ESMA data analysis values EU derivatives market at €660 trillion with central clearing increasing significantly

The primary objective of this data analysis is to contribute to ESMA's risk assessment, to facilitate entity oversight by supervisory authorities, both national and European, and enhance supervisory convergence.

Steven Maijoor, Chair, said:
"The data gathered by ESMA as part of its EMIR responsibilities provides us with an unprecedented level of detail on derivatives transactions and exposures. In addition to allowing us to quantify the size of the market, at €660tn, it also allows us to observe that derivatives clearing rates are increasing significantly, showing that the EMIR clearing obligation works and is having the desired impact.
"ESMA's analysis of this data provides, for the first time, new information about this market which will facilitate oversight and enhance supervisory convergence, thereby contributing to orderly markets and financial stability in the EU."

Highlights

At the end of 2017, trade repositories reported a total of 74mn open transactions amounting to a gross notional outstanding of around EUR 660tn, including both over the counter (86% of the total) and exchange traded derivatives (14%).

In notional terms, interest rate derivatives dominate the market, with 69% of the total amount outstanding, followed by currency derivatives, at 12%, while all other asset classes i.e. equity, credit and commodity derivatives, account for less than 5% of the total amount outstanding.

Central clearing rates for new transactions have been increasing significantly, demonstrating the effectiveness of the EMIR clearing obligation. For all outstanding contracts in 4Q17, central clearing rates were around 27% (25% in 1Q17) for credit derivatives and 58% (40% in 1Q17) for interest rate derivatives, including also contracts concluded before the clearing obligation came into force.

The report includes three sections on:

— market monitoring providing an analysis of structures and trends in European derivatives markets during each reporting period, building on the indicators developed for risk monitoring;
— statistical methods dedicated to topical issues in developing and exploring derivatives data; and

— derivatives market statistics offering a full list of indicators and metrics currently monitored by ESMA.