

# ENNs for FX Markets

## Update as of December 13, 2019

by

Richard Haynes, Rajiv Sharma, and Bruce Tuckman<sup>1</sup>

January 2020

The tables below provide an update on the notional and entity-netted notional (ENN) size of the CFTC-regulated FX market. 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 FX swaps; FX ENNs are defined as risk-adjusted exposures netted within a counterparty and currency pair.<sup>3</sup> The tables below represent aggregated FX swap position data as of December 13, 2019 and are sourced from reports provided by registered Swap Data Repositories.

Compared to the prior report, notional and risk-adjusted notional values fell, while ENNs rose quarter-on-quarter. Clearing rates continue to remain relatively stable, at around 2 percent for the asset class as a whole, and led by NDFs with a current clearing rate of just under 22 percent.

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

<b>Sector</b>	<b>Notional</b>	<b><u>Delta-Adjusted</u> Notional</b>	<b><u>Doubled-ENNs</u></b>	<b><u>ENNs (%)</u></b>
SWAPDEALER	85.3	79.1	23.0	66.6%
ASSET MANAGER	5.6	5.4	3.0	8.6%
BANK	4.6	4.5	1.6	4.7%
HEDGE FUND	8.1	7.4	1.7	5.1%
NON-FINANCIAL	2.7	2.6	1.7	4.9%
PENSION	1.3	1.3	0.8	2.3%
OTHER FINANCIAL	1.5	1.4	0.7	1.9%
GOVT/QUASI-GOVT	0.9	0.9	0.5	1.6%
INSURANCE	0.8	0.7	0.5	1.4%
UNCLASSIFIED	1.8	1.7	1.0	3.0%
<b>Total</b>	<b>112.7</b>	<b>105.0</b>	<b>34.5</b>	
<b>½ Notionals ; ENNs</b>	<b>56.4</b>	<b>52.5</b>	<b>17.2</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> Unlike the rates and credit asset classes, FX ENNs calculations do not include a duration adjustment. Instead, risk-adjustments are restricted to just delta-adjustments for FX options. Tables include a "doubled-ENNs" column to highlight that both legs of the FX swap (and thus two distinct currencies) are included in all calculations.

**Table 2: Notional Amounts and ENNs by currency region (\$ Trillions)**

<u>Region</u>	<u>Currency</u>	<u>Notional</u>	<u>Doubled ENNs</u>	<u>ENNs (%)</u>
American/ Caribbean	USD	52.3	13.6	39.6%
	CAD	3.0	1.2	3.4%
	BRL	0.8	0.2	0.6%
	Other	2.6	0.6	1.8%
Europe	EUR	15.2	5.1	14.9%
	GBP	7.2	2.6	7.5%
	CHF	2.1	0.7	2.1%
	Other	2.7	1.0	2.9%
Asia / Pacific	JPY	12.0	5.2	15.0%
	AUD	3.6	1.1	3.3%
	CNY	1.9	0.4	1.2%
	KRW	1.7	0.6	1.8%
	HKD	1.3	0.3	0.8%
	Other	4.6	1.3	3.8%
Other		1.6	0.5	1.4%
Total		112.7	34.5	
<b>½ Notionals ; ENNs</b>		<b>56.4</b>	<b>17.2</b>	

**Table 3: Notional Amounts by sector and product type (\$ Trillions)**

<u>Sector</u>	<u>Swaps and Forwards</u>	<u>NDFs</u>	<u>Cross-Currency</u>	<u>Options</u>	<u>Total</u>
SWAPDEALER	49.6	7.2	19.9	8.6	85.3
ASSET MANAGER	4.5	0.6	0.2	0.5	5.6
BANK	2.9	0.3	1.1	0.3	4.5
HEDGE FUND	5.7	0.8	0.8	1.0	8.3
NON-FINANCIAL	1.7	0.5	0.4	0.2	2.7
PENSION	1.1	0.1	0.1	0.1	1.3
OTHER FINANCIAL	0.8	0.2	0.3	0.2	1.5
GOVT/QUASI-GOVT	0.6	0.1	0.3	0.0	0.9
INSURANCE	0.5	0.0	0.2	0.1	0.8
UNCLASSIFIED	1.5	0.1	0.1	0.1	1.8
Total	67.8	9.8	23.2	11.0	112.7
½ Notionals					56.4
% Cleared	0.1%	21.9%	0.4%	0.0%	2.0%