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US Swaps Clearing League Tables: Who's Big and Who's Bigger?

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A reduction in systemic risk is one great benefit of global financial reform; another is the increasing volume of data made available to market participants and observers. Even still, finding and deciphering that public data is often easier said then done. FCM interactions with institutional clients in the cleared swaps market is a perfect example. While the National Futures Association (NFA) provides frequently updated data on cleared swaps customer collateral value held in segregation accounts per FCM, digging that data out of their web tool is a little harder than it probably should be. Nevertheless, we've done the dirty work and the results as of September 30, 2014 are listed below.

A few things to keep in mind when using customer collateral numbers as a proxy for market share. First, the client mix of the given FCM plays a big part in the amount of initial margin they are holding. A long list of clients with directional bets (or hedges) on interest rate moves will result in a much higher initial margin requirement than an FCM whose clients are more diverse. A hedge fund client who trades heavily but maintains a duration near zero will not have to post very much initial margin, for example.

That leads us to the second point - duration. Longer dated swaps have much higher initial margin requirements than shorter duration swaps. So a client book big on 30 year US dollar swaps would generate a much higher collateral value held in segregation than a portfolio full of 2 year swaps. That said, the notional size of the former will generally be smaller than the notional size of the latter which in some cases could equalize the margin requirement gap - which brings us to the third point.

While FCMs are making some of their money via a running IM charge, the majority of a swap FCMs revenue comes in the form of ticket charges. This means its more important from a profitability standpoint to have high turn-over clients as opposed to clients trading a limited number of very large tickets. The data as listed below does not give us insight into the total number of tickets processed (and hence commission revenue collected) from clearing those trades.

With all of that said, we will leave you with the NFA's data and leave you to draw your own conclusions.

FCM	Cleared Swaps Customer Collateral Value Required to be Held in Segregation
Credit Suisse	$8,353,094,720
Barclays	$6,091,781,899
Citi	$5,628,445,001
Morgan Stanley	$5,113,426,671
J.P.Morgan	$4,133,206,554

Goldman Sachs	$2,486,463,223
Bank of America Merrill Lynch	$2,212,071,651
Deutsche Bank	$1,862,094,006
Wells Fargo	$1,649,938,046
UBS	$879,655,099
HSBC	$618,268,840
State Street	$487,896,651
BNP Paribas	$447,597,920
RBS	$25,323,805
Nomura Securities	$19,896,993

Source: National Futures Association; data as of September 30, 2014

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