The following news release was issued today. NR 95-35, March 31, 1995

FACT SHEET

This fact sheet is the first quarterly release from the Office of the Comptroller of the Currency (OCC) with explanations and figures on derivatives from bank call reports. This first fact sheet reports call report data from the fourth quarter, 1994.

NO SIGNIFICANT INCREASE IN NOTIONAL AMOUNTS OF DERIVATIVES ACTIVITY

The call report data show that the notional amounts of derivatives in commercial bank portfolios did not change from the third quarter. The notional amount remains at approximately $15. 6 trillion. The notional figure has remained in the $15 trillion range for the last three quarters. By comparison, the notional figure jumped from approximately $9.8 trillion to $15.3 trillion between the first quarter of 1993 and the second quarter of 1994.

Notional amounts are helpful in measuring the level of derivatives activity. However, these amounts do not measure risk. Risk, measured by credit exposure on derivatives contracts, is generally reported to be about 1 to 2 percent of the notional amounts.

Credit exposures from derivatives for the six national banks among the top ten in derivatives activity averages 170 percent of capital. By comparison, the average percent credit exposures across all commercial banks are 158 percent for consumer and industrial loans, 156 percent for non-Treasury securities (not held in the trading account), and 153 percent for 1-to-4 family mortgages.

Call report figures on credit exposure on derivatives may be overstated because they do not take into account bilateral netting among derivatives parties. Bilateral netting reflects the extent to which the amount a bank owes a counterparty in a derivatives transaction may be used to offset the amount that counterparty owes the bank. Bilateral netting will be taken into account in the call report figures for the first quarter of 1995.

The figures on notional amounts of derivatives are off-balance sheet derivatives activities. The figures do not include on-balance sheet derivatives activities related to structured notes and mortgage derivatives securities. This information will be contained in the call report figures for the first quarter of 1995.

DERIVATIVES ACTIVITY CONCENTRATED AMONG DEALERS

Six commercial banks account for 83 percent of derivatives activity and 25 banks with the most derivatives activity account for 97 percent of the activity.

The number of banks reporting derivatives activity in the fourth quarter was 633, compared to 648 in the third quarter. At this time, it is not clear to what extent the decline in the fourth quarter is due to fewer banks engaged in derivatives and to what extent there are simply fewer banks resulting from consolidation and mergers of banks.

Figures from the call report on derivatives activity are contained in the attached tables.

* * * * *

[The tables can be obtained through SpectraFax (202) 479-0141. The document number is 79535.]