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

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Research Department, 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 in every April a survey of business model and other actual conditions of over-the-counter (OTC) retail foreign exchange (FX) margin trading (hereinafter referred to as "OTC retail FX margin trading", or foreign exchange margin trading, referred to as “FX margin trading”) conducted by members that handle OTC retail FX margin trading.

The Association also collects 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”<sup>1</sup> in this report) on a regular basis.

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 1: Survey of Actual Conditions of OTC Retail FX Margin Trading in April 2019

#### 1. Survey Method

We conducted the survey by distributing questionnaires to all the members that handled OTC retail FX margin trading as of April 30, 2019 (excluding members that only provide intermediary services) and asking them to answer the questions on the questionnaires.

#### 2. Number of Members Subject to the Survey

The number of members subject to the survey<sup>2</sup> (unless otherwise specifically provided, hereinafter referred to as the “Members”) was 51<sup>3</sup>.

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

(Unit: Company (Member))

Survey Month and Year	Number of Members Subject to the Survey	Year-on-Year Change
April 2013	59	-4
April 2014	61	2
April 2015	56	-5
April 2016	51	-5
April 2017	53	2
April 2018	53	0
April 2019	51	-2

<sup>1</sup> Trading volume of OTC 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 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.

<sup>2</sup> As all Members that handle OTC retail FX margin trading (hereinafter referred to as "Members handling OTC retail FX margin trading") are the “Members subject to the survey,” the meaning of the “Members handling OTC retail FX margin trading” is the same as that of 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.

<sup>3</sup> For the April 2019 survey, two of the Members handling OTC retail FX margin trading had no record of actual trades. In this report, they are excluded from the Members subject to the survey. (The same also applies in Part II.)

### 3. Collected Results

#### <Item 1>

##### (1) Business Model

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.” in the Exhibit) as a business model 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). This includes a case where a Member uses a system provided by its parent company, etc.

Note 2: This 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. In a normal condition, 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 made for all the transactions executed with customers during the daytime 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 against the original transactions, it is described as “Yes.”

Note 4: In a normal condition, if a cover transaction is made 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 made either before or after executing a transaction with a customer, it is described as "Discretionary." Also, if a Member holds its own position by making 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 made 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**

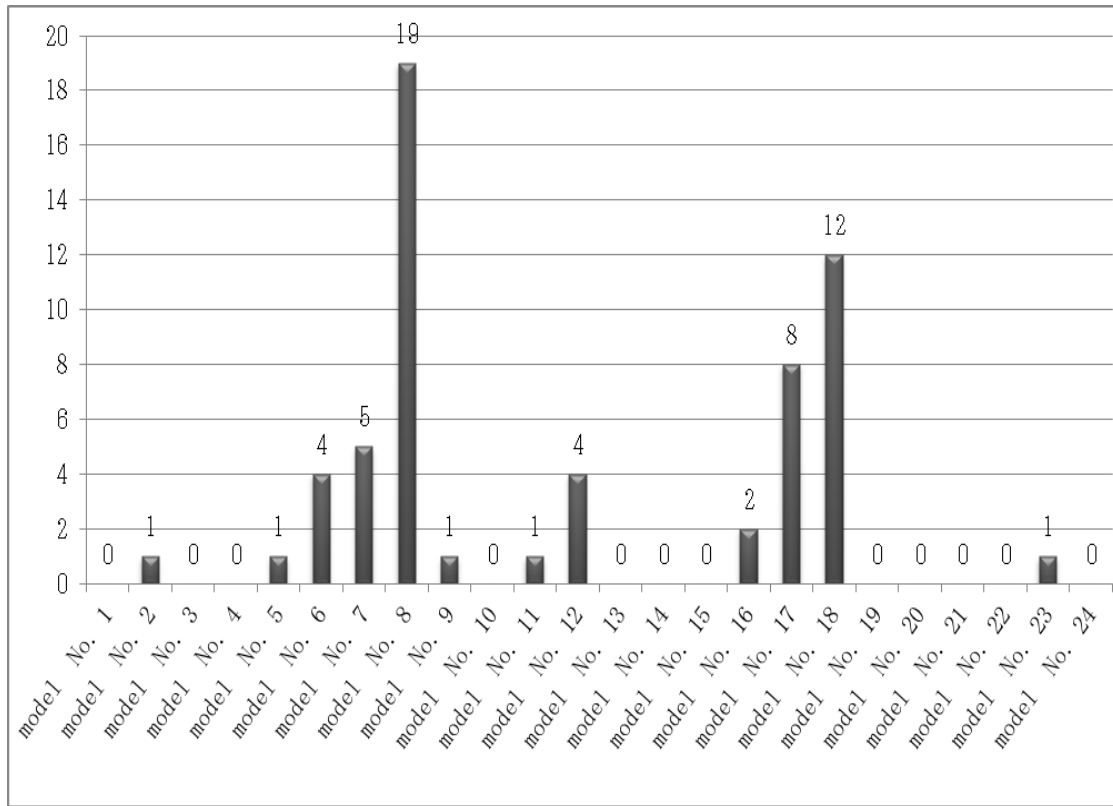
Exhibit 2 shows the number of Members subject to the survey (51 companies in total) that adopt a certain business model (model No.) shown in the Table of Business Model Category in Part 1, Section 3, <Item 1>-(1). The total number of responses was 59, which exceeded the total number of the Members subject to the survey, as some Members adopted several business models (model No.).

When we look at the breakdown of each business model (model No.), 22 members (accounting for about 37.3% of the total responses) adopted at least one of Model Nos. 16 to 18 (the business models that are a white label form, use one firm for cover transactions, and do not conduct marry transactions), while 25 members (accounting for about 42.4% of the total responses) adopted at least one of Model Nos. 7 to 9 (the business models that are not a white label form, use several firms for cover transactions, and can conduct marry transactions), out of which 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 carrying out contract with a customer) was 19 (accounting for approximately 32.2% of the total responses).

Exhibit 3 shows the number of Members subject to the survey (51 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: Breakdown of Members by Number of Business Models Adopted**

(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
44	6	1

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

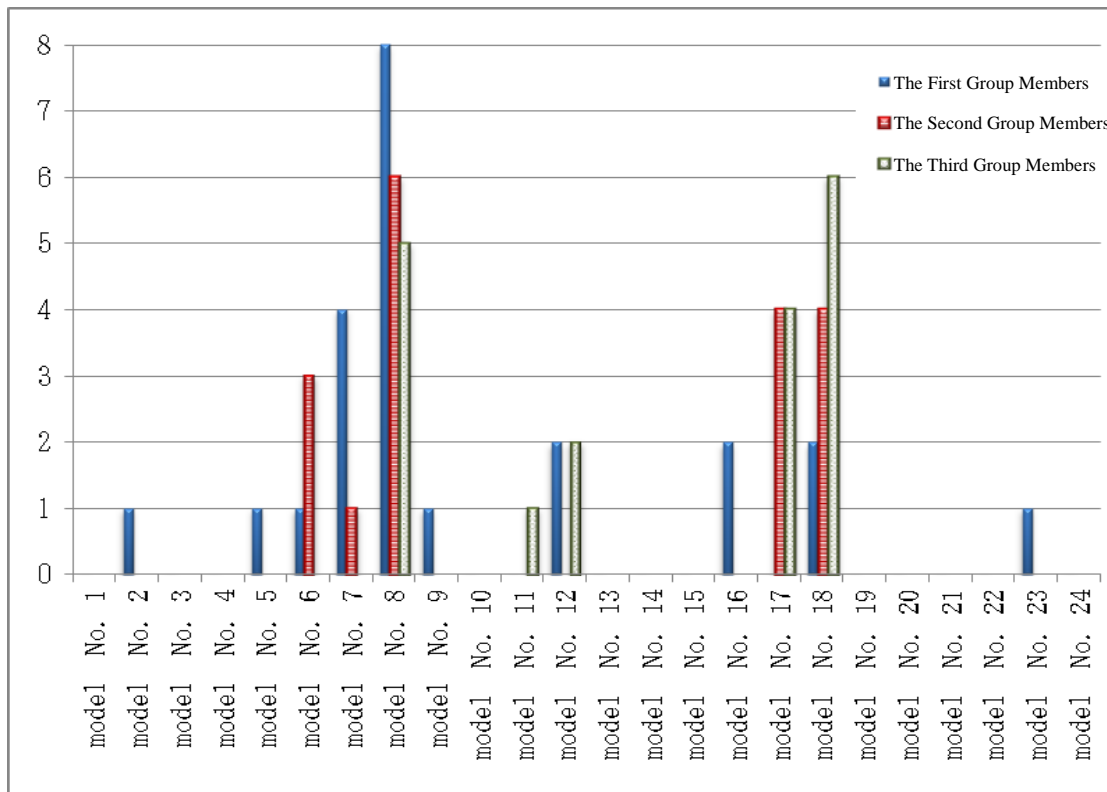
We rank the Members subject to the survey based on the trading volume of OTC retail FX margin trading, and categorize them into three classes<sup>4</sup>. Exhibit 4 shows the total number of Members by each of three classes that adopted a certain business model (Model No. show in 3-(1)) as in Exhibit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

When we look at the breakdown, we found that the most widely adopted models were Model Nos. 7 and 8 for the First Class, Model Nos. 8, 17, and 18 for the Second Class, and Model Nos. 8 and 18 for the Third Class.

<sup>4</sup> We rank the Members subject to the survey by the trading volume of OTC retail FX margin trading in FY ended April 2019, and categorized the top one-third as the First Class (Rank 1st to 17th), the next one-third as the Second Class (Rank 18th to 34th), and the remaining one-third as the Third Class (Rank 35th to 51st).

**Exhibit 4: Total Number of Members in Each of Three Classes 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)<sup>5</sup> 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 trading with customers under the PB system.

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

<sup>5</sup> 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 and 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 2013	17	30	-	-
April 2014	16	30	7	52,764,799
April 2015	17	31	8	99,643,704
April 2016	15	31	10	70,312,312
April 2017	15	30	7	45,205,313
April 2018	16	31	7	56,646,873
April 2019	16	31	6	50,243,748

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 and 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 2014	2	1	3	1
April 2015 [Note]	0	3	2	2
April 2016 [Note]	2	0	3	1
April 2017	0	3	2	0
April 2018	0	0	0	1
April 2019	0	1	1	0

Note: In addition to the figures indicated above, one Member that used the PB system ceased the business as of April 2015, and one Member was absorbed by another Member as of April 2016.

**(2) Attributes of PBs<sup>6</sup>**

As shown in Exhibit 7, the number of PBs used by the Members handling OTC retail FX margin trading was a total of six in 2018. Of these, the attribute of five PBs is “i. Financial institutions subject to reporting to the Tokyo Foreign Exchange Market Committee.”

<sup>6</sup> Please refer to the footnote in Part 2, 3-(1) for each attribute of PBs.

**Exhibit 7: Use of PBs by Attribute**

(Unit: Company (PB))

Survey Month and Year	i. Financial institutions subject to reporting to the Tokyo Foreign Exchange Market Committee	ii. Financial institution subject to reporting to the Bank of Japan (excluding those categorized as i)	iii. Financial institution subject to reporting to a central bank, etc. (overseas) (excluding those categorized as i or ii) Financial institution subject to reporting to a central bank, etc. (overseas) (excluding those categorized as i or ii)	Domestic PBs other than i to iii	Overseas PBs other than i to iii
April 2014	6	-	1	-	-
April 2015	4	-	2	-	2
April 2016	6	-	2	-	2
April 2017	5	-	1	-	1
April 2018	5	-	1	-	1
April 2019	5	-	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 every April from 2013 onwards, 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: Number of Members Offering Automatic Trading Tools and the Attributes of Developers of the Tools**

(Unit: Company (Member))

Survey Month and 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 2013	19	1	16	2
April 2014	21	3	16	2
April 2015	23	4	16	3
April 2016	25	7	15	3
April 2017	25	8	14	3
April 2018	20	6	11	3
April 2019	21	4	13	4

## (2) Impact of Automatic Trading Tools

Exhibit 9 shows the trading volume of OTC retail FX margin trading with customers executed by all the Members subject to the survey, by the Members that offered automatic trading tools, and by the Members that did not offer automatic trading tools, as of every April from 2013 onwards.

Exhibit 10 shows the trading volume of OTC retail FX margin trading with customers executed by the Members that offered automatic trading tools (total of seven Members) in all the surveys conducted every April from 2013 onwards, and by the Members that did not offer automatic trading tools (total of 18 Members) in all the surveys conducted every April from 2013 onwards.

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

(By all the Members subject to the survey, and Members that offered/did not offer automatic trading tools in each survey conducted every April from 2013 onwards)

(Unit: million yen, %)

Survey Month and Year	Trading Volume of OTC Retail FX Margin Trading with Customers			Change (As compared with previous year)	Change (As compared with previous year)	Change (As compared with previous year)	Change (As compared with April 2013)	Change (As compared with April 2013)	Change (As compared with April 2013)
	Members subject to the Survey	Members that offered automatic trading tools	Members that did not offer automatic trading tools	Members subject to the Survey	Members that offered automatic trading tools	Members that did not offer automatic trading tools	Members subject to the Survey	Members that offered automatic trading tools	Members that did not offer automatic trading tools
April 2013	442,119,319	74,879,925	367,239,394	-	-	-	-	-	-
April 2014	238,252,636	35,660,526	202,592,110	53.9%	47.6%	55.2%	53.9%	47.6%	55.2%
April 2015	453,041,189	36,697,371	416,343,818	190.2%	102.9%	205.5%	102.5%	49.0%	113.4%
April 2016	407,399,182	98,816,141	308,583,041	89.9%	269.3%	74.1%	92.1%	132.0%	84.0%
April 2017	319,281,362	79,001,116	240,280,246	78.4%	79.9%	77.9%	72.2%	105.5%	65.4%
April 2018	309,440,740	87,218,594	222,222,146	96.9%	110.4%	92.5%	70.0%	116.5%	60.5%
April 2019	240,804,618	57,956,661	182,847,957	77.8%	66.4%	82.3%	54.5%	77.4%	49.8%



**Exhibit 10: Trading Volume of OTC Retail FX Margin Trading with Customer**  
**(By Members that offered or did not offer automatic trading tools in all the surveys conducted every April from 2013 onwards)**

(Unit: million yen, %)

Trading Volume of OTC Retail FX Margin Trading with Customers									
Survey Month and Year	Members that have offered automatic trading tools in all the years from April 2013 to 2019 (total of seven Members).. (A)	Members that have not offered automatic trading tools in all the years from April 2013 to 2019 (total of 18 Members)... (B)	(Reference) Members that have conducted OTC retail FX margin trading for all the years from April 2013 to 2019 other than (A) and (B) (total of 23 Members)... (C)	Change in (A) (As compared with previous year)	Change in (B) (As compared with previous year)	(Reference) Change in (C) (As compared with previous year)	Change in (A) (As compared with April 2013)	Change in (B) (As compared with April 2013)	(Reference) Change in (C) (As compared with April 2013)
April 2013	11,070,396	295,897,614	130,302,665	-	-	-	100.0%	100.0%	100.0%
April 2014	5,241,405	171,575,529	57,342,508	47.3%	58.0%	44.0%	47.3%	58.0%	44.0%
April 2015	7,952,351	326,469,311	111,184,374	151.7%	190.3%	193.9%	71.8%	110.3%	85.3%
April 2016	8,422,027	300,467,237	96,084,195	105.9%	92.0%	86.4%	76.1%	101.5%	73.7%
April 2017	6,813,317	232,258,853	76,268,828	80.9%	77.3%	79.4%	61.5%	78.5%	58.5%
April 2018	7,402,775	210,957,158	86,230,382	108.7%	90.8%	113.1%	66.9%	71.3%	66.2%
April 2019	11,386,071	156,691,630	69,619,011	153.8%	74.3%	80.7%	102.9%	53.0%	53.4%

**<Item 4> Offering of API<sup>7</sup> to Customers**

**(1) Offering of API to Customers**

Exhibit 11 shows the number of Members that offered API every April from 2013 onwards.

**Exhibit 11: Number of Members that Offered API**

(Unit: Company (Member))

Survey Month and Year	No. of Members that offered API	No. of Members that stopped offering API	No. of Members that started offering API
April 2013	5	-	-
April 2014	7	0	2
April 2015	15	0	8
April 2016	12	3	1
April 2017	12	2	2
April 2018	11	3	2
April 2019	10	2	1

<sup>7</sup> In this document, API (Application Programming Interface) means specifications of the interface that is used to exchange data with external software (mainly a system for system trading).

## (2) Impact of Application Programming Interface

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

Exhibit 13 shows the trading volume of OTC retail FX margin trading with customers executed by the Members that have offered API in all the surveys conducted every April from 2013 onwards (total of three Members) and by the Members that have not offered automatic trading tools in all the surveys conducted every April from 2013 onwards (total of 31 Members).

### Exhibit 12: Trading Volume of OTC Retail FX Margin Trading with Customer

(By all the Members subject to the survey, and Members that offered/did not offer API in each survey conducted every April from 2013 onwards)

(Unit: million yen, %)

Survey Month and Year	Trading Volume of OTC Retail FX Margin Trading with Customers			Change (As compared with previous year)	Change (As compared with previous year)	Change (As compared with previous year)	Change (As compared with April 2013)	Change (As compared with April 2013)	Change (As compared with April 2013)
	Members subject to the Survey	Members that offered API	Members that did not offer API	Members subject to the Survey	Members that offered API in each survey month	Members that did not offer API in each survey month	Members subject to the Survey	Members that offered API in each survey month	Members that did not offer API in each survey month
April 2013	442,119,319	50,594,975	391,524,344	-	-	-	-	-	-
April 2014	238,252,636	24,711,589	213,541,047	53.9%	48.8%	54.5%	53.9%	48.8%	54.5%
April 2015	453,041,189	81,606,353	371,434,836	190.2%	330.2%	173.9%	102.5%	161.3%	94.9%
April 2016	407,399,182	91,996,657	315,402,525	89.9%	112.7%	84.9%	92.1%	181.8%	80.6%
April 2017	319,281,362	33,756,891	285,524,471	78.4%	36.7%	90.5%	72.2%	66.7%	72.9%
April 2018	309,440,740	36,217,966	273,222,774	96.9%	107.3%	95.7%	70.0%	71.6%	69.8%
April 2019	240,804,618	33,931,673	206,872,945	77.8%	93.7%	75.7%	54.5%	67.1%	52.8%

**Exhibit 13: Trading Volume of OTC Retail FX Margin Trading with Customer**  
**(By Members that offered/ did not offer API in all the surveys conducted every April from 2013 onwards)**  
(Unit: million yen, %)

Trading Volume of OTC Retail FX Margin Trading with Customers									
Survey Month and Year	Members that have offered API for all the years from April 2013 to 2019 (total of three Members).. (A)	Members that have not offered API for all the years from April 2013 to 2019 (total of 31 Members)... (B)	(Reference) Members that have conducted OTC retail FX margin trading for all the years from April 2013 to 2019 other than (A) and (B) (total of 14 Members)... (C)	Change in (A) (As compared with previous year)	Change in (B) (As compared with previous year)	(Reference) Change in (C) (As compared with previous year)	Change in (A) (As compared with April 2013)	Change in (B) (As compared with April 2013)	(Reference) Change in (C) (As compared with April 2013)
April 2013	46,387,948	321,270,582	69,612,145	-	-	-	100.0%	100.0%	100.0%
April 2014	20,378,817	176,612,926	37,167,699	43.9%	55.0%	53.4%	43.9%	55.0%	53.4%
April 2015	41,039,288	328,437,524	76,129,224	201.4%	186.0%	204.8%	88.5%	102.2%	109.4%
April 2016	31,931,616	302,095,692	70,946,151	77.8%	92.0%	93.2%	68.8%	94.0%	101.9%
April 2017	24,653,767	232,928,639	57,758,592	77.2%	77.1%	81.4%	53.1%	72.5%	83.0%
April 2018	26,125,260	225,638,763	52,826,292	106.0%	96.9%	91.5%	56.3%	70.2%	75.9%
April 2019	20,779,470	166,041,047	50,876,195	79.5%	73.6%	96.3%	44.8%	51.7%	73.1%

**<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) every April from 2013 onwards.

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

(Unit: Company (Member))

Survey Month and Year	Number of Members that handled OTC Currency Options	
		No. of Members that also handled retail BO trading [Note]
April 2013	8	6
April 2014	10	7
April 2015	10	8
April 2016	10	7
April 2017	10	8
April 2018	9	7
April 2019	12	8

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 Attributes 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) Survey Month and Year	Registered Financial Institution	Securities Company [Note 1]	Financial Futures Company, etc. [Note 2]	Total
April 2012	3	34	27	64
April 2013	3	30	26	59
April 2014	5	31	25	61
April 2015	5	30	21	56
April 2016	5	30	16	51
April 2017	5	29	19	53
April 2018	6	29	18	53
April 2019	6	27	18	51

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 FX 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 circulation) and the flow between a Member that handles OTC retail FX margin trading and a firm used for cover transactions (external circulation). Many transactions that are offset within a Member that handles OTC retail FX margin trading without carrying out a cover transaction with an outside firm are categorized as internal circulation.

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 circulation in FX margin trading (external circulation volume) increases, it may impact the FX 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 FX Margin Trading**

(Unit: 100 million yen, %)

Survey Month and Year	OTC retail FX margin trading				(3) Click 365 Trading Volume [Notes 2, 3]	(4) Total External Circulation Volume of FX Margin Trading = (2) + (3)
	(1) Trading Volume with Customers	(2) External Circulation Volume (Total amount of cover transactions) [Note 1]	(2)/(1) (%)	Internal Circulation Volume = (1) - (2)		
April 2012	1,278,975	700,288	54.8%	578,687	49,157	749,445
April 2013	4,421,193	2,025,760	45.8%	2,395,432	74,806	2,100,566
April 2014	2,382,526	986,069	41.4%	1,396,457	23,358	1,009,427
April 2015	4,530,411	1,818,843	40.1%	2,711,568	32,955	1,851,798
April 2016	4,073,991	1,681,387	41.3%	2,392,604	31,728	1,713,115
April 2017	3,192,813	1,265,381	39.6%	1,927,432	22,544	1,287,925
April 2018	3,094,407	1,271,873	41.1%	1,822,534	23,384	1,295,257
April 2019	2,408,046	1,042,452	43.3%	1,365,593	14,534	1,056,986

Note 1: 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 2: This figure represents the monthly trading volume disclosed by the Tokyo Financial Exchange multiplied by the month-end settlement price.

Note 3: There were a total of six MM (market makers) as of June 30, 2019 (Commerzbank, Deutsche Securities, Barclays Bank, Goldman Sachs Japan, Nomura Securities, and MUFG Bank).

## (2) Comparison with the Tokyo Foreign Exchange Market

As shown in Table 3, the total external circulation volume of FX margin trading accounted for 38.5% of the spot trading volume 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 and Year	Survey Results Announced by the Tokyo Foreign Exchange Market Committee [Note 1]		(3) Total External Circulation Volume of FX Margin Trading (The same as those in (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 2012	1,614,486	319,237	749,445	46.4%	234.8%
April 2013	3,077,047	793,050	2,100,566	68.3%	264.9%
April 2014	2,347,993	764,693	1,009,427	43.0%	132.0%
April 2015	3,263,748	1,272,232	1,851,798	56.7%	145.6%
April 2016	2,638,980	588,956	1,713,115	64.9%	290.9%
April 2017	2,086,902	445,068	1,287,925	61.7%	289.4%
April 2018	2,809,094	1,083,271	1,295,257	46.1%	119.6%
April 2019	2,741,964	1,108,325	1,056,986	38.5%	95.4%

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 April published by the Bank of Japan (80.74 yen in 2012, 97.83 yen in 2013, 102.51 in 2014, 118.91 yen in 2015, 108.40 yen in 2016, 111.29 yen in 2017, 109.40 yen in 2018, and 111.675 yen in 2019).

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 FX margin trading operators should be recorded as transactions with non-financial institution customers. However, it should be noted that such transactions can be classified into a category other than those with non-financial institution customers if the FX margin trading operator is not a specialized FX margin trading operator.

### 3. Cover Transactions for OTC Retail FX Margin Trading

#### (1) Firms Used for Cover Transactions by Attribute<sup>8</sup> and Use of Cover Transactions

The number of firms for cover transactions used by the Members handling OTC retail FX margin trading by attribute shown in Table 4 and the total number of Members handling OTC retail FX margin trading that use firms for cover transactions (by attribute) shown in Table 4-2 indicate the attribute of firms used for cover transactions with which Members handling OTC retail FX margin trading make a cover transaction.

The number of Members handling OTC retail FX margin trading is approximately 3.5 per firm used for cover transactions. When we look at the attributes of firms used for cover transactions, the number of Members handling OTC retail FX margin trading is approximately 7.5 on average per financial institution subject to reporting to the Tokyo Foreign Exchange Market Committee, which is higher than the general average.

<sup>8</sup> 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 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 reporting to the Tokyo Foreign Exchange Market Committee) are categorized as “Financial institutions subject to reporting to the Bank of Japan”; and financial institutions, etc. that cooperate with the “FX and Derivatives Survey” conducted by a central bank other than in Japan are categorized into “Other financial institutions, etc. subject to reporting to a central bank (overseas).”

**Table 4: Number of Firms for Cover Transactions by Attribute Used by Members Handling OTC Retail FX Margin Trading**

(Unit: Company (Operator))

Attribute of Firms Used for Cover Transactions	1. Total from (1) to (3)			2. Total of firms that are not categorized into any of the above but are used for cover transactions (total of (4) and (5))	(4) Domestic Operators	(5) Overseas Operators Total	U.S.	U.K.	Singapore	Australia	Others [Note]	Grand Total	
	(1) Financial institutions subject to reporting to the Tokyo Foreign Exchange Market Committee	(2) Financial institutions subject to reporting to the Bank of Japan (excluding (1))	(3) Other financial institutions, etc. subject to reporting to a central bank (overseas) (excluding (1) and (2))										
Survey Month and Year [Note 2]													
April 2012	20	15	2	3	35	13	22	7	7	4	1	3	55
April 2013	26	21	1	4	30	10	20	3	9	4	1	3	56
April 2014	25	18	1	6	32	12	20	2	9	4	3	2	57
April 2015	22	16	1	5	35	11	24	3	9	4	5	3	57
April 2016	22	16	1	5	36	13	23	3	8	4	4	4	58
April 2017	26	19	1	6	41	13	28	6	10	5	4	3	67
April 2018	25	19	1	5	43	13	30	6	11	4	4	5	68
April 2019	26	19	1	6	45	14	31	6	11	5	4	5	71

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

Note 2: Corrections have been made to figures reported in the 2018 survey for the columns of 2 and 2(5) for April 2018.

**Table 4-2: Total Number of Members Handling OTC Retail FX Margin Trading that Use Firms for Cover Transactions (by Attribute) [Note 1]**

(Unit: Company (Member))

Attribute of Firms Used for Cover Transactions  Survey Month and Year [Note 3]	1. Total from (1) to (3)			2. Total of firms that are not categorized into any of the above but are used for cover transactions (total of (4) and (5))	(4) Domestic Operators	(5) Overseas Operators Total	U.S.	U.K.	Singapore	Australia	Others [Note 2]	Grand Total	
	(1) Financial institutions subject to reporting to the Tokyo Foreign Exchange Market Committee	(2) Financial institutions subject to reporting to the Bank of Japan (excluding (1))	(3) Other financial institutions, etc. subject to reporting to a central bank (overseas) (excluding (1) and (2))										
April 2012	141	110	9	22	78	30	48	21	8	14	1	4	219
April 2013	140	109	2	29	63	27	36	5	13	14	1	3	203
April 2014	141	123	2	16	68	31	37	3	14	15	3	2	209
April 2015	128	113	1	14	68	24	44	4	16	16	5	3	196
April 2016	136	116	1	19	68	25	43	8	11	15	4	5	204
April 2017	152	132	1	19	79	29	50	11	13	16	4	6	231
April 2018	156	137	1	18	86	32	54	7	19	16	5	7	242
April 2019	163	143	1	19	86	31	55	7	20	17	5	6	249

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

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

Note 3: Corrections have been made to figures reported in the 2018 survey for the columns of 2(4) and (5) for April 2016, 2017, and 2018.



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

As in Table 4 and Table 4-2, Table 5 and Table 5-2 show 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, financial institutions subject to reporting to the Tokyo Foreign Exchange Market Committee accounted for 49.2% of all cover transactions.

Table 6 shows the aggregated result 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	1. Financial Institutions (financial institutions included in category (1) to (3))			2. Other Firms Used for Cover Transactions (Other than 1.)		5. Overseas Operators Total					Grand Total		
	(1) Financial institutions subject to reporting to the Tokyo Foreign Exchange Market Committee	(2) Financial institutions subject to reporting to the Bank of Japan (excluding (1))	(3) Financial institutions, etc. subject to reporting to a central bank (overseas) (excluding (1) and (2))	(4) Domestic Operators		U.S.	U.K.	Singapore	Australia	Others [Note]			
Survey Month and Year													
April 2012	334,156	312,265	0	21,890	366,131	234,011	132,120	65,953	31,861	29,604	3,781	918	700,288
April 2013	872,994	537,753	0	335,241	1,152,765	929,451	223,314	18,808	60,095	136,950	5,972	1,486	2,025,760
April 2014	562,145	546,098	0	16,047	423,923	347,362	76,560	9,942	32,667	29,775	3,089	1,084	986,069
April 2015	1,066,640	1,043,167	0	23,472	752,202	636,729	115,473	38,953	36,862	18,156	20,976	525	1,818,843
April 2016	841,822	789,458	0	52,364	839,564	750,352	89,212	36,766	18,381	19,973	10,196	3,893	1,681,387
April 2017	558,313	521,352	0	36,960	707,068	617,018	90,049	38,194	34,248	7,697	6,503	3,406	1,265,381
April 2018	606,608	580,509	0	26,099	665,264	553,916	111,168	46,446	33,411	15,433	14,321	1,554	1,271,873
April 2019	537,300	512,944	0	24,356	505,151	392,217	112,831	48,640	36,684	16,229	9,907	1,370	1,042,452

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

Note 2: Corrections have been made to figures reported in the 2018 survey for the columns of 2(4) and (5) for April 2016 and 2018.

**Table 5-2: Trading Volume of Cover Transactions by Attribute of Firms Used for Cover Transactions (As a Percentage of Grand Total in Each Month by Attribute)**

(Unit: %)

Attribute of Firms Used for Cover Transactions	1. Financial Institutions (financial institutions included in category (1) to (3))			2. Other Firms Used for Cover Transactions (Other than 1.)	(4) Domestic Operators	(5) Overseas Operators Total	U.S.	U.K.	Singapore	Australia	Others [Note]	Grand Total	
	(1) Financial institutions subject to reporting to the Tokyo Foreign Exchange Market Committee	(2) Financial institutions subject to reporting to the Bank of Japan (excluding (1))	(3) Financial institutions, etc. subject to reporting to a central bank (overseas) (excluding (1) and (2))										
Survey Month and Year [Note 2]	1. Financial Institutions (financial institutions included in categories (1) to (3))	(1) Financial institutions subject to reporting to the Tokyo Foreign Exchange Market Committee	(2) Financial institutions subject to reporting to the Bank of Japan (excluding (1))	(3) Financial institutions, etc. subject to reporting to a central bank (overseas) (excluding (1) and (2))	2. Other Firms Used for Cover Transactions (Other than 1.)	(4) Domestic Operators	(5) Overseas Operators Total	U.S.	U.K.	Singapore	Australia	Others [Note]	Grand Total
April 2012	47.7%	44.6%	0.0%	3.1%	52.3%	33.4%	18.9%	9.4%	4.5%	4.2%	0.5%	0.1%	100.0%
April 2013	43.1%	26.5%	0.0%	16.5%	56.9%	45.9%	11.0%	0.9%	3.0%	6.8%	0.3%	0.1%	100.0%
April 2014	57.0%	55.4%	0.0%	1.6%	43.0%	35.2%	7.8%	1.0%	3.3%	3.0%	0.3%	0.1%	100.0%
April 2015	58.6%	57.4%	0.0%	1.3%	41.4%	35.0%	6.3%	2.1%	2.0%	1.0%	1.2%	0.0%	100.0%
April 2016	50.1%	47.0%	0.0%	3.1%	49.9%	44.6%	5.3%	2.2%	1.1%	1.2%	0.6%	0.2%	100.0%
April 2017	44.1%	41.2%	0.0%	2.9%	55.9%	48.8%	7.1%	3.0%	2.7%	0.6%	0.5%	0.3%	100.0%
April 2018	47.7%	45.6%	0.0%	2.1%	52.3%	43.6%	8.8%	3.7%	2.6%	1.2%	1.1%	0.1%	100.0%
April 2019	51.5%	49.2%	0.0%	2.3%	48.5%	37.6%	10.8%	4.7%	3.5%	1.6%	1.0%	0.1%	100.0%

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

Note 2: Corrections have been made to figures reported in the 2018 survey for the columns of 2(4) and (5) for April 2018.

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

(Unit: 100 million yen, %)

Survey month and year [Note]	Trading Volume of Cover Transactions (Total)	Domestic Cover Transactions		Overseas Cover Transactions	
		Trading Volume	Percentage of Total	Trading Volume	Percentage of Total
April 2012	700,288	546,276	78.0%	154,010	22.0%
April 2013	2,025,760	1,467,204	72.4%	558,555	27.6%
April 2014	986,069	893,461	90.6%	92,607	9.4%
April 2015	1,818,843	1,679,896	92.4%	138,946	7.6%
April 2016	1,681,387	1,539,810	91.6%	141,576	8.4%
April 2017	1,265,381	1,138,371	90.0%	127,009	10.0%
April 2018	1,271,873	1,134,425	89.2%	137,447	10.8%
April 2019	1,042,452	905,161	86.8%	137,290	13.2%

Note: Corrections have been made to figures reported in the 2018 survey for the trading volume of cover transactions (domestic and overseas) for April 2016 and 2018.

**(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 classes (e.g. from first to third). Tables 7 to 10 show data of OTC retail FX margin trading categorized by the above six classes.

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

(Unit: 100 million yen)

Survey Month and Year	1st to 3rd place	4th to 10th place	11th to 20th place	21st to 30th place	31st to 40th place	41st place and more	Total
April 2012	559,208	438,497	176,432	71,185	28,150	5,500	1,278,975
April 2013	2,093,296	1,523,692	586,132	163,396	49,501	5,173	4,421,193
April 2014	1,294,840	675,578	306,871	70,005	27,084	8,145	2,382,526
April 2015	2,476,761	1,367,613	497,839	134,886	46,896	6,415	4,530,411
April 2016	2,064,879	1,426,025	457,247	89,271	34,017	2,550	4,073,991
April 2017	1,592,561	1,119,193	381,791	72,777	22,921	3,566	3,192,813
April 2018	1,532,188	1,088,132	372,326	78,899	20,261	2,599	3,094,407
April 2019	1,105,735	878,668	340,876	64,972	13,862	3,930	2,408,046

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

(Unit: 100 million yen)

Survey Month and Year	1st to 3rd place	4th to 10th place	11th to 20th place	21st to 30th place	31st to 40th place	41st place and more	Total
April 2012	64,558	390,440	144,234	63,204	33,150	4,699	700,288
April 2013	467,500	863,764	519,334	122,196	47,995	4,969	2,025,760
April 2014	264,476	354,287	275,918	58,878	24,419	8,089	986,069
April 2015	405,016	902,433	337,143	128,655	39,271	6,323	1,818,843
April 2016	331,651	929,141	301,644	90,703	25,947	2,299	1,681,387
April 2017	149,716	726,007	301,578	65,654	18,584	3,840	1,265,381
April 2018	195,368	685,475	292,146	79,958	16,466	2,457	1,271,873
April 2019	149,598	538,506	279,607	57,343	13,433	3,962	1,042,452

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

(Unit: %)

Survey Month and Year	1st to 3rd place	4th to 10th place	11th to 20th place	21st to 30th place	31st to 40th place	41st place and more
April 2012	9.2%	55.8%	20.6%	9.0%	4.7%	0.7%
April 2013	23.1%	42.6%	25.6%	6.0%	2.4%	0.2%
April 2014	26.8%	35.9%	28.0%	6.0%	2.5%	0.8%
April 2015	22.3%	49.6%	18.5%	7.1%	2.2%	0.3%
April 2016	19.7%	55.3%	17.9%	5.4%	1.5%	0.1%
April 2017	11.8%	57.4%	23.8%	5.2%	1.5%	0.3%
April 2018	15.4%	53.9%	23.0%	6.3%	1.3%	0.2%
April 2019	14.4%	51.7%	26.8%	5.5%	1.3%	0.4%

**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 class based on the trading volume of OTC retail FX margin trading with customers)**

(Unit: % [Note])

Survey Month and Year	1st to 3rd place	4th to 10th place	11th to 20th place	21st to 30th place	31st to 40th place	41st place and more
April 2012	11.5%	89.0%	81.8%	88.8%	117.8%	85.4%
April 2013	22.3%	56.7%	88.6%	74.8%	97.0%	96.1%
April 2014	20.4%	52.4%	89.9%	84.1%	90.2%	99.3%
April 2015	16.4%	66.0%	67.7%	95.4%	83.7%	98.6%
April 2016	16.1%	65.2%	66.0%	101.6%	76.3%	90.1%
April 2017	9.4%	64.9%	79.0%	90.2%	81.1%	107.7%
April 2018	12.8%	63.0%	78.5%	101.3%	81.3%	94.6%
April 2019	13.5%	61.3%	82.0%	88.3%	96.9%	100.8%

Note: 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 a change of the firm used for cover transactions or transaction errors.

### **Conclusion (General Comments and Considerations)**

The following is a 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 handling OTC retail FX margin trading, as indicated in last year's report, we found a trend that Members whose trading volume of OTC retail FX margin trading with customers is larger use 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. When we rank Members handling OTC retail FX margin trading by the trading volume to divide them into classes, we found members in a class with a smaller trading volume had a higher share of cover transactions.

Automatic trading tools are provided this year by 21 Members handling OTC retail FX margin trading, almost the same as last year (20 Members), although fewer of them offer internally developed tools than in 2018. Out of the total trading volume of OTC retail FX margin trading with customers executed by all the Members handling OTC retail FX margin trading, the trading volume executed by the Members that have provided automatic trading tools accounted for approximately 24.1% (about 28.2% in 2018). The share has been around 25% in recent years. The trading volume of OTC retail FX margin trading with customers executed by operators that have continuously provided automatic trading tools since FY 2013 accounted for roughly 4.8% (about 2.4% in 2018) of the total trading volume of OTC retail FX margin trading with customers executed by operators that have conducted such trading for all the survey years since 2013. In this regard, provision of automatic trading tools has scarcely contributed to a specific increase of trading volume of OTC retail FX margin trading with customers executed by the Members.

When we look at API, although the number of Members handling OTC retail FX margin trading and providing API has been decreasing since 2015 (this year one Member fewer than in 2018), the trading volume of OTC retail FX margin trading with customers executed by the Members that have provided API was approximately 14.1% (about 11.7% in 2018) of the total trading volume of all the members handling OTC retail FX margin trading with customers. The trading volume of OTC retail FX margin trading with customers executed by operators that have continuously provided API since FY 2013 accounted for roughly 8.7% (about 8.6% in 2018) of the total trading volume of OTC retail FX margin trading with customers executed by operators that have conducted such trading for all the survey years since FY 2013, which suggests that, despite a slight increase in the trade volume from 2018, provision of API has scarcely contributed to a specific increase of trading volume of OTC retail FX margin trading with customers executed by the Members.

Judging from the fact that compared with the results of spot trading at the foreign exchange market of around 274 trillion yen released by the Tokyo Foreign Exchange Market Committee survey, transactions by non-financial institution customers (domestic) into which transactions by Members handling OTC retail FX margin trading are categorized have generally been on the rise with the external circulation of OTC retail FX margin trading reaching approximately 104 trillion yen, it appears that OTC retail FX margin trading has a certain impact on the foreign exchange market, as shown in last year's report.

As for firms used for cover transactions by attribute as well as usage and trading volume of cover transactions, the total number of Members handling OTC retail FX margin trading that use firms for cover transactions has been increasing for recent years, which indicates an upward trend in the number of counterparts for Members handling OTC retail FX margin trading in cover transactions. This year's survey also confirmed 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. This indicates that the business relationship has continuously 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 for OTC retail FX margin trading.

(Written by Kurakata at Research Department of FFAJ)

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