



# NEWS RELEASE

Comptroller of the Currency  
Administrator of National Banks

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## **OCC Reports Trading Revenues Remain Consistent As Derivatives Volume Reaches Record Level**

WASHINGTON -- U.S. commercial banks earned \$2.7 billion from trading activities during the fourth quarter 2000, off slightly from the revenue earned a quarter earlier. Trading revenue is earned from cash instruments and off-balance sheet derivative instruments.

“Bank trading revenues for this quarter remained steady while market volatility increased compared to recent quarters,” said Mike Brosnan, OCC Deputy Comptroller for Risk Evaluation. “The revenue results of the past few quarters have been more normal compared to the outsized performance in the first quarter of 2000 which was heavily influenced by pent-up debt, equity and derivative market activity on the heels of Y2K.”

In its *Bank Derivatives Report, Fourth Quarter 2000*, the Office of the Comptroller of the Currency reported that the notional amount of derivatives reported by commercial banks increased during the quarter by over \$2 trillion, or six percent, to \$40.5 trillion. The biggest category of derivative contracts continues to be interest rate contracts, which increased over \$2 trillion, totaling \$32.9 trillion.

“The sudden decline in interest rates during the fourth quarter was a key contributor to the sharp growth in derivative contracts,” said Mr. Brosnan. “In such environments, customers of dealer banks are more inclined to use derivative contracts as they manage their financial positions - particularly in reducing their firm’s risk to uncertain markets.”

The top seven commercial banks engaged in trading account for 96 percent of the total notional amount of derivatives in the commercial banking system, with more than 99 percent held by the top 25 banks. Mr. Brosnan stated that “derivatives activities have become increasingly concentrated due to large bank mergers with the top 5 banks comprising 92.9% of total volumes today compared to 73.6% for the top 5 banks in 1995.”

Credit derivatives continued to grow in the fourth quarter by \$47 billion to \$426 billion. That was the eighth consecutive quarter that the notional volume of credit derivatives rose. The notional volume of foreign exchange derivatives rose by \$66 billion to \$6.1 trillion, and equity, commodity and other contracts increased by \$59 billion to \$1.1 trillion.

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The OCC fourth quarter derivatives report also noted that:

- While revenue from interest rate trading activity decreased 7 percent to \$1 billion, revenue from foreign exchange trading grew 16 percent to \$1.3 billion.
- Notional amounts for interest rate contracts with maturities of one to five years grew in the fourth quarter by \$603 billion to \$10.8 trillion. Short-term (less than one year) interest rate contract notional volumes decreased by \$106 billion to \$14.3 trillion. Long-term contracts (maturity of five years or more) increased from the third quarter by \$557 billion to \$6.3 trillion.

A copy of *OCC Bank Derivatives Report: Fourth Quarter 2000* is available on the OCC Web site: [www.occ.treas.gov](http://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.