



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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OCC Reports Trading Revenues Off As Derivatives Volume Dips During 3rd Quarter

WASHINGTON -- U.S. commercial banks earned \$2.8 billion from trading activities during the third quarter of 2000, down from the \$3 billion earned a quarter earlier.

The top seven commercial banks engaged in trading account for 95 percent of the total notional amount of derivatives in the commercial banking system. Trading revenue is earned from cash instruments and off-balance sheet derivative instruments. During the quarter, trading revenue accounted for 5.5 percent of total revenue at the top banks.

In its *Bank Derivatives Report, Third Quarter 2000*, the Office of the Comptroller of the Currency reported that the notional amount of derivatives reported by commercial banks fell during the quarter by \$1 trillion, or three percent, to \$38.3 trillion.

“Bank trading revenues for this quarter are consistent with the core performance we have seen in recent periods,” said Mike Brosnan, OCC Deputy Comptroller for Risk Evaluation. “The bumps along the way reflect changes in individual bank strategies and/or market volatility, but the relatively strong revenue generated by bank trading activities affirms the importance of over-the-counter derivatives to banks and their customers.”

The small but growing credit derivatives market was the only type that increased during the quarter, a five- percent jump to \$379 billion. That was the seventh consecutive quarter that the notional volume of credit derivatives rose. The notional volume of interest rate derivatives fell two percent to \$30.9 trillion and the notional volume of foreign exchange derivatives fell seven percent to \$6 trillion.

The OCC third quarter derivatives report also noted that:

- While revenue from interest rate trading activity increased 13 percent to \$1.1 billion, revenue from foreign exchange trading fell 20 percent to \$1.1 billion.
- For the third quarter in a row, there were virtually no reported charge-offs, or credit losses, from derivatives.

- Notional amounts for interest rate contracts with maturities of one to five years fell 2 1/2 percent to \$9.3 trillion. That was the first drop in notional volume for this type of contract since the fourth quarter of 1996. Short-term (less than one year) interest rate contract notional volumes increased about three percent to \$9.8 trillion.

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

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The OCC charters, regulates and examines approximately 2,300 national banks and 56 federal branches of foreign banks in the U.S., accounting for more than 56 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.