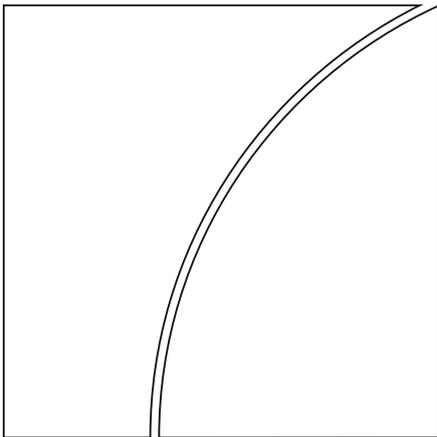




BANK FOR INTERNATIONAL SETTLEMENTS



Statistical release

OTC derivatives statistics at end-December 2015

Monetary and Economic Department

May 2016

Tools to access and download the OTC derivatives statistics:

- [BIS website](#) – tables in PDF of the BIS's most current data
- [BIS Statistics Explorer](#) – a browsing tool for pre-defined views of the BIS's most current data

Data behind the charts in this release can be downloaded from the BIS website (www.bis.org/statistics/otc_hy1605_charts.zip).

Questions about the OTC derivatives statistics may be addressed to statistics@bis.org.

This release is available on the BIS website (www.bis.org/publ/otc_hy.htm).

OTC derivatives statistics at end-December 2015

Contents

1.	Highlights.....	2
2.	Recent developments in OTC derivatives markets.....	2
	Interest rate derivatives.....	3
	Foreign exchange derivatives.....	4
	Credit default swaps.....	4
	Equity-linked and commodity derivatives.....	5
3.	Charts.....	7
	Annexes.....	11
	A Explanatory notes.....	11
	B Glossary of terms.....	12

Data are subject to change. Revised data will be released concurrently with the forthcoming *BIS Quarterly Review* on 6 June 2016. The OTC derivatives statistics at end-June 2016 will be released no later than 15 November 2016.

The term “country” as used in this release also covers territorial entities that are not states as understood by international law and practice but for which data are separately and independently maintained.

New publication tables

In September 2015, the BIS comprehensively revised the tables it publishes on derivatives statistics. The new tables consolidate in one set derivatives statistics that were previously presented in several different BIS publications. Table numbers in this release refer to the tables available on the [BIS website](#).

Data in the new tables are also available in an interactive tool, the [BIS Statistics Explorer](#), where the OTC derivatives statistics can be downloaded in CSV format as well as plotted in charts. An example of a chart showing the notional amount outstanding of all OTC derivatives contracts is shown [here](#).

1. Highlights

Highlights from the latest BIS semiannual survey of over-the-counter (OTC) derivatives markets:

- Global OTC derivatives markets saw a broad-based decline in activity in the second half of 2015. The notional amount of outstanding contracts fell by 11% between end-June 2015 and end-December 2015, from \$552 trillion to \$493 trillion. Trade compression to eliminate redundant contracts was a key driver.
- The fall in notional amounts was accompanied by a sharp drop in the gross market value of outstanding derivatives contracts, which provides a more meaningful measure of amounts at risk. Gross market values decreased by 6% between end-June 2015 and end-December 2015, from \$15.5 trillion to \$14.5 trillion, their lowest level since 2007. The decline was concentrated in interest rate swaps.
- Central clearing, which is a key element in global regulators' agenda for reforming OTC derivatives markets to reduce systemic risks, continued to make inroads. The share of credit default swaps booked with central counterparties rose to 34% at end-December 2015, up from 31% at mid-2015 and less than 10% at mid-2010.

2. Recent developments in OTC derivatives markets

The overall size of the OTC derivatives market continued to contract in the second half of 2015. In US dollar terms, the notional amount of outstanding OTC derivatives contracts, which determines contractual payments and is one indicator of the total positions taken by market participants, fell by 11% between end-June 2015 and end-December 2015, from \$552 trillion to \$493 trillion ([Graph 1](#), left-hand panel, in Section 3 of this release; and [Table D5.1](#) on the BIS website). Over this period, exchange rate movements amplified the contraction of positions denominated in currencies other than the US dollar.¹ Yet, even after adjustment for this effect, notional amounts at end-December 2015 were still about 9% lower than at end-June 2015.

The gross market value of outstanding derivatives contracts – that is, the cost of replacing all outstanding contracts at market prices prevailing on the reporting date – fell again in the second half of 2015.² It decreased by 6% from \$15.5 trillion at end-June 2015 to \$14.5 trillion at end-December 2015, its lowest level since 2007 ([Graph 1](#), centre panel).

Market participants can reduce their exposure to counterparty credit risk through netting agreements and collateral. Gross credit exposures account for such risk mitigation by adjusting gross market values for legally enforceable bilateral netting agreements, although they do not take account of collateral. Gross credit exposures remained at \$2.9 trillion at end-December 2015, the same level as in the first half of 2015 ([Graph 1](#), right-hand panel). This measure of counterparty credit risk represented

¹ Positions are reported in US dollars, and thus changes between periods include the impact of exchange rate movements on positions denominated in currencies other than the US dollar. For example, the depreciation of the euro against the US dollar between end-June 2015 and end-December 2015 resulted in a decline in the reported US dollar value of positions denominated in euros.

² The gross market value is calculated as the sum of the absolute value of gross positive market values and gross negative market values. The gross positive market value is the gain to derivatives dealers – and the gross negative market value the loss – if the dealers were to sell their outstanding contracts at market prices prevailing on the reporting date.

20% of gross market values at end-December 2015, a share that is slightly above the average observed since 2008 (16%).

Interest rate derivatives

The interest rate segment accounts for the majority of OTC derivatives activity. At end-December 2015, the notional amount of outstanding interest rate derivatives contracts totalled \$384 trillion, which represented 78% of the global OTC derivatives market (Table D5.1). At \$289 trillion, swaps accounted for by far the largest share of this market segment.

Notional amounts fell again sharply in the second half of 2015, primarily driven by a contraction in US dollar-denominated interest rate contracts (Graph 3, left-hand panel). The notional value of US dollar contracts declined from \$160 trillion to \$139 trillion between end-June 2015 and end-December 2015. Contracts in euros decreased from \$126 trillion to \$118 trillion. Those in yen, sterling and other currencies also declined.

Trade compression to eliminate redundant contracts was the major driver of the decline in notional amounts. The overall volume of compressions continued to grow in the second half of 2015, mainly reflecting the greater clearance of interest rate swaps and other contracts through central counterparties (CCPs).³

Indeed, the distribution of interest rate derivatives by counterparty points to a continued shift in activity towards CCPs. Central clearing is a key element in global regulators' agenda for reforming OTC derivatives markets to reduce systemic risks. The notional amount of interest rate contracts between derivatives dealers, which had been falling more or less steadily since its peak of \$189 trillion at end-June 2008, declined further during the second half of 2015 – from \$61 trillion at end-June 2015 to \$54 trillion at end-December 2015 (Graph 3, right-hand panel). Contracts between dealers and other financial institutions, including CCPs, stood at \$315 trillion at end-December 2015, down from \$360 trillion at end-June 2015. This sharp decline is likely to have been accounted for by the move of trades to CCPs and related compression activity, which is facilitated by central clearing. Contracts with financial institutions other than dealers continued to account for the majority (82%) of interest rate derivatives contracts as of end-December 2015.

The overall decline in notional amounts was not accompanied by a significant change in the maturity distribution of interest rate derivatives. As a share of all maturities outstanding, short-term contracts (with maturities of under one year) declined slightly, from 42% to 40%, between end-June 2015 and end-December 2015, while the percentage of long-term contracts (with maturities over five years) increased marginally, from 24% to 25% (Graph 3, centre panel). In the meantime, the share of medium-term contracts (with maturities over one year and up to five years) was unchanged, at 35%.

The gross market value of interest rate derivatives decreased from \$11.1 trillion at end-June 2015 to \$10.1 trillion at end-December 2015 (Table D5). This reflected the considerable decline in the notional amounts of outstanding contracts that took place during the same period.⁴ Increases in long-term yields are also likely to have contributed to the decrease in market values by narrowing the gap

³ Compression aggregates derivatives contracts with similar risks or cash flows into fewer trades. It is a process for tearing up trades that allows economically redundant derivative trades to be terminated early without changing each participant's net position. For statistics on multilateral compressions, see TriOptima, www.trioptima.com/resource-center/statistics/triReduce.html.

⁴ Trade compression, which was one of the main drivers of the overall decline in notional amounts, tends to reduce gross market values (all else the same) while leaving gross credit exposures (ie gross market values adjusted for netting) unchanged.

between market interest rates on the reporting date and rates prevailing at contract inception.⁵ Decreases in market values were reported for interest rate derivatives denominated in all major currencies except the yen and sterling. The declines were especially marked in Swiss franc and Canadian dollar contracts.

Turning to the concentration of derivatives activity among reporting dealers as of end-December 2015, it had fallen to levels close to or below those reported prior to 2008 in many segments (Graph 7, centre panel; and Table D7). Herfindahl indices for the US dollar, euro and yen interest rate swap (IRS) markets were well below their 2008 levels. However, in the Swiss franc and Swedish krona IRS markets, concentration remained above its 2008 levels.

Foreign exchange derivatives

Foreign exchange derivatives make up the second largest segment of the global OTC derivatives market. At end-December 2015, the notional amount of outstanding foreign exchange derivatives contracts totalled \$70 trillion, which represented 14% of OTC derivatives activity (Table D5.1). Contracts against the US dollar constituted 87% of this market segment.

After reaching its highest level for several years at end-December 2014, at \$2.9 trillion, the gross market value of foreign exchange derivatives dropped during the first half of 2015 and then stabilised at around \$2.5 trillion in the second half of the year. Contracts involving the US dollar increased from \$2.2 trillion at end-June 2015 to \$2.4 trillion at end-December 2015.

The latest data show little change in the instrument composition of foreign exchange derivatives. Forwards and foreign exchange swaps jointly accounted for 52% of the notional amount outstanding (Table D5). However, currency swaps represented the majority (52%) of the gross market value. The instrument distribution of notional amounts differs from that of gross market values mainly because currency swaps typically have a longer maturity than other foreign exchange derivatives and thus are more sensitive to changes in market prices.

In contrast to the interest rate derivatives market, inter-dealer contracts in the foreign exchange derivatives market continued to account for nearly as much activity as contracts with other financial institutions. The notional amount of outstanding foreign exchange contracts between reporting dealers totalled \$30 trillion at end-December 2015, and contracts with financial counterparties other than dealers \$31 trillion (Table D5.1). The inter-dealer share has averaged around 43% since 2011, up from less than 40% prior to 2011. Among instruments, inter-dealer activity accounts for a greater share of more complex contracts, such as currency swaps (54% of notional amounts) and options (46%).

Credit default swaps

The steady reduction in the size of the global credit default swap (CDS) market, which started in 2007, continued in the second half of 2015. The notional amount of outstanding CDS contracts fell from \$15 trillion at end-June 2015 to \$12 trillion at end-December 2015, which represented only one fifth of its end-2007 peak of \$58 trillion (Graph 6, left-hand panel).

The market value of CDS also continued to decline, to, respectively, \$421 billion at end-December 2015 in gross terms and \$113 billion in net terms (Graph 6, right-hand panel). The net measure takes account of bilateral netting agreements covering CDS contracts but, unlike gross credit exposures, is not adjusted for cross-product netting.

⁵ See "Uneasy calm gives way to turbulence", *BIS Quarterly Review*, March 2016, pp 1–14, www.bis.org/publ/qtrpdf/r_qt1603a.htm.

The recent decline in overall CDS activity reflected mainly the contraction of the inter-dealer segment. The notional amount for contracts between reporting dealers fell from \$6.5 trillion at end-June 2015 to \$5.5 trillion at end-December 2015 (Table D10.1). Notional amounts with banks and securities firms also decreased in the second half of 2015, from \$1.2 trillion to \$0.9 trillion.

Central clearing continued to make inroads. In line with the overall trend in OTC derivatives markets, notional amounts of CDS cleared through CCPs declined in absolute terms between end-June 2015 and end-December 2015, from \$4.5 trillion to \$4.2 trillion (Table D10.1). Nevertheless, the share of outstanding contracts cleared through CCPs has risen from less than 10% at mid-2010 (when data for CCPs were first reported separately) to 26% at end-2013 and 34% at end-December 2015 (Graph 6, centre panel). The share of CCPs is highest for multi-name products, at 42%, and much lower for single-name products, at 28% (Table 10.1). One possible explanation is that contracts on CDS indices in the multi-name segment are more amenable to central clearing, as they tend to be more standardised than those in the single-name segment.

The latest data indicate that the trend towards netting may have stalled.⁶ Until recently, the post-crisis shift towards central clearing had contributed to an increased use of legally enforceable bilateral netting agreements. As a consequence, net market values as a percentage of gross market values had fallen from 26% at end-2011 to 21% at end-2013 (Graph 6, right-hand panel). This trend has since reversed, and the ratio actually rose to 27% at end-December 2015. The prevalence of netting is greatest for CDS contracts with other dealers and CCPs, where it reduced net market values as a percentage of gross values to 20% and 18%, respectively, at end-December 2015 (Table D10.1). Meanwhile, netting is least prevalent for contracts with insurance companies and non-financial customers (for which the comparable ratios are, respectively, 78% and 74%).

The distribution of underlying reference entities indicates that the relative presence of contracts referencing sovereigns has increased steadily since the 2007–09 global financial crisis. The share of such contracts in the total notional amount of CDS outstanding rose from 4% at end-2008 to 16% at end-2015. The notional amount of sovereign CDS contracts, which had increased from \$1.7 trillion at end-2008 to \$3.0 trillion at end-2011, has since declined back, to \$2.0 trillion as of end-2015. Nevertheless, sovereign CDS contracts' share has continued to increase because, as discussed above, the overall notional amount of CDS outstanding has shrunk at an even faster pace (Table D10.4).

The distribution of outstanding CDS by location of the counterparty showed little change at end-December 2015. The CDS market is very international. CDS with counterparties from the country in which the dealer is headquartered accounted for only 24% of outstanding contracts at end-December 2015, or \$2.9 trillion (Table D10.5). Most of the foreign counterparties were from Europe, followed by the United States.

Equity-linked and commodity derivatives

The notional amount of OTC derivatives linked to equities totalled \$7.1 trillion at end-December 2015, and the gross market value \$0.5 trillion (Table D5.1). Derivatives linked to US equities, which had grown steadily over the past few years and in 2014 had overtaken those linked to European equities, decreased from \$3.2 trillion at end-June 2015 to \$2.8 trillion at end-December 2015 (Graph 4). Derivatives linked to Japanese equities continued to decline, to \$0.3 trillion at end-December 2015.

For OTC derivatives linked to commodity contracts, the latest data show no sign of a rebound from the sharp correction that occurred after the 2007–09 crisis. The notional amount of outstanding

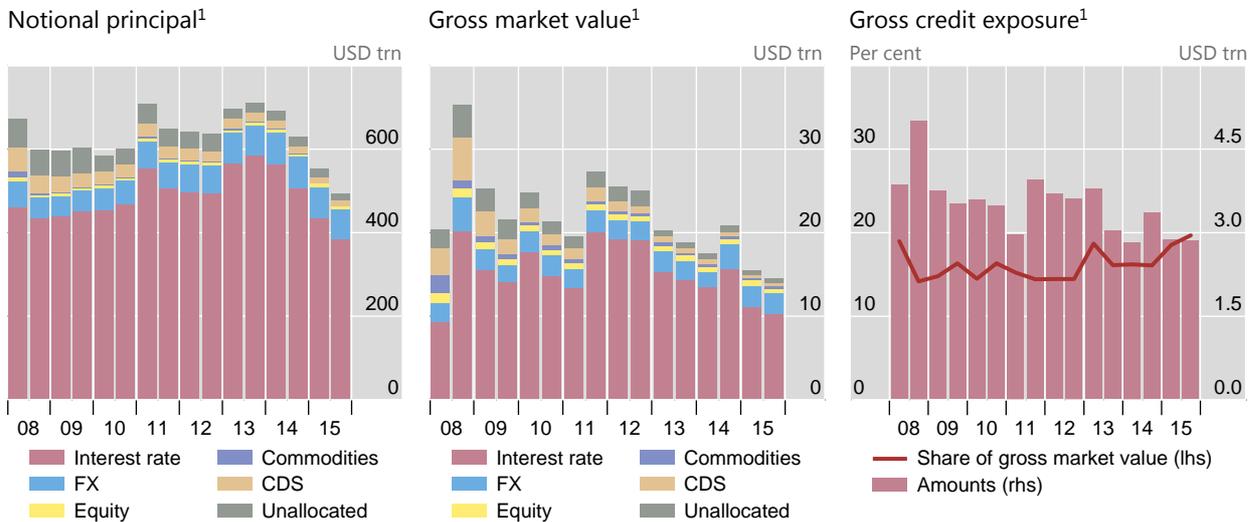
⁶ Netting enables market participants to reduce their counterparty exposure by offsetting contracts with negative market values against contracts with positive market values.

OTC commodity derivatives contracts declined from a peak of \$13 trillion at end-June 2008 to \$3 trillion at end-2009 and then \$1.3 trillion at end-December 2015 (Table D5.2). The gross market value of OTC commodity contracts stood at \$0.3 trillion at end-December 2015, down from the mid-2008 peak of \$2.2 trillion (Graph 5).

3. Charts

Global OTC derivatives markets

Graph 1



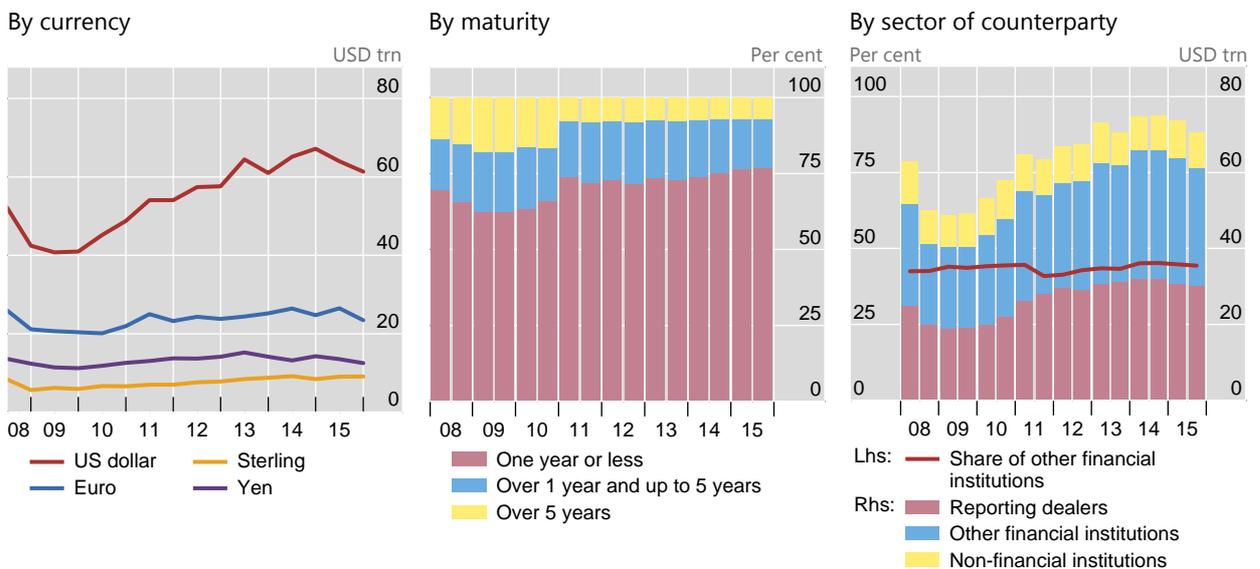
Further information on the BIS derivatives statistics is available at www.bis.org/statistics/derstats.htm.

¹ At half-year end (end-June and end-December). Amounts denominated in currencies other than the US dollar are converted to US dollars at the exchange rate prevailing on the reference date.

OTC foreign exchange derivatives

Notional principal¹

Graph 2



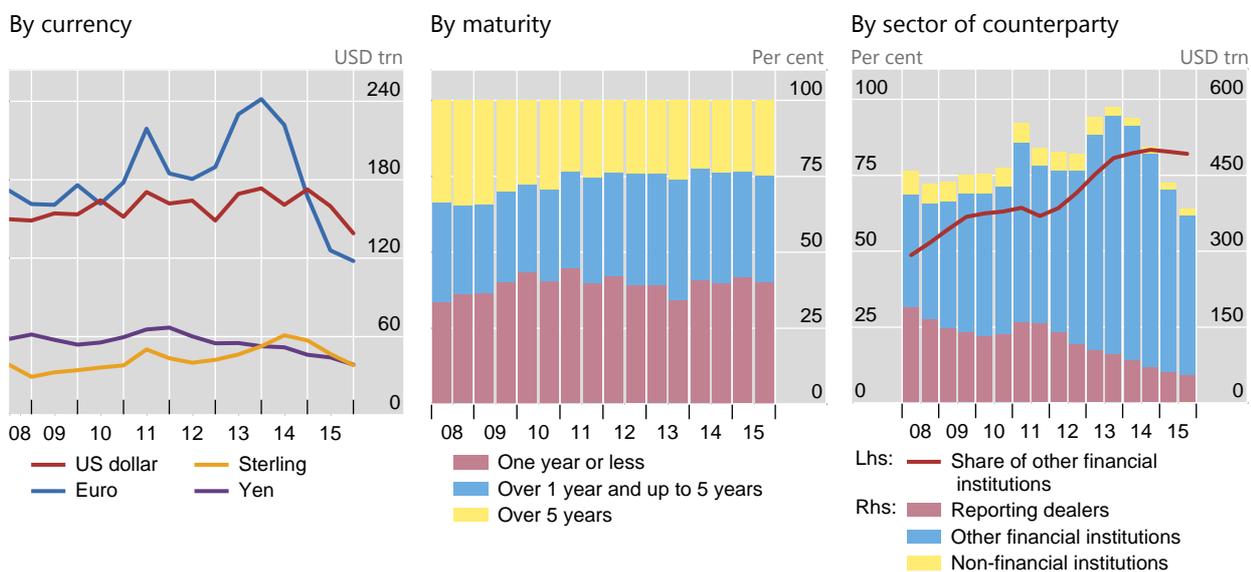
Further information on the BIS derivatives statistics is available at www.bis.org/statistics/derstats.htm.

¹ At half-year end (end-June and end-December). Amounts denominated in currencies other than the US dollar are converted to US dollars at the exchange rate prevailing on the reference date.

OTC interest rate derivatives

Notional principal¹

Graph 3



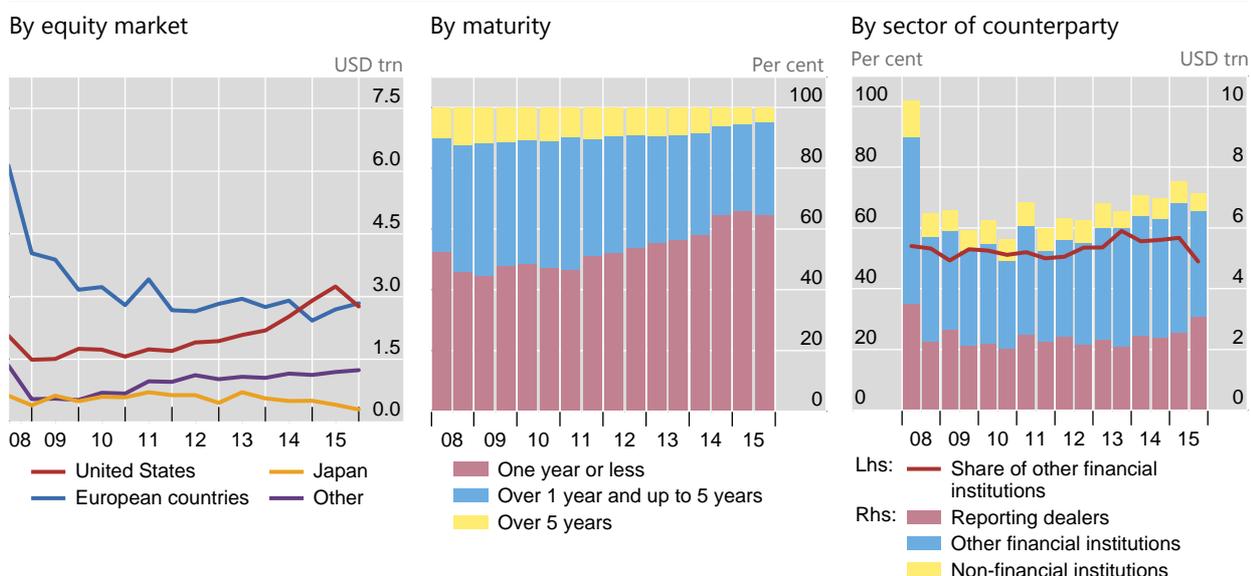
Further information on the BIS derivatives statistics is available at www.bis.org/statistics/derstats.htm.

¹ At half-year end (end-June and end-December). Amounts denominated in currencies other than the US dollar are converted to US dollars at the exchange rate prevailing on the reference date.

OTC equity-linked derivatives

Notional principal¹

Graph 4



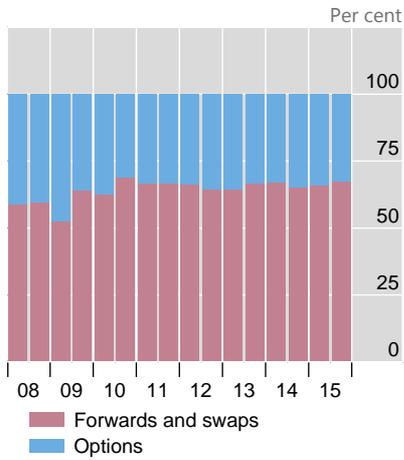
Further information on the BIS derivatives statistics is available at www.bis.org/statistics/derstats.htm.

¹ At half-year end (end-June and end-December). Amounts denominated in currencies other than the US dollar are converted to US dollars at the exchange rate prevailing on the reference date.

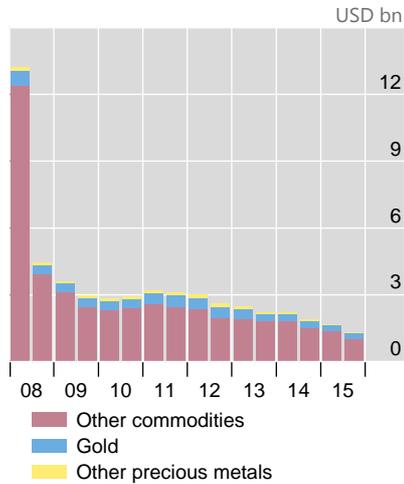
OTC commodity derivatives

Graph 5

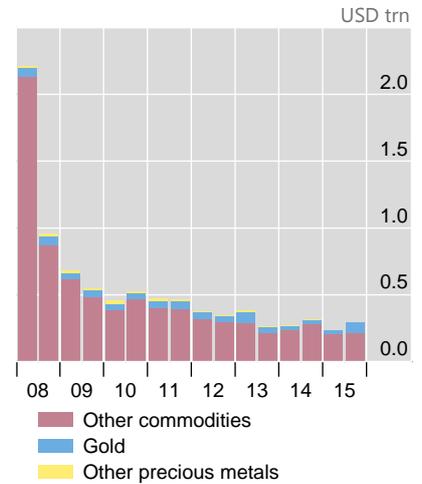
Notional principal, by instrument¹



Notional principal, by commodity¹



Gross market value, by commodity¹



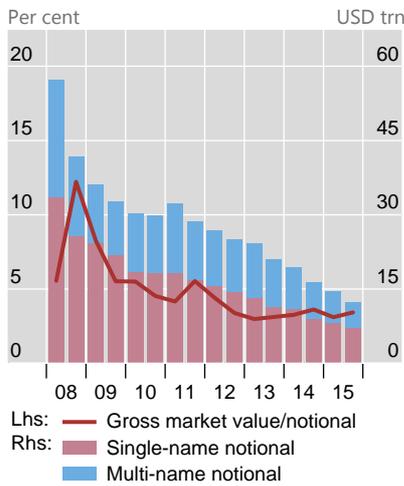
Further information on the BIS derivatives statistics is available at www.bis.org/statistics/derstats.htm.

¹ At half-year end (end-June and end-December). Amounts denominated in currencies other than the US dollar are converted to US dollars at the exchange rate prevailing on the reference date.

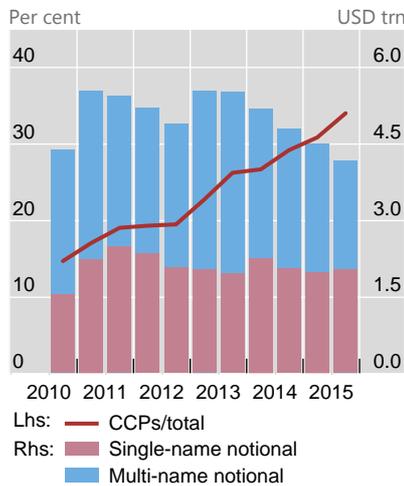
Credit default swaps¹

Graph 6

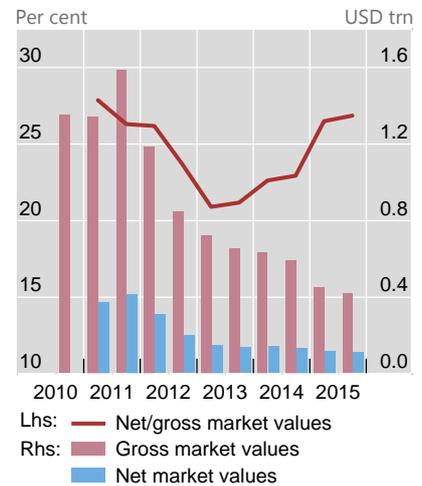
Notional principal



Notional principal with central counterparties (CCPs)



Impact of netting



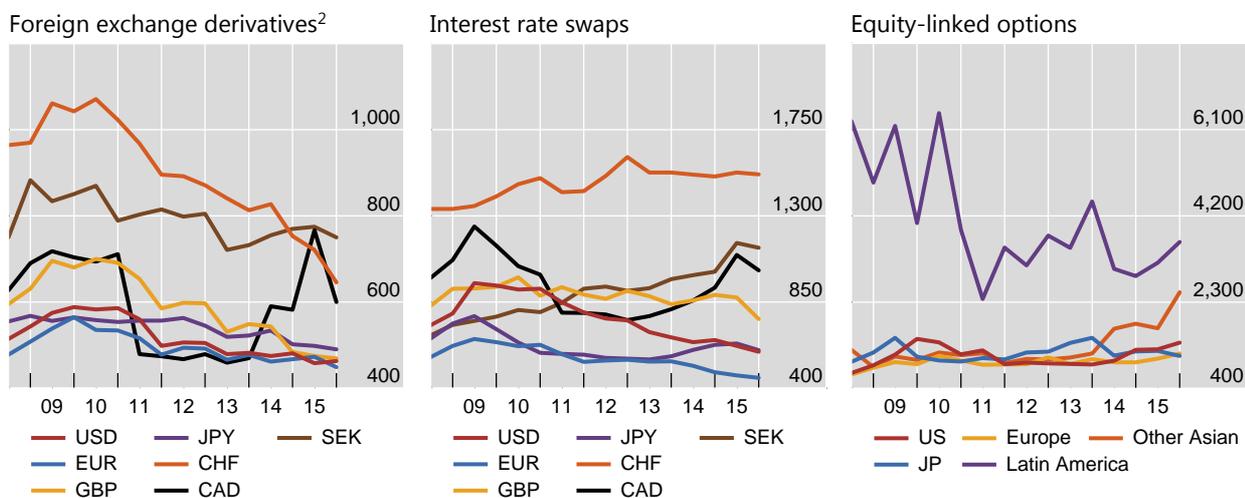
Further information on the BIS derivatives statistics is available at www.bis.org/statistics/derstats.htm.

¹ At half-year end (end-June and end-December). Amounts denominated in currencies other than the US dollar are converted to US dollars at the exchange rate prevailing on the reference date.

Concentration in global OTC derivatives markets

Herfindahl index¹

Graph 7



Further information on the BIS derivatives statistics is available at www.bis.org/statistics/derstats.htm.

CAD = Canadian dollar; CHF = Swiss franc; EUR = euro; GBP = pound sterling; JPY = Japanese yen; SEK = Swedish krona; USD = US dollar. JP = Japan; US = United States.

¹ The index ranges from 0 to 10,000, where a lower number indicates that there are many dealers with similar market shares (as measured by notional principal) and a higher number indicates that the market is dominated by a few reporting dealers. ² Foreign exchange forwards, foreign exchange swaps and currency swaps.

Annexes

A Explanatory notes

Reporting countries

The OTC derivatives statistics are reported to the BIS at an aggregate (country) level rather than individual institution level. A central bank or another national authority collects data from major derivatives dealers in its jurisdiction, compiles national aggregates and then sends them to the BIS to calculate global aggregates.

Authorities in the following 13 countries participate in the semiannual survey:

Country	Reporting authority	Country	Reporting authority
Australia	Reserve Bank of Australia	Netherlands	Netherlands Bank
Belgium	National Bank of Belgium	Spain	Bank of Spain
Canada	Bank of Canada	Sweden	Sveriges Riksbank
France	Bank of France		Statistics Sweden
Germany	Deutsche Bundesbank	Switzerland	Swiss National Bank
Italy	Bank of Italy	United Kingdom	Bank of England
Japan	Bank of Japan	United States	Board of Governors of the Federal Reserve System

Every three years, authorities from an additional 34 countries participate in the Triennial Central Bank Survey. The market share of dealers that participate in the semiannual survey varies across risk categories. It is highest in the credit, equity and interest rate segments (almost 100%, 98% and 97%, respectively, at end-June 2013) and lowest in the commodity and foreign exchange segments (both 90%). Overall, the results of the Triennial Survey indicate that the semiannual survey captures about 96% of global OTC derivatives activity. The next Triennial Survey of outstanding positions will be conducted in June 2016.

Reporting basis

The OTC derivatives statistics are reported on a consolidated basis. Data from branches and (majority-owned) subsidiaries worldwide of a given institution are aggregated and reported by the parent institution to the authority in the country where the parent institution is headquartered. Intragroup positions, between affiliates of the same institution, are excluded.

Data are reported to the BIS in US dollars, with positions in other currencies being converted into US dollars at the exchange rate prevailing at the end of the reference period. Comparisons of amounts outstanding between periods are affected by movements in exchange rates.

Revisions and breaks

Data are subject to revision and are impacted by breaks – or changes in compilation – over time. Breaks may arise from: changes in the population of reporting institutions, including the addition of new reporting countries; changes in reporting practices; or methodological improvements.

The statistics at end-December 2015 are not impacted by any significant revisions or breaks.

B Glossary of terms

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------	-------------------

A [back to index](#)

algo	See "algorithmic trading".
algorithmic trading	Automated transactions where a computer algorithm decides the order of submission and execution with little or no human intervention.
amount outstanding	Value of an asset or liability at a point in time.

B [back to index](#)

banks and securities firms	Commercial banks, investment banks, securities dealers and securities brokers. Sectoral classification used in the OTC derivatives statistics that refers collectively to banks and securities firms that are not reporting dealers. See also "reporting dealer".
bilateral netting agreement	See "master netting agreement".

C [back to index](#)

central counterparty (CCP)	Entity that interposes itself between the two sides of a transaction, becoming the buyer to every seller and the seller to every buyer.
commodity forward	Contract between two parties to buy or sell a commodity or commodity index at an agreed price on a future date.
commodity option	Contract that bestows the holder the right (but not the obligation) to buy or sell a commodity or commodity index at an agreed price during a specified period.
commodity swap	Agreement between two parties to exchange sequences of payments during a specified period, where at least one sequence of payments is tied to a commodity price or commodity index.
counterparty	Entity that takes the opposite side of a financial contract or transaction – for example, the borrower in a loan contract, or the buyer in a sales transaction.
counterparty country	Country where the counterparty resides.
credit default swap (CDS)	Agreement whereby the seller commits to repay an obligation (eg bond) underlying the contract at par in the event of a default. To produce this guarantee, a regular premium is paid by the buyer during a specified period.
credit derivative	Derivative whose redemption value is linked to specified credit-related events, such as bankruptcy, credit downgrade, non-payment or default of a borrower. For example, a lender might use a credit derivative to hedge the risk that a borrower might default. Common credit derivatives include credit default swaps (CDS), total return swaps and credit spread options.
currency option	Contract that bestows the holder the right (but not the obligation) to buy or sell a currency at an agreed exchange rate during a specified period.
currency swap	Agreement between two parties to exchange sequences of payments during a specified period, where each sequence is tied to a different currency. At the end of the swap, principal amounts in the different currencies are usually exchanged.

D [back to index](#)

derivative	Instrument whose value depends on some underlying financial asset, commodity or predefined variable.
derivative claim	Derivative contract with a positive market value.

E [back to index](#)

entity	Corporation, organisation or person that exists as a separately identifiable unit. "Separately identifiable" may be demonstrated by legal existence or the existence of a complete set of financial accounts, or by the ability to compile a meaningful and complete set of accounts if they were to be required.
equity forward	Contract to exchange an equity or equity basket at a set price at a future date.
equity option	Contract that bestows the holder the right (but not the obligation) to buy or sell an equity security or basket of equities at an agreed price during a specified period.
equity swap	Agreement between two parties to exchange sequences of payments during a specified period, where at least one sequence is tied to an equity price or an equity index.

F [back to index](#)

financial corporation	Entity that is principally engaged in providing financial services, such as financial intermediation, financial risk management or liquidity transformation. Financial corporations include the following entities: central banks, banks and non-bank financial corporations.
financial institution	See "financial corporation".
fixed interest rate	Interest rate that is fixed for the life of the debt instrument or for a certain number of years. At the date of inception, the timing and value of coupon payments and principal repayments are known.
foreign exchange swap	Transaction involving the actual exchange of two currencies (principal amount only) on a specific date at a rate agreed at the time of the conclusion of the contract (the short leg), and a reverse exchange of the same two currencies at a date further in the future at a rate (generally different from the rate applied to the short leg) agreed at the time of the contract (the long leg).
forward contract	Contract between two parties for the delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, on an agreed future date, a specified instrument or commodity at an agreed price or yield. Forward contracts are generally not traded on organised exchanges, and their contractual terms are not standardised.
forward rate agreement (FRA)	Interest rate forward contract in which the rate to be paid or received on a specific obligation for a set period of time, beginning at some time in the future, is determined at contract initiation.

G [back to index](#)

gross credit exposure	Gross market value minus amounts netted with the same counterparty across all risk categories under legally enforceable bilateral netting agreements. Gross credit exposure provides a measure of exposure to counterparty credit risk (before collateral).
gross market value	Sum of the absolute values of all outstanding derivatives contracts with either positive or negative replacement values evaluated at market prices prevailing on the reporting date. Thus, the gross positive market value of a dealer's outstanding contracts is the sum of the replacement values of all contracts that are in a current gain position to the reporter at current market prices (and therefore, if they were settled immediately, would represent claims on counterparties). The gross negative market value is the sum of the values of all contracts that have a negative value on the reporting date (ie those that are in a current loss position and therefore, if they were settled immediately, would represent liabilities of the dealer to its counterparties). The term "gross" indicates that contracts with positive and negative replacement values with the same counterparty are not netted. Nor are the sums of positive and negative contract values within a market risk category such as foreign exchange contracts, interest rate contracts, equities and commodities set off against one another. Gross market values supply information about the potential scale of market risk in derivatives transactions and of the associated financial risk transfer taking place. Furthermore, gross market value at current market prices provides a measure of economic significance that is readily comparable across markets and products.

H

[back to index](#)

hedge fund	Unregulated investment fund and various types of money managers, including commodity trading advisers (CTAs), which share (a combination of) the following characteristics: they often follow a relatively broad range of investment strategies that are not subject to borrowing and leverage restrictions, with many of them using high levels of leverage; they often have a different regulatory mandate than “institutional investors” and typically cater to sophisticated investors such as high net worth individuals or institutions; and they often hold long and short positions in various markets, asset classes and instruments, with frequent use of derivatives for speculative purposes.
Herfindahl index	Measure of market concentration, defined as the sum of the squared market shares of each individual entity. The index ranges from 0 to 10,000. If only one entity dominates the market, the measure will have the (maximum) value of 10,000.
high-frequency trading (HFT)	An algorithmic trading strategy that profits from incremental price movements, with frequent, small trades executed in milliseconds for very short investment horizons. HFT is a subset of algorithmic trading. See also “ algorithmic trading ”. (BIS lexicon)

I

[back to index](#)

index product	Multi-name CDS contract with constituent reference credits and a fixed coupon that is determined by an administrator such as Markit (which administers the CDX and iTraxx indices). Index products include tranches of CDS indices.
institutional investor	“Real money” investor such as a mutual fund, pension fund, insurance and reinsurance company, and endowment.
interest rate option	Contract that bestows the holder the right (but not the obligation) to pay or receive an agreed interest rate on a predetermined principal during a specified period.
interest rate swap	Agreement to exchange periodic payments related to interest rates on a single currency; can be fixed for floating, or floating for floating based on different indices. This group includes those swaps whose notional principal is amortised according to a fixed schedule independent of interest rates.
inter-office	See “ intragroup ”.
intragroup	Business between affiliates of the same corporate group. See also “ own office ”.

L

[back to index](#)

long-term	Having a maturity greater than one year.
------------------	--

M

[back to index](#)

master netting agreement	An agreement that permits netting of amounts owed under transactions governed by different agreements, often including one or more ISDA Master Agreements. Master netting agreements take different forms and may permit netting of payments to be made under a variety of master or other trading agreements between the same parties and often between their affiliates that may have master or other trading agreements in place between one another.
multi-name CDS	CDS contract that references more than one name – for example, portfolio or basket CDS, or CDS index.

N

[back to index](#)

net market value	Similar to gross credit exposure, with the difference that netting is restricted to one type of derivative product instead of across all products. In the OTC derivatives statistics, net market values are reported for CDS only.
netting agreement	See “ master netting agreement ”.
non-financial customer	See “ non-financial sector ”.
non-financial sector	Sectoral classification that refers collectively to non-financial corporations, general

	government and households.
notional amount outstanding	Gross nominal or notional value of all derivatives contracts concluded and not yet settled on the reporting date.
novation	Process in which a bilateral derivatives contract between two market participants is replaced by two bilateral contracts between each of the market participants and a CCP.
O back to index	
official financial institutions	Sectoral classification that refers collectively to central banks, sovereign wealth funds, international organisations, development banks and other public financial agencies.
original maturity	Period from issue until the final contractually scheduled payment.
outright forward	See " forward contract ".
own office	Entity owned or otherwise controlled by a banking group, including head office, branch office or subsidiary.
P back to index	
position	Asset or liability.
proprietary trading	When a financial institution trades for direct gain instead of commission. Essentially, the institution has decided to profit from the market rather than from commissions from processing trades.
proprietary trading firm (PTF)	Entity that engages mainly in proprietary trading. PTFs include high-frequency trading firms.
R back to index	
remaining maturity	Period from the reference date until the final contractually scheduled payment.
reporting country	See " BIS reporting country ".
reporting dealer	Financial institution that participates in the compilation of the OTC derivatives statistics or the Triennial Central Bank Survey. See also " BIS reporting institution ".
retail-driven transactions	Transactions with financial institutions that cater to retail investors – for example, electronic retail trading platforms and retail margin brokerage firms. Retail-driven transactions also include reporting dealers' direct transactions with "non-wholesale" investors (ie private individuals) executed online or by other means (eg phone).
S back to index	
single-name CDS	Credit derivative where the reference entity is a single name.
special purpose entity (SPE)	Entity established for the sole purpose of carrying out a single transaction, such as in the context of asset securitisation through the issuance of asset-backed and mortgage-backed securities. Also referred to as a special purpose corporation (SPC) or special purpose vehicle (SPV).
spot transaction	Outright transaction involving the exchange of two currencies at a rate agreed on the date of the contract for value or delivery (cash settlement) in two business days or less.
stock	See " amount outstanding ".
swap	Financial derivative in which two parties agree to exchange payment streams based on a specified notional amount for a specified period.