

EU derivative clearing showed strong growth in 2019

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, today publishes its [third Annual Statistical Report](#) (Report) analysing the European Union's (EU) derivatives markets. It provides a comprehensive market-level view of the EU's derivatives markets in 2019, which had a total size of €681tn gross notional amount outstanding, a decrease of 5% on 2018. The Report is based on data submitted under the European Markets and Infrastructure Regulation (EMIR).

Steven Maijor, Chair, said:

"This year's EU derivatives report reflects the improving quality of data reported under EMIR to present a comprehensive picture of derivative markets. It shows in particular that the clearing obligation, which began in 2016, continued to reduce systemic and counterparty risk in 2019.

"The collection and analysis of this data helps ESMA meet its financial stability and orderly markets objectives, by contributing to our risk assessment capability, facilitating regulatory authorities' oversight and enhancing supervisory convergence across the EU."

Highlights

- The reduction in the total market size during 2019 was driven mainly by currency and equity derivatives, which fell by 15% and 35% respectively. Interest rate derivatives grew in the first half of the year, but later fell back and finished unchanged over the year;
- OTC trading still accounts for the majority of the trading with the share growing to 92% from 90%. The total share executed on trading venues (which includes some OTC trading) fell from 17% to 15%, driven by a fall in exchanged-traded derivatives;
- Exposures continue to be highly concentrated in relatively few counterparties, particularly investment firms, credit institutions and CCPs. In all markets, a few large counterparties are widely connected to other market participants; and
- The UK remains the dominant market for transactions within the EEA as well as with third countries. There were some signs of UK-US exposures growing slightly, while UK-EEA exposures fell.

EMIR data continues to improve. In this year's report, the removal of an over-reporting counterparty improved data for both 2018 and 2019, enabling a refinement of 2018's statistics.

The report also includes an analysis of a specific derivatives market, credit default swaps (CDS), presenting market structure and trends statistics for 2019 and some CDS-specific indicators. A second article analyses the initial

margins collected by CCPs, by asset, levels of concentration, and explores systemic risk.

ESMA will continue to report on its analysis on an annual basis.