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Derivatives Volume Rises to \$22 Trillion;  
Record Trading Revenues of \$2.4 Billion During 1st Quarter

WASHINGTON, D.C. -- The notional volume of derivatives activity at commercial banks increased by \$1.9 trillion in the first quarter to \$21.9 trillion, the Office of the Comptroller of the Currency (OCC) reported today in its quarterly report of derivatives activity. During the quarter, the total notional amount of derivative contracts increased by more than nine percent.

Banks engaged in derivatives activities earned a record \$2.4 billion in trading revenue from derivatives and cash instruments, a quarterly increase of 28 percent. Over the past four quarters, commercial banks have earned \$7.9 billion in trading revenue from these activities.

As a percentage of gross revenue, trading revenue from cash and off-balance sheet instruments for all commercial banks increased to three percent, and for the top eight banks to eight percent, the highest percentages realized since 1995 when these data were first collected.

In the first quarter, trading revenue was generated by four sources: interest rate positions (\$1.4 billion); foreign exchange positions (\$690 million); equity positions (\$246 million); and commodity positions (\$97 million).

Credit derivatives activity was reported for the first time this quarter. Credit derivatives are relatively new instruments that help banks and other financial firms to manage their credit exposure. The value of these contracts is linked to the credit status of an underlying loan or security. The notional volume -- \$19.1 billion -- was less than .1 percent of the total notional volume of all derivatives activity and one bank, Morgan Guaranty, accounted for 76 percent of that total.

The number of commercial banks holding derivatives, which had been decreasing over the past five quarters, increased during the first quarter by 21 to 504 banks.

The notional amounts of interest rate derivatives grew during the first quarter from \$13.4 trillion to \$14.6 trillion, and foreign exchange derivative contracts grew from \$6.2 trillion to \$6.9 trillion. Other derivatives, including commodity and equity derivatives, grew \$20 billion to \$387 billion.

Relative to capital, total credit exposures for the top eight banks increased during the quarter from 237 percent to 242 percent. The dollar amount of total credit exposure for all banks was \$268 million, up \$16 million from a quarter earlier.

For all banks, the book value of contracts past due 30 days or more aggregated only \$32 million, or .01 percent of total credit exposure from derivatives contracts. This low delinquency figure reflects

both the current healthy economic environment and the generally high credit quality of counterparties and end-users with whom banks presently engage in derivatives transactions, as well as the increased use of collateral.

A copy of the OCC First Quarter 1997 Derivatives Data Fact Sheet and the accompanying 12 tables and 13 graphs may be obtained by writing to Comptroller of the Currency, Public Reference Room (Mail Stop 1-5), Washington, DC 20219; calling the OCC Information Fax Line at (202) 479-0141 and request document number 79763 from the news releases; faxing a request to (202) 874-4448; ordering by phone (202) 874-5043; or visiting the OCC's Public Reference Room at 250 E Street, S.W. in Washington, D.C. (9 a.m.-noon and 1-3 p.m., Monday-Friday). The document will be available on the OCC's web page at <http://www.occ.treas.gov>.

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The OCC charters, regulates and supervises approximately 2,800 national banks and 66 federal branches and agencies of foreign banks in the U.S., accounting for more than half the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.