

Introducing ENNs: A Measure of the Size of Interest Rate Swap Markets Update as of June 14, 2019

by

Lee Baker, Richard Haynes, John Roberts, Rajiv Sharma, Bruce Tuckman and Nicholas Warren¹

June 2019

The tables below provide an update on the notional and entity-netted notional (ENN) size of the CFTC-regulated interest rate market. Entity-netted notionals were introduced in a paper published in the beginning of 2018; ENNs aim to provide a measure for the amount of risk transfer in rate swaps that is comparable to measures used for other interest rate markets.² The tables below represent aggregated interest rate swap position data as of June 14, 2019. We continue to make adjustments to these tables; in the June update, we have made a slight change to the sector classification. In prior reports, we had a category for “non-financial corporate” entities and “other” corporate entities. In this report, we have renamed the “non-financial corporate” category to the more general “Nonfinancials.” In addition, we have expanded the “other” category to encompass all financial entities that do not fall into the other buckets (e.g. financing arms of corporate entities, investment banks, etc). This has moved a non-negligible swap notional from the prior “Bank” category to the “Other Financials” category.

Positions by notional generally increased in the three month period since the March report. Compared to the prior release, total interest rate swap notional increased by around 8%. However, during this period total ENNs levels were relatively unchanged, with most of the notional increase in shorter-dated products like OIS. Clearing rates, as measured by ENNs or by notional, remained relatively flat.

¹ 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.

² The link to the original paper can be found [here](#). An update as of September 2018 can be found [here](#).

Table 1 (updates original Table 2): Notional Amounts and ENNs by Sector (\$ Trillions)

(1)	<u>Notional Amounts</u>		<u>Notional Amounts in 5-Year Equivalents</u>				(8)
	(2)	(3)	(4)	(5)	(6)	(7)	
<u>Sector</u>	<u>Long</u>	<u>Short</u>	<u>Long</u>	<u>Short</u>	<u>ENNs Long</u>	<u>ENNs Short</u>	<u>ENNs Net</u>
Swap Dealer	191.4	190.5	91.0	89.1	8.8	6.9	1.9
Bank	15.3	16.0	10.6	11.9	1.1	2.4	-1.3
Hedge Fund	26.9	25.9	7.0	7.2	0.8	1.1	-0.2
Asset Manager	3.4	3.6	2.1	2.7	0.7	1.3	-0.6
Insurance	1.0	0.9	1.9	1.3	0.8	0.2	0.6
Pension	1.9	1.8	2.4	1.8	0.9	0.3	0.5
Other Financial	6.7	6.8	4.5	4.2	0.8	0.4	0.3
Gov't/Quasi-Gov't	1.3	1.3	0.8	1.2	0.2	0.6	-0.4
Nonfinancial	0.4	1.5	0.3	0.9	0.2	0.9	-0.7
Unclassified	0.3	0.6	0.2	0.4	0.1	0.3	-0.2
CCP Adj	0.4	0.1	0.1	0.1	0.1	0.1	-0.1
Total	249.1	249.1	120.9	120.9	14.5	14.5	0.0

Table 2 (updates original Table 4): Notional Amounts and ENNs by product type (\$ Trillions)³

<u>Product</u>	<u>Notional Amounts</u>		<u>Notional Amounts in 5-Year Equivalents</u>	
	<u>Long</u>	<u>Short</u>	<u>Long</u>	<u>ENNs Long</u>
Fixed-for-Floating Swaps	125.7		104.2	12.5
FRAs	48.1		2.0	0.2
OIS	50.3		7.4	0.9
Swaptions	16.7		7.1	0.8
Cap/Floor	7.9		0.1	0.0
CCP Adj	0.4		0.1	0.1
Total	249.1		120.9	14.5

Table 3 (updates original Table 5): Notional Amounts and ENNs by currency (\$ Trillions)

³ Product-level ENNs in this table simply allocate total ENNs in the same proportions as the distribution of product-level notional amounts.

Notional 5-Year Equivalent

Currency	Notional	Risk Adjusted	ENNs
USD	105.0	44.0	6.8
EUR	66.7	44.2	4.3
GBP	22.6	11.4	1.3
AUD	15.2	2.9	0.2
JPY	8.2	6.4	0.6
CAD	6.8	2.8	0.2
Other	24.6	9.2	1.1
Total	249.1	120.9	14.5

Table 4 (updates original Table 6): Clearing percentages by sector (\$ Trillions), including clearing ratios

Sector	<u>Notional Amounts</u>				<u>Notional Amounts in 5-Year Equivalents</u>			
	<u>Long</u>	<u>Cleared %</u>	<u>Short</u>	<u>Cleared %</u>	<u>ENNs Long</u>	<u>Cleared %</u>	<u>ENNs Short</u>	<u>Cleared %</u>
Swap Dealer	191.4	86	190.5	86	8.8	42	6.9	27
Bank	15.3	91	16.0	92	1.1	56	2.4	75
Hedge Fund	26.9	83	25.9	87	0.8	45	1.1	71
Asset Manager	3.4	80	3.6	81	0.7	74	1.3	83
Insurance	1.0	61	0.9	61	0.8	60	0.2	46
Pension	1.9	66	1.8	73	0.9	42	0.3	56
Other Financial	6.7	89	6.8	88	0.8	46	0.4	50
Gov't/Quasi-Gov't	1.3	56	1.3	69	0.2	19	0.6	56
Nonfinancial	0.4	4	1.5	3	0.2	2	0.9	2
Unclassified	0.3	72	0.6	46	0.1	48	0.3	25
CCP Adj	0.4		0.1		0.1		0.1	
Total	249.1	85	249.1	85	14.5	45	14.5	45

Figure 1: Histogram of Swap Dealer ENNs

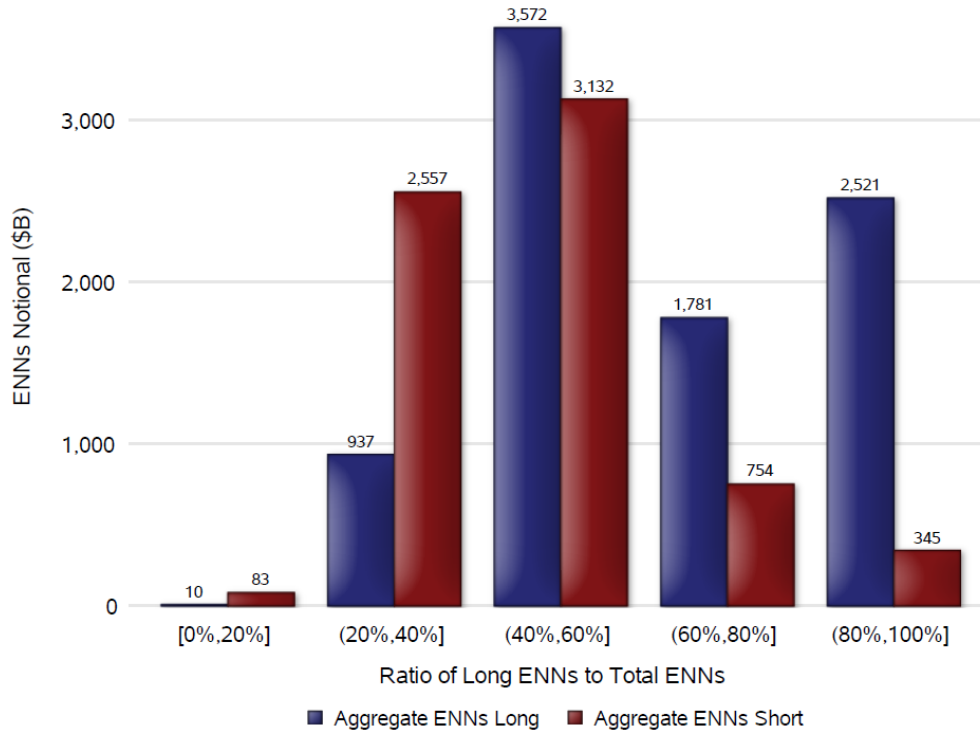


Figure 2: Histogram of Bank ENNs

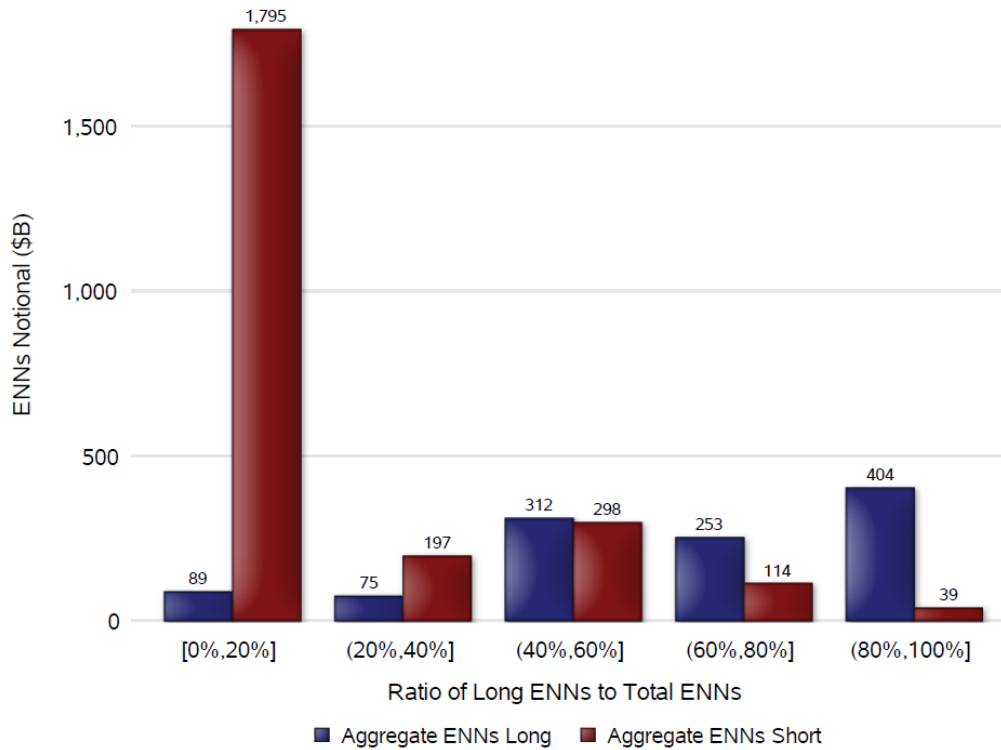


Figure 3: Histogram of Asset Manager ENNs

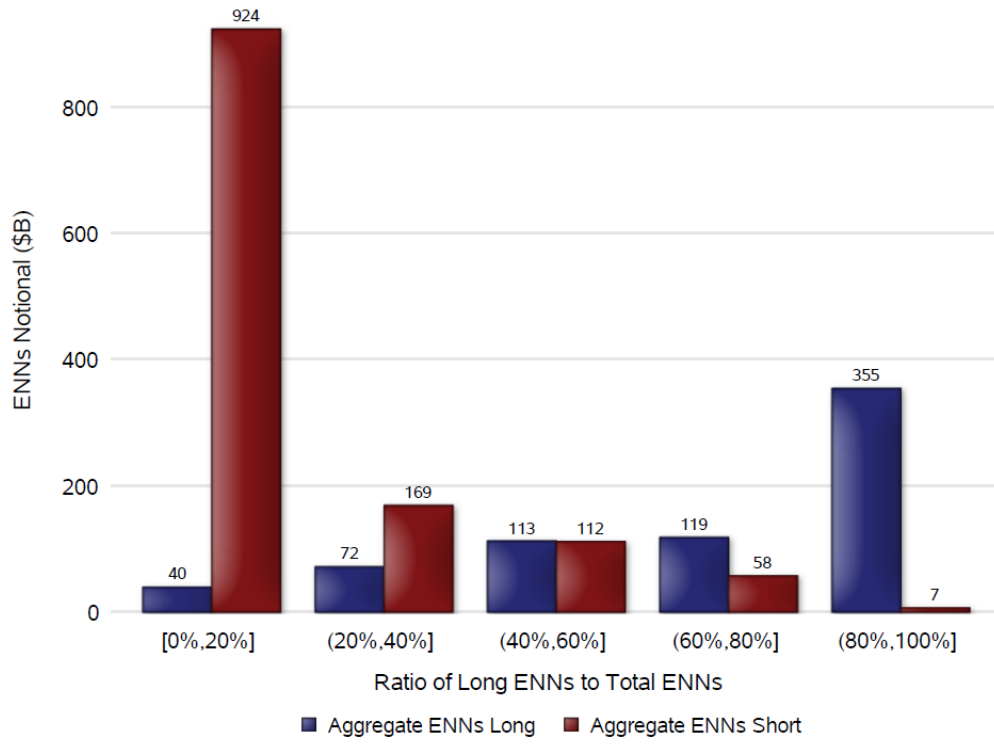


Figure 4: Histogram of Hedge Fund ENNs

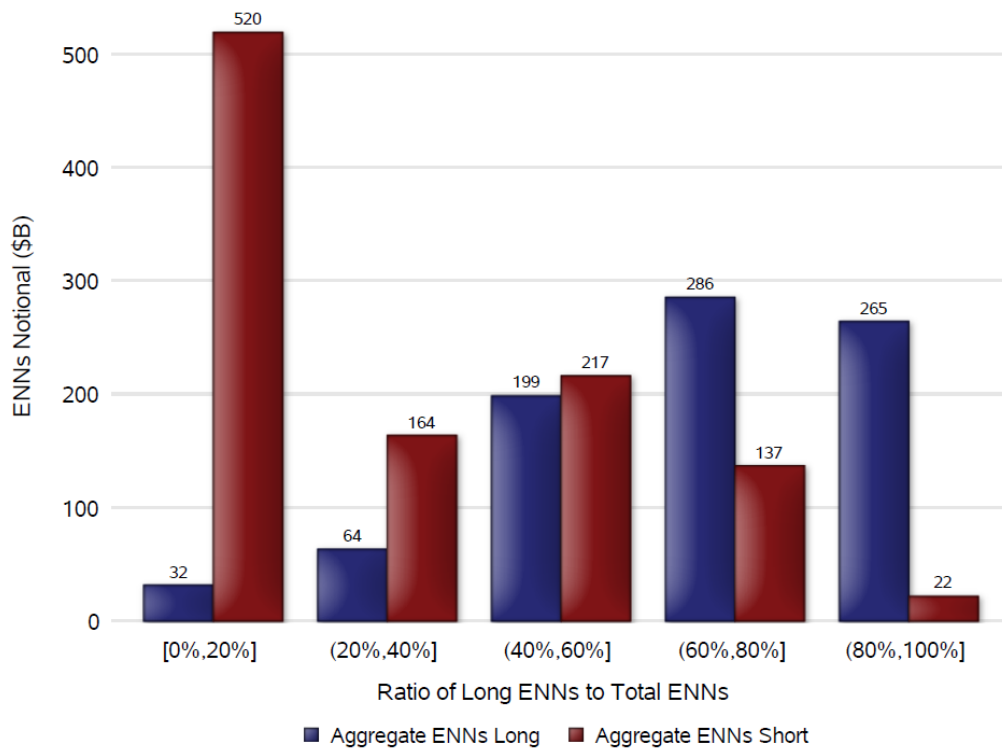


Figure 5: Histogram of Pension Fund ENNs

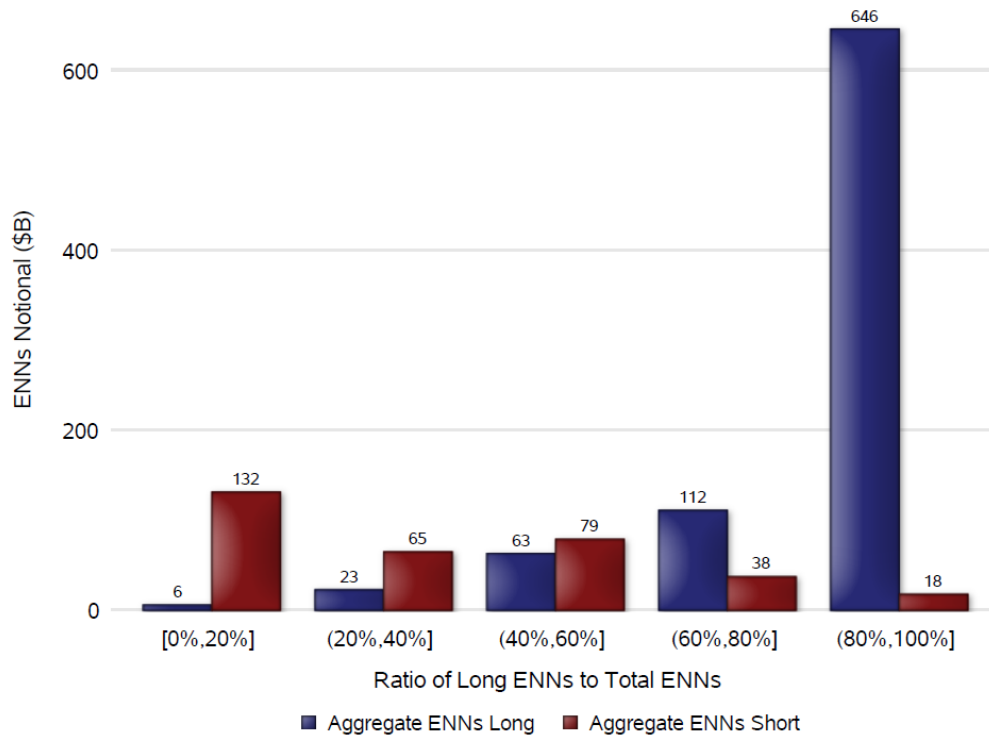


Figure 6: Histogram of Insurance Company ENNs

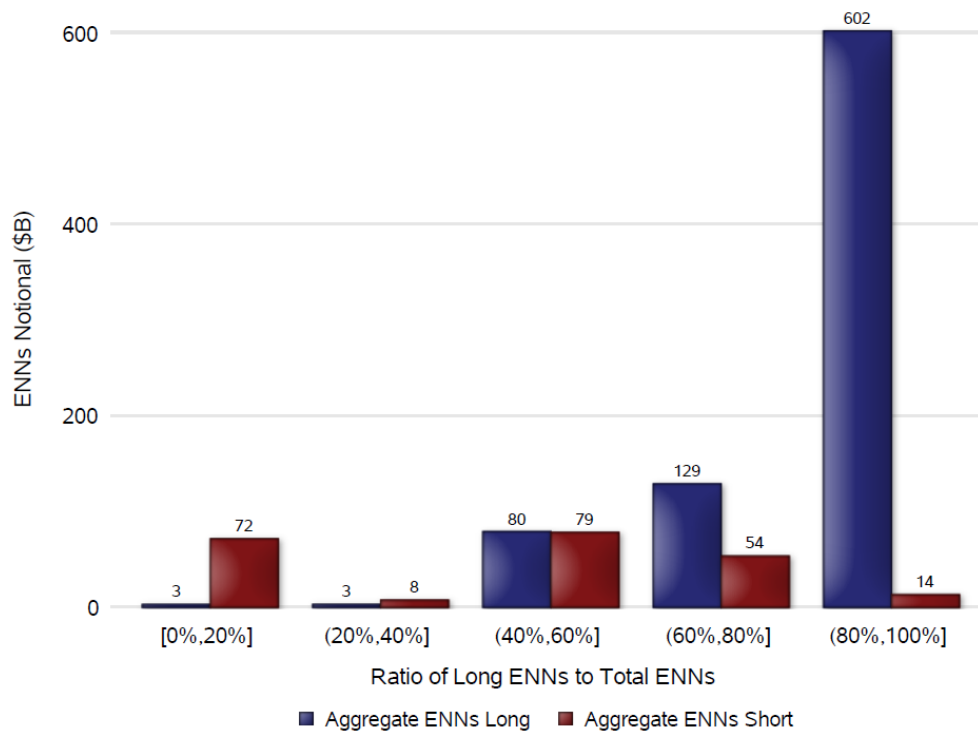


Figure 7: Histogram of Non-Financial Corporate ENNs

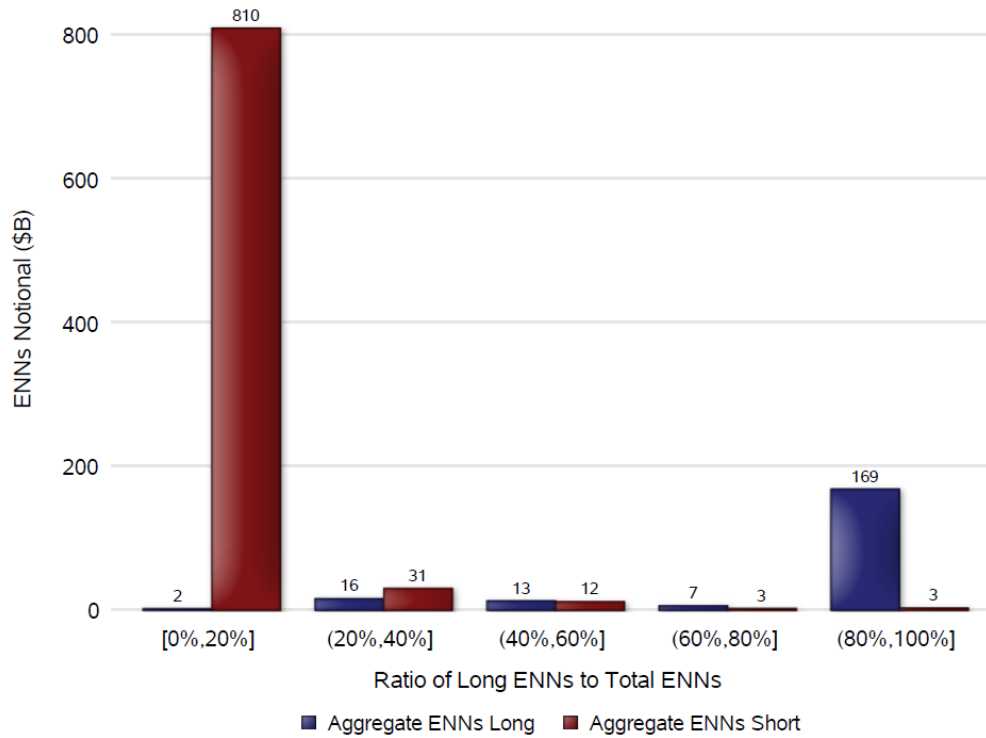


Figure 8: Histogram of Gov't/Quasi-Gov't ENNs

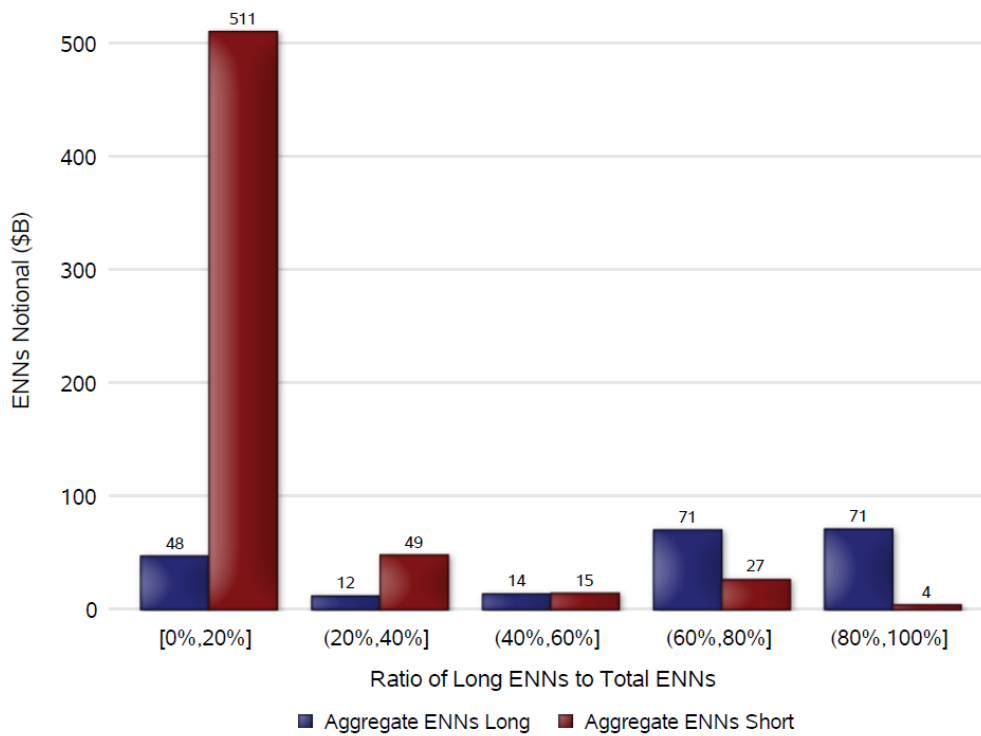


Figure 9: Histogram of Other Financials ENNs

