of Foreign Exchange Margin Trading in Japan on Foreign Exchange Market

(1) Flow of Transactions

The flow of funds in OTC retail FX margin trading consists of the flow between a customer and a Member that handles OTC retail FX margin trading (internal flow) and that between a Member that handles OTC retail FX margin trading and a firm used for cover transactions (external flow). Marry transactions that are offset within a Member that handles OTC retail FX margin trading without conducting a cover transaction with external parties are categorized as internal flow.

Furthermore, when we look at the retail FX margin trading in Japan through Tokyo Financial Exchange's Click365 that is regarded as a transaction in a domestic exchange, as it has a framework under which an investor and a market maker are matched for the transaction, we can say that it has similar characteristics to those of the external flow of the OTC retail FX margin trading.

As the trading volume that is regarded as external flow (in retail FX margin trading) (external circulation volume) increases, it may impact the foreign exchange market through firms used for cover transactions (as well as market makers).
Table 2 below shows the external circulation volume of retail FX margin trading.

Table 2: External Circulation Volume of Retail FX Margin Trading

(Unit: 100 million yen, %)

Survey month/year	OTC Retail FX Margin Trading				(3) Click 365 Trading Volume [Note 3, 4]	(4) Total External Circulation Volume of Retail FX Margin Trading = (2) + (3)
	(1) Trading Volume with Customers [Note 1]	(2) External Circulation Volume (Total amount of cover transactions) [Note 2]	(2)/(1) (%)	Internal Circulation Volume = (1) - (2)		
April 2015	4,530,411	1,818,843	40.1%	2,711,568	32,955	1,851,798
April 2014	2,382,526	986,069	41.4%	1,396,457	23,358	1,009,427
April 2013	4,421,193	2,025,760	45.8%	2,395,433	74,806	2,100,566
April 2012	1,278,975	700,288	54.8%	578,687	49,157	749,445

Note 1: Based on the monitoring data. In this table, figures as of April 2014 are not the same as those on Table 2, Part 2 of "Results of the Actual Conditions Survey of Over-The-Counter Retail Foreign Exchange Margin Trading" dated August 29, 2014, but the revised ones (the same shall apply in Table 7 and 10).

Note 2: Based on the monitoring data. Hedge transactions and other transactions are included for members for which hedge transactions and other proprietary trading are difficult to distinguish from cover transactions.

Note 3: This figure represents the monthly trading volume disclosed by the Tokyo Financial Exchange multiplied by the month-end settlement price.

Note 4: There were six marker makers (MMs) as of June 30, 2015 (Commerzbank, Deutsche Securities, Barclays Bank, Goldman Sachs Japan, Nomura Securities, and Bank of Tokyo-Mitsubishi UFJ).

(2) Comparison with the Tokyo Foreign Exchange Market

As shown in Table 3, the total external circulation volume of retail FX margin trading exceeds the spot trading volume by non-financial institution customers (domestic) in the Tokyo foreign exchange market.

Table 3: Comparison between Spot Transactions in the Tokyo Foreign Exchange Market and External Circulation Volume

(Unit: 100 million yen, %)

Survey month/year	Survey Results Announced by the Tokyo Foreign Exchange Market Committee [Note 1]		(3) Total External Circulation Volume of Retail FX Margin Trading (The same as those on (4) in Table 2)	(3)/(1) (%)	(3)/(2) (%)
	(1) Spot Trading Volume	(2) Of which, Transactions with Non-Financial Institution Customers (domestic) [Note 2]			
April 2015	3,263,748	1,272,232	1,851,798	56.74%	145.56%
April 2014	2,347,993	764,693	1,009,427	42.99%	132.00%
April 2013	3,077,047	793,050	2,100,566	68.27%	264.87%
April 2012	1,614,486	319,237	749,445	46.42%	234.76%

Note 1: Figures in (1) and (2) of the table above are calculated by multiplying the spot trading volume described in "[Reference Table] <Table 1>" in the "Survey on Foreign Exchange Transaction Volume in Tokyo Foreign Exchange Market" published by the Tokyo Foreign Exchange Market Committee by the yen/dollar spot rate as of 17:00 at the end of every April published by the Bank of Japan (80.74 yen on April 2012, 97.83 yen on April 2013, 102.51 on April 2014, and 118.91 yen on April 2015).

Note 2: We adopt the same definition of non-financial institution customers as those on the "Survey on Foreign Exchange Transaction Volume in Tokyo Foreign Exchange Market" published by the Tokyo Foreign Exchange Market Committee. In the survey, it is explained that transactions with retail FX margin trading operators should be recorded as transactions with non-financial institution customers.

3. Cover Transactions for Over-The-Counter Retail Foreign Exchange Margin Trading

(1) Firms Used for Cover Transactions by Attribute[7] and Use of Cover Transactions

Table 4 shows the attributes of firms used for cover transactions with which Members that handle OTC retail FX margin trading conduct a cover transaction.
The number of Members handling OTC retail FX margin trading is approximately 3.4 per firm used for cover transactions. When we look at the attribute of firms used for cover transactions, the number of Members handling OTC retail FX margin trading is approximately 6.7 on average per financial institution subject to the reporting to the Tokyo Foreign Exchange Market Committee, which is higher than the general average.

Table 4: The Number of Firms for Cover Transactions Used by Members Handling OTC Retail FX Margin Trading by Attribute, and the Total Number of Members Handling OTC Retail FX Margin Trading that Use Firms for Cover Transactions

(Unit: Company (Member))

Attribute of Firms Used for Cover Transactions	The Number of Firms Used for Cover Transactions by Attribute				Number of Members Handling OTC Retail FX Margin Trading that Use Firms for Cover Transactions (Total) [Note 1]			
	2015	2014	2013	2012	2015	2014	2013	2012
1. Total from (1) to (3)	22	26	26	20	128	141	140	141
(1) Financial institutions subject to the reporting to the Tokyo Foreign Exchange Market Committee	17	19	21	15	114	124	109	110
(2) Financial institutions subject to the reporting to the Bank of Japan (excluding (1))	1	2	1	2	1	2	2	9
(3) Other financial institutions subject to the reporting to a central bank (overseas) (excluding (1) and (2))	4	5	4	3	13	15	29	22
2. Total of firms that are not categorized into any of the above but are used for cover transactions (total of (4) and (5))	35	32	30	35	68	68	63	78
(4) Domestic	11	12	10	13	24	31	27	30
(5) Overseas Total	24	20	20	22	44	37	36	48
U.S.	3	2	3	7	4	3	5	21
U.K.	9	9	9	7	16	14	13	8
Singapore	4	4	4	4	16	15	14	14
Australia	5	3	1	1	5	3	1	1
Others [Note 2]	3	2	3	3	3	2	3	4
Grand Total	57	58	56	55	196	209	203	219

Note 1: It is a total aggregated figure after categorizing firms for cover transactions used by OTC retail FX margin trading by attribute.

Note 2: Malaysia, New Zealand, Ireland, Belize, Cyprus, and UAE.

[7] When we determine the attribute, financial institutions that participate in (report to) the "Survey on Foreign Exchange Transaction Volume in Tokyo Foreign Exchange Market" are categorized into "Financial institutions subject to the reporting to the Tokyo Foreign Exchange Market Committee"; financial institutions that cooperate with the "Central Bank Survey on Foreign Exchange and Derivatives (FX and Derivatives Survey)" conducted once in three years by the Bank of Japan (excluding those categorized into the financial institutions subject to the reporting to the Tokyo Foreign Exchange Market Committee) are categorized as "Financial institutions subject to the reporting to the Bank of Japan",; and financial institutions that cooperate with the "FX and Derivatives Survey" conducted by a central bank other than in Japan are categorized into "Other financial institutions subject to the reporting to a central bank (overseas)."

(2) Trading Volume of Cover Transactions by Attribute of Firms Used for Cover Transactions

As in Table 4, Table 5 shows the trading volume of cover transactions executed between Members that handle OTC retail FX margin trading and firms used for cover transactions after categorizing firms used for cover transactions by attribute. When we look at the data by attribute, firms subject to the reporting to the Tokyo Foreign Exchange Market Committee accounted for 57.4% of the entire cover transactions.

Table 6 shows the aggregated results by categorizing data in (1), (2), and (4) of the attributes of firms used for cover transactions as shown in Table 5 as domestic cover transactions, and data in (3) and (5) as overseas cover transactions.

Table 5: Trading Volume of Cover Transactions by Attribute of Firms Used for Cover Transactions

(Unit: 100 million yen, %)

Attribute of Firms Used for Cover Transactions	2015		2014		2013		2012	
	Trading Volume of Cover Transactions	Percentage of Total	Trading Volume of Cover Transactions	Percentage of Total	Trading Volume of Cover Transactions	Percentage of Total	Trading Volume of Cover Transactions	Percentage of Total
1. Financial Institutions (financial institutions included in categories (1) to (3))	1,066,640	58.6%	562,145	57.0%	872,994	43.1%	334,156	47.7%
(1) Financial institutions subject to the reporting to the Tokyo Foreign Exchange Market Committee	1,043,167	57.4%	546,098	55.4%	537,753	26.5%	312,265	44.6%
(2) Financial institutions subject to the reporting to the Bank of Japan (excluding (1))	0	0%	0	0%	0	0%	0	0%
(3) Financial institutions subject to the reporting to a central bank (overseas) (excluding (1) and (2))	23,472	1.3%	16,047	1.6%	335,241	16.5%	21890	3.1%
2. Other Firms Used for Cover Transactions (Other than 1.)	752,202	41.4%	423,923	43.0%	1,152,765	56.9%	366,131	52.3%
(4) Domestic Operators	636,729	35.0%	347,362	35.2%	929,451	45.9%	234,011	33.4%
(5) Overseas Operators Total	115,473	6.4%	76,560	7.8%	223,314	11.0%	132,120	18.9%
U.S.	38,953	2.1%	9,942	1.0%	18,808	0.9%	65,953	9.4%
U.K.	36,862	2.0%	32,667	3.3%	60,095	3.0%	31,861	4.5%
Singapore	18,156	1.0%	29,775	3.0%	136,950	6.8%	29,604	4.2%
Australia	20,976	1.2%	3,089	0.3%	5,972	0.3%	3,781	0.5%
Others [Note]	525	0.0%	1,084	0.1%	1,486	0.1%	918	0.1%
Grand Total	1,818,843	100.00%	986,069	100.0%	2,025,760	100.0%	700,288	100.0%

Note: Malaysia, New Zealand, Ireland, Belize, Cyprus, and UAE.

Table 6: Change of Trading Volume of Cover Transactions (Domestic and Overseas)

(Unit: 100 million yen, %)

Survey month/year	Trading Volume of Cover Transactions (Total)	Domestic Cover Transactions		Overseas Cover Transactions	
		Trading Volume	Percentage of Total	Trading Volume	Percentage of Total
April 2015	1,818,843	1,679,896	92.4%	138,946	7.6%
April 2014	986,069	893,460	90.6%	92,607	9.4%
April 2013	2,025,760	1,467,204	72.4%	354,049	17.5%
April 2012	700,288	546,276	78.0%	87,843	12.5%

(3) Trading Volume of Cover Transactions Based on the Trading Volume of OTC Retail FX Margin Trading

In order to show the trading volume of cover transactions in connection with the trading volume of OTC retail FX margin trading (with customers), we firstly rank Members that handle OTC retail FX margin trading by their trading volume of OTC retail FX margin trading (with customers) in each survey year and month, and then categorize them into six groups (e.g. from first to third place). Tables 7 to 10 show data of OTC retail FX margin trading categorized by the above six groups.

Table 7: Trading Volume of OTC Retail FX Margin Trading (with Customers) (by ranking group based on the trading volume with customers)

(Unit: 100 million yen)

Survey month/ year	1st to 3rd place	4th to 10th place	11th to 20th place	21st to 30th place	31st to 40th place	41th place and beyond	Total
April 2015	2,476,761	1,367,613	497,839	134,886	46,896	6,415	4,530,411
April 2014 [Note]	1,294,840	675,578	306,871	70,005	27,084	8,145	2,382,526
April 2013	2,093,296	1,523,692	586,132	163,396	49,501	5,173	4,416,019
April 2012	559,208	438,497	176,432	71,185	28,150	5,500	1,278,975

Note: The same as Note 1 in Table 2.

Table 8: Trading Volume of Cover Transactions by Members Handling OTC Retail FX Margin Trading by Ranking Group Based on the Trading Volume of OTC Retail FX Margin Trading with Customers

(Unit: 100 million yen)

Survey month/ year	1st to 3rd place	4th to 10th place	11th to 20th place	21st to 30th place	31st to 40th place	41th place and beyond	Total
April 2015	405,016	902,433	337,143	128,655	39,271	6,323	1,818,843
April 2014	264,476	354,287	275,918	58,878	24,419	8,089	986,069
April 2013	467,500	863,764	519,334	122,196	47,995	4,969	2,025,760
April 2012	64,558	390,440	144,234	63,204	33,150	4,699	700,288

Table 9: Ratio of Trading Volume of Cover Transaction by Ranking Group Based on the Trading Volume of OTC Retail FX Margin Trading to the Total Trading Volume of Cover Transactions

(Unit: %)

Survey month/ year	1st to 3rd place	4th to 10th place	11th to 20th place	21st to 30th place	31st to 40th place	41th place and beyond
April 2015	22.3%	49.6%	18.5%	7.1%	2.2%	0.3%
April 2014	26.8%	35.9%	28.0%	6.0%	2.5%	0.8%
April 2013	23.1%	42.6%	25.6%	6.0%	2.4%	0.2%
April 2012	9.2%	55.8%	20.6%	9.0%	4.7%	0.7%

Table 10: Ratio of Trading Volume of Cover Transactions (Table 8) to the Trading Volume of OTC Retail FX Margin Trading (Table 7) (by ranking group based on the trading volume of OTC retail FX margin trading with customers)

(Unit: % [Note 2])

Survey month/ year	1st to 3rd place	4th to 10th place	11th to 20th place	21st to 30th place	31st to 40th place	41th place and beyond
April 2015	16.4%	66.0%	67.7%	95.4%	83.7%	98.6%
April 2014 [Note]	20.4%	52.4%	89.9%	84.1%	90.2%	99.3%
April 2013	22.3%	56.7%	88.6%	74.8%	97.0%	96.1%
April 2012	11.5%	89.0%	81.8%	88.8%	117.8%	85.4%

Note 1: The same as Note 1 in Table 2.
Note 2: It is possible that the trading volume of cover transactions may exceed the trading volume of OTC retail FX margin trading (i.e. over 100%) due to the transfer of open positions following the change of the firm used for cover transactions or transaction errors.

Conclusion (General Comments and Considerations)
The following is the conclusion (general comments and considerations) of the survey:

When we look at the business model for OTC retail FX margin trading that is executed by Members that handle OTC retail FX margin trading, we found a trend that Members whose trading volume of OTC retail FX margin trading with customers is larger utilize several firms for cover transactions, and conduct marry transactions. On the other hand, Members whose trading volume of OTC retail FX margin trading is smaller adopt a white label form, use a single firm for cover transactions, and do not conduct marry transactions. The trend of use/no use of marry transaction mentioned above is also supported by the ratio of trading volume of cover transactions against the trading volume of OTC retail FX margin trading with customers; i.e. a Member whose trading volume of OTC retail FX margin trading is smaller tends to have a higher cover transaction ratio.

For the prime broker (PB) system, we found no significant trend change in this survey. When we look at prime brokers, Members that handle OTC retail FX margin trading use eight PBs, among which five brokers have obtained a banking license (including foreign bank branches) in Japan (including the case where one of the group companies obtained the license). We guess that those PBs used by many Members that handle OTC retail FX margin trading generally have at least an amount of capital that can fulfill the requirements under the banking license in Japan (or a group company of such PB has such capital).

For automatic trading tools and API, although more and more Members that handle OTC retail FX margin trading have introduced both the tools and API (introduction of API is higher than that of automatic trading tools), we found no cause-and-effect relationship between the offering of tools and API and the trading volume of OTC retail FX margin trading with customers. This means that, in this survey, there is no evidence that introduction of automatic trading tools and API has an effect of increasing transactions with customers.

When we look at the impact of OTC retail FX margin trading on the foreign exchange market by reference to the data of spot trading indicated by the Tokyo Foreign Exchange Market Committee survey, we can say that there are actually some impacts, supported by an increase in the number of transactions by non-financial institution customers (domestic) into which many of Members that handle OTC retail FX margin trading seem be categorized, and by the observation that the external circulation of OTC retail FX margin trading exceeds the trading volume of transactions by such non-financial institution customers (domestic).

As for firms used for cover transactions by attribute as well as usage and trading volume of cover transactions, we found a trend that the ratio of financial institutions that participate in (report to) the “Survey on Foreign Exchange Transaction Volume in Tokyo Foreign Exchange Market” is higher compared with firms belonging to other attributes, which has continued as in other years. This indicates that the business relationship has already been established between Members that handle OTC retail FX margin trading and financial institutions that participate in (report to) the “Survey on Foreign Exchange Transaction Volume in Tokyo Foreign Exchange Market” through cover transactions.

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