

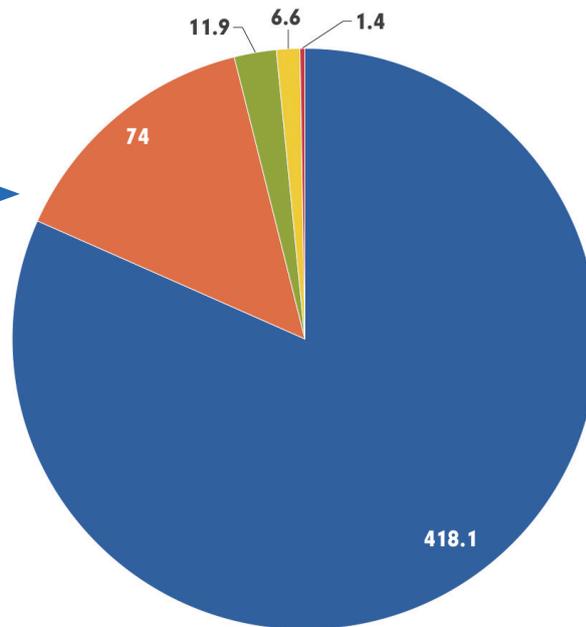
DERIVATIVES – FACTS AND FIGURES

*Total derivatives notional outstanding
= \$544 trillion at end-June 2016*

Derivatives Market by Asset Class (\$ Trillion)

- Interest rate derivatives (IRD)
- FX derivatives
- Credit derivatives
- Equity derivatives
- Commodity derivatives

Source: Bank for International Settlements
semiannual survey June 2016



June 2016

Notional outstanding:
\$544 trillion ↓
Gross market value:
\$20.7 trillion ↓
After netting:
\$3.7 trillion

December 2015

Notional outstanding:
\$492.7 trillion ↓
Gross market value:
\$14.5 trillion ↓
After netting:
\$2.9 trillion

June 2015

Notional outstanding:
\$551.5 trillion ↓
Gross market value:
\$15.5 trillion ↓
After netting:
\$2.9 trillion

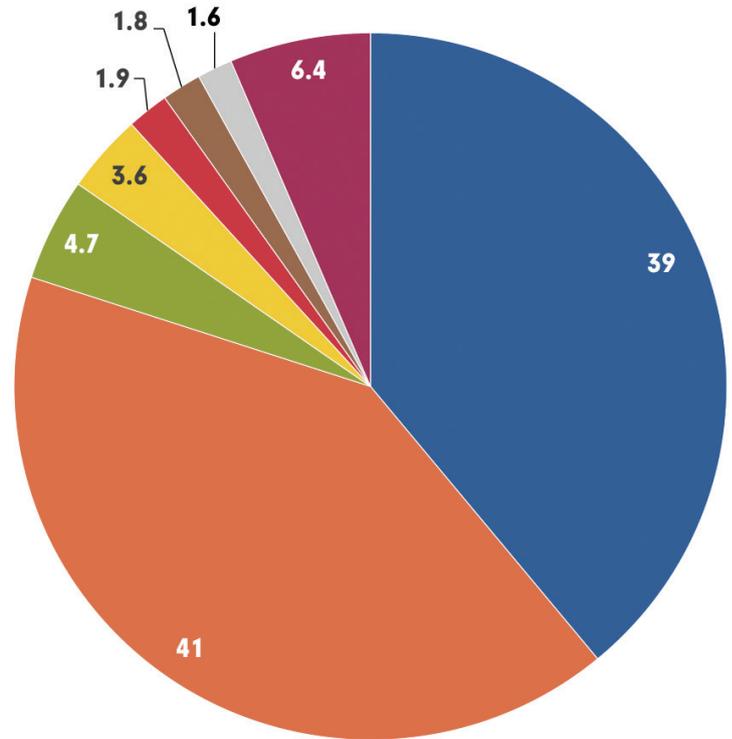
What is Notional Outstanding?

- Notional outstanding is a reference point for the calculation of contractual payments. It doesn't represent the amounts that are actually paid from one party to another, and it doesn't reflect the losses that would occur if all outstanding derivatives are terminated.
- A more appropriate measure for assessing risk is gross market value, defined as the maximum loss that parties would incur if they all fail to meet their contractual payments and the contracts are replaced at current market prices. This is about 3%-4% of notional outstanding.
- This risk can be reduced by netting, which allows two parties to consolidate offsetting payments under various derivatives into a single net payment from one to the other. Exposure after netting is less than 1% of total notional outstanding.
- Taking the collateral that parties have posted to each other into account would reduce that exposure even further. Regulatory requirements are now in place requiring the posting of collateral on derivatives trades.

IRD Turnover – Geographical Distribution (%)



Source: Bank for International Settlements triennial survey 2016



Trading Activity

\$787.6 billion

Average daily IRD notional trading volume in Q1 2017¹

4,718

Average number of IRD trades per day in Q1 2017

\$27.3 billion

Average daily CDS index notional trading volume in Q1 2017

842

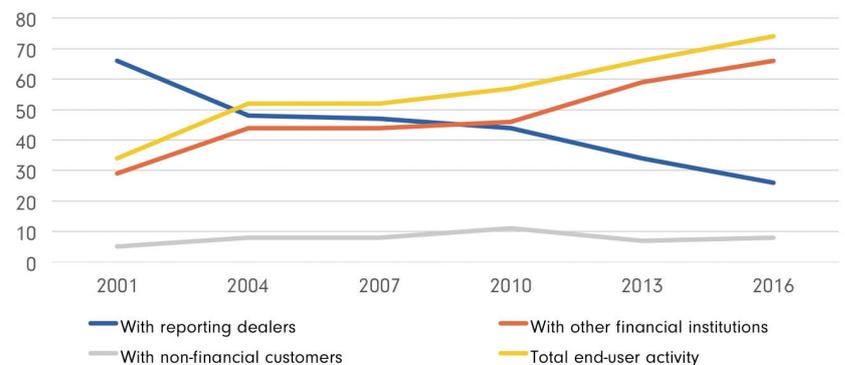
Average number of CDS index trades per day in Q1 2017

¹ As reported to US swap data repositories and compiled by ISDA SwapsInfo.org

Derivatives Users

74% Nearly three-quarters of IRD market turnover involves an end user on one side and a reporting dealer on the other

Percentage of market turnover by counterparty type



Source: Bank for International Settlements triennial survey 2016

End users include non-financial corporates, pension funds, regional banks, insurance companies, mortgage providers, government agencies and asset managers that use derivatives to hedge risk and create greater certainty in their financial outlook