Wholesale financial markets: overview

The UK is a leading international financial centre and plays a key role in global wholesale financial markets.

Wholesale financial markets enable companies, public sector organisations, governments and financial institutions to raise short-term finance and long-term capital to fund growth; undertake domestic and international trade; manage financial and other risks; and pursue investment opportunities. The effective operation of wholesale markets is critical to both the functioning of retail financial markets and the economy as a whole.

We segment the wholesale financial markets into five areas. These areas interconnected, covering regulated and unregulated activities.

Wholesale financial markets: sectors

- **Transaction services**
- **Lending**
- **Equity and debt primary and secondary markets**
- **Derivatives** (equity, rates, credit, FX, commodities)
- **Foreign exchange (FX) and commodities markets**

Wholesale lending sector*

Sector size

£1 trillion
of loans to corporations by UK banks (as of June 2016)
70%+ of these loans were to other financial institutions

Most common uses of syndicated loan financing 2015:

47%	21%	10%	6%	16%
General corporate	Acquisition	Refinancing	Project finance	Other

Products and services

General corporate finance
- Syndicated or bi-lateral
- Term or revolving
- Fixed or floating
- Secured or unsecured

Money markets
- Repos
- Commercial paper
- T-bills and short-term sovereign debt
- Interbank loans
- Certificates and deposits

Transaction services sector*

Sector size

Transaction Services
Payment and cash management services enable businesses to make local and cross border payments between businesses, customers and suppliers.

Transaction services provide businesses with forms of short term credit in order to manage their cash flow and liquidity.

$113 trillion
Payments and transactions in 2015
(combined retail and wholesale)

Products and services

Payments and cash management
- Payment and collection services
- Liquidity management
- Information and account services
- Electronic billing and payment solutions

Trade finance
- Letters of credit
- Guarantees
- Documentary collections
- Receivables finance
- Factoring
- Invoice discounting

Wholesale equity and debt sector

Sector size

Primary market:
$72 billion
in equity
$271 billion
in debt
raised in UK primary markets, 2015

Secondary markets
$13 trillion
of equities
$36 trillion
of government debt
$3 trillion
of corporate debt
traded in UK secondary markets, 2014

Products and services

Equity
Products:
Shares, exchange traded funds (ETFs), depository receipts

Debt
Products:
Bonds (government or corporate), asset backed securities (ABS), collateralised loan/debt obligations (CLO/CDO), commercial paper (CP)

Wholesale derivatives sector

Sector size

80%+
of derivatives are traded over the counter (OTC)

The UK is the single largest global venue for OTC derivatives activity
Average UK daily turnover OTC derivatives:
(April 2016)
$1.2 trillion
of interest rate derivatives
$1.6 trillion
of FX derivatives

Products and services

Over the counter (OTCs)
$493 trillion
Global OTC derivatives 2015
Notional outstanding

Exchange traded derivatives (ETDs)
$74 trillion
Global ETD 2016
Notional principal/open interest

Wholesale foreign exchange (FX) and commodities sector*

Sector size

39% of all global spot FX transactions - the UK is the largest spot FX market

The UK is the world's largest FX market with over:
$784 billion
in daily spot currency trades
$2 trillion
of total FX trades, including derivatives

Global physical commodity market - annual value of production, 2009-10
$5,080 billion

Products and services

% of FX turnover in the UK, 2016:

US Dollar	83%
Euro	36%
Japanese Yen	19%
Pounds Sterling	11%
Australian Dollar	10%
Swiss Franc	4%

Commodities annual value of production, 2009-10:

Oil	47%
Coal	17%
Agriculture	16%
Natural gas	11%
Metals	9%

*Many of the activities in these sectors are not defined within the Regulated Activities Order.

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