

**ENNs for Credit Markets
Update as of March 15, 2019**

by

Richard Haynes, Madison Lau, John Roberts and Bruce Tuckman¹

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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 2019.² 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.³ The tables below represent aggregated credit swap position data as of March 15, 2019 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 fell by just over 4% while total ENNs fell by around 20%. The larger decrease in ENNs during the periods was in part driven by a decrease in average swap tenor as well as a general decrease in credit spreads during the 3 month period. Clearing rates fell slightly since the September report, with clearing frequencies around 42% when measured by notional or 41% (slightly lower) by ENNs. Clearing tends to be more common for high credit quality instruments, with an average of 48% of investment grade ENNs cleared, versus around a 41% clearing rate for high yield ENNs.

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

Sector	Short	Long	Risk Adjusted Short	Risk Adjusted Long	ENNs Short	ENNs Long
SwapDealer	4.3	4.3	2.6	2.6	1.2	1.1
Bank	0.3	0.4	0.2	0.2	0.1	0.1
Other	1.1	1.2	0.9	0.9	0.7	0.8
Total CCP Adj	5.9	5.9	3.8	3.8	2.1	2.1

Table 2: Clearing Frequencies by Sector

Sector	Short	Long	Risk Adjusted Short	Risk Adjusted Long	ENNs Short	ENNs Long
SwapDealer	42%	45%	44%	46%	27%	33%
Bank	35%	23%	47%	30%	53%	24%
Other	38%	36%	48%	47%	51%	49%
All Sector	42%	42%	46%	46%	41%	41%

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 on FX and credit ENNs can be found [here](#).

³ 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	1.1	1.1	1.5	1.5	1.0	1.0
IG	3.7	3.7	1.4	1.4	0.7	0.7
SH	0.0	0.0	0.1	0.1	0.1	0.1
SI	1.1	1.1	0.8	0.8	0.3	0.3
All Credit	5.9	5.9	3.8	3.8	2.1	2.1

Table 4: Clearing Frequencies by Product Type

Type	Short	Long	Risk Adjusted Short	Risk Adjusted Long	ENNs Short	ENNs Long
HY	39%	39%	45%	45%	41%	41%
IG	46%	46%	56%	56%	48%	48%
SH	30%	30%	31%	31%	20%	20%
SI	32%	32%	34%	34%	25%	25%
All Credit	42%	42%	46%	46%	41%	41%