NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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Trading Revenue Rises to Record $3.8 Billion
At U.S. Commercial Banks in 1st Quarter

WASHINGTON -- Trading revenue at U.S. commercial banks rose 55 percent during the first quarter to a record $3.8 billion. The biggest jump came in revenue from trading interest rate related positions which went from $772 million to $1.7 billion during the quarter, according to the Office of the Comptroller of the Currency's Bank Derivatives Report for the First Quarter of 2000.

The notional volume of derivative contracts rose eight percent during the quarter to a record $37.6 trillion after a slight drop-off to $34.8 trillion the previous quarter.

"The increase in contract volume and trading revenues was largely the result of bank customer concerns about the prospect of rising interest rates in the U.S. as well as in other developed countries," said Mike Brosnan, the OCC's deputy comptroller for risk evaluation.

"The significant steady growth in derivatives contract volumes and trading revenues over the past several years demonstrates the importance of risk management products to banks and their customers," Mr. Brosnan added. He called it an "exceptional quarter from a bank revenue perspective." However, he added, "there is no assurance that revenues will continue at this pace."

The previous revenue high was the first quarter of 1999 when the figure reached $3.6 billion. Revenue from foreign exchange trading in the first quarter of 2000 jumped from $1 billion to $1.34 billion. Revenue from equity, commodity and other trading activities totaled $794 billion.

The use of interest rate contracts has been growing steadily over the past three years with notional volumes rising from $13.4 trillion during the fourth quarter of 1996 to $30.2 trillion in the current report. At the same time, the notional volume of foreign exchange contracts has remained relatively level and stands at $6.1 trillion this quarter.

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The OCC derivatives report also noted that:

- While the notional volumes of two types of derivatives contract products -- futures and forwards, and options -- ticked up during the quarter, their overall trend over the past two years has been flat or somewhat down. Swaps contracts volume has grown steeply and steadily over the past four years.

- The notional volume of interest rate derivative contracts increased from $27.8 trillion during the quarter to $30.2 trillion.

- Credit derivatives volume, still a relatively new derivatives type, increased from $287 billion to a record $302 billion during the quarter.

- The number of commercial banks holding derivatives decreased from 416 to 389 during the quarter.

- Most derivatives notional volume -- 95 percent -- is concentrated in seven banks: Chase Manhattan Bank ($13.3 trillion); Morgan Guaranty Trust Company of New York ($9.3 trillion); Bank of America ($6.5 trillion); Citibank ($4.5 trillion); Bank One ($927 billion); First Union National Bank ($899 billion); and Bank of New York ($363 billion).

- The percentage of credit exposure to risk-based capital from derivatives contracts averaged 254 percent for the top seven banks.

- Quarterly charge-offs, or credit losses, from derivatives have been generally small over the past decade, and there were virtually no charge-offs reported during this quarter.

- A copy of *OCC Bank Derivatives Report: First Quarter 2000* is available on the OCC Web site: *www.occ.treas.gov*.

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The OCC charters, regulates and examines approximately 2,400 national banks and 58 federal branches of foreign banks in the U.S., accounting for more than 57 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.