

NR 96-141
December 16, 1996

Derivatives Activity Rises in 3rd Quarter to
Record \$19.8 Trillion

WASHINGTON, D.C. -- The notional volume of derivatives activity at commercial banks increased by \$782 billion in the third quarter to a record \$19.8 trillion, the Office of the Comptroller of the Currency (OCC) reported today in its quarterly report of derivatives activity.

In the third quarter, the top eight banks accounted for 94 percent (\$18.6 trillion) of the total notional amount of derivatives in the banking system. The top 25 banks accounted for 98 percent. At the end of the third quarter, 501 commercial banks held derivatives.

Following is a summary of the report, which is based on call report information from all commercial banks:

Derivatives Activity: The notional amounts of interest rate and foreign exchange contracts, which accounted for 98 percent of all derivatives activity, rose during the quarter to \$13.3 trillion (from \$12.5 trillion) and \$6.2 trillion (from \$6.1 trillion) respectively. Segregated by product, \$8.3 trillion in third quarter derivatives transactions were futures and forward trades; \$7.3 trillion were swaps; and \$4.2 trillion were options.

Risk Exposure: Relative to capital, total credit exposures for the top eight banks averaged 237 percent of risk-based capital in the third quarter, compared to 244 percent for the top nine banks at the end of the second quarter. The dollar amount of total credit exposure was up \$3.5 billion to \$238 billion. Non-performing contracts remained at nominal levels. The book value of contracts past due 30 days or more aggregated \$21 million.

Revenues: Revenue from both cash instruments and off-balance sheet trading activity declined from \$1.9 billion in the second quarter to \$1.7 billion in the third quarter. Three commercial banks that trade in derivatives (Chase Manhattan, Morgan Guaranty and Citibank) accounted for 66 percent of the revenue; the top eight banks accounted for 84 percent of the revenue.

High-Risk Mortgage Securities/Structured Notes: Banks reporting either structured notes or high-risk mortgage securities were largely those banks with total assets of less than \$1 billion. The book value of these instruments exceeded the market value by \$265 million, an improvement of \$83 million from the second quarter. The number of banks reporting structured notes on their books decreased in the third quarter by 163 to 3,687.

The figures reported during this quarter reflect the merger of two of the largest derivatives traders, Chemical Bank and Chase Manhattan Bank. This series of quarterly reports, which previously highlighted activities at the top nine banks, now highlights the top eight banks. Previous quarterly figures have

not been adjusted for the impact of the merger. For example, transactions in which Chase and Chemical banks were mutual counterparties would need to be eliminated to allow for comparability.

For a copy of the OCC Third Quarter Derivatives Data Fact Sheet and the accompanying 12 tables and 10 graphs: write to Comptroller of the Currency, Communications Division, Washington, DC 20219; or fax your request to (202) 874-4448; or retrieve it from the OCC's web page at <http://www.occ.treas.gov>; or call (202) 874-5043 to order by phone; or visit 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).

Related Link

- [OCC's Quarterly Report on Bank Trading and Derivatives Activities: Third Quarter 1996](#)

#

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.