

**ENNs for Credit Markets**  
**Update as of December 14, 2018**

by

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The tables below provide an update on the notional and entity-netted notional (ENN) size of the CDS market, including both index and single-name products. Entity-netted notionals for the FX and credit asset classes were introduced in a paper published in February 2019.<sup>2</sup> ENNs aim to provide a measure for the amount of risk transfer in credit swaps and represent risk-adjusted swap risk netted within a counterparty pair and reference entity.<sup>3</sup> The tables below represent aggregated credit swap position data as of December 14, 2018 sourced from DTCC's Trade Information Warehouse. The tables provide breakdowns of swap notionals and ENNs by participant type and by product type.

Compared to the prior report, total credit swap notional grew by just over 10% while total ENNs increased by just over 30%. The larger increase in ENNs during the periods was in part driven by an increase in average swap tenor (the September report just preceded the semi-annual credit roll) as well as a general increase in credit spreads. Clearing rates fell slightly since the September report, with clearing frequencies around 42% when measured by notional or by ENNs. Clearing tends to be more common for high credit quality instruments, with an average of 45% of investment grade ENNs cleared, versus around a 40% clearing rate for high yield ENNs.

**Table 1: Notional Amounts and ENNs by Sector (\$ Trillions)**

<b>Sector</b>	<b>Short</b>	<b>Long</b>	<b>Risk Adjusted Short</b>	<b>Risk Adjusted Long</b>		
SwapDealer	4,500	4,476	3,411	3,422	1,415	1,426
Bank	305	388	238	319	105	186
Other	1,087	1,144	1,097	1,148	901	952
<b>Total CCP Adj</b>	<b>6,070</b>	<b>6,070</b>	<b>4,978</b>	<b>4,978</b>	<b>2,653</b>	<b>2,653</b>

**Table 2: Clearing Frequencies by Sector**

<b>Sector</b>	<b>Short</b>	<b>Long</b>	<b>Risk Adjusted Short</b>	<b>Risk Adjusted Long</b>	<b>ENNs Short</b>	<b>ENNs Long</b>
SwapDealer	42%	44%	45%	49%	27%	36%
Bank	29%	25%	37%	35%	37%	34%
Other	36%	34%	49%	45%	52%	47%
<b>All Sector</b>	<b>42%</b>	<b>42%</b>	<b>48%</b>	<b>48%</b>	<b>42%</b>	<b>42%</b>

<sup>1</sup> Office of the Chief Economist, Commodity Futures Trading Commission. While this paper was produced in the authors' official capacity, the analyses and conclusions expressed here are those of the authors and do not necessarily reflect the views of other Commission staff, the Office of the Chief Economist, or the Commission.

<sup>2</sup> The link to the original paper on FX and credit ENNs can be found [here](#).

<sup>3</sup> Risk-adjustments are made relative to a 5-year benchmark CDS contract with a flat 100 bps spread.

**Table 3: Notional Amounts by Product Type (\$ Trillions)**

Type	Short	Long	Risk Adjusted Short	Risk Adjusted Long	ENNs Short	ENNs Long
HY	1,119	1,119	1,857	1,857	1,142	1,142
IG	3,783	3,783	2,014	2,014	1,030	1,030
SH	31	31	130	130	71	71
SI	1,137	1,137	978	978	409	409
Total CCP Adj	<b>6,070</b>	<b>6,069</b>	<b>4,978</b>	<b>4,978</b>	<b>2,653</b>	<b>2,653</b>

**Table 4: Clearing Frequencies by Product Type**

Type	Short	Long	Risk Adjusted Short	Risk Adjusted Long	ENNs Short	ENNs Long
HY	37%	38%	44%	46%	39%	41%
IG	44%	45%	54%	56%	42%	48%
SH	29%	31%	30%	33%	17%	23%
SI	31%	31%	34%	34%	21%	21%
All Credit	<b>42%</b>	<b>42%</b>	<b>48%</b>	<b>48%</b>	<b>42%</b>	<b>42%</b>