



## Credit default swap statistics: gaps and possible scope for improvement

The financial crisis that began in August 2007 has revealed important gaps in statistics on credit risk transfer (CRT) instruments. In particular, comprehensive and timely information on structural changes in global credit default swap (CDS) markets and on the transfer and ultimate distribution of credit risk has been insufficient.

Survey data provided by the BIS and International Swaps and Derivatives Association (ISDA) have often been used to gauge the size and growth of global CDS markets over the past few years. Table 1 provides a summary of available CDS statistics in the BIS. Since November 2008, the Depository Trust & Clearing Corporation (DTCC) has started to publish its Trade Information Warehouse data as part of an initiative to increase market transparency.

Table 1

### Current regular OTC derivatives statistics – CDS Information collected biannually from all reporters

	By rating category	By residual maturity	By sector	Market values
<b>Single-name instruments</b>	<b>yes</b>	<b>yes</b>	<b>yes</b>	<b>yes</b>
With reporting dealers	(investment grade, BB and below, non-rated)	(one year or less, over one year up to five years, over five years)	(sovereigns, non-sovereigns)	(gross positive and negative market values)
With other financial institutions				
Banks and securities firms				
Insurance firms (incl pension funds), reinsurance firms and financial guaranty firms				
Other				
With non-financial customers				
<b>Multi-name instruments</b>	<b>no</b>	<b>yes</b>	<b>no</b>	<b>yes</b>
(counterparty breakdown as above)				
<b>All contracts</b>	<b>no</b>	<b>yes</b>	<b>no</b>	<b>yes</b>
(counterparty breakdown as above)				

A consistent and broad coverage of CDS markets is essential to understand the structural changes in global CRT markets. In this context, the BIS has been working with DTCC and ISDA to examine how best to provide a more consistent measure of global CDS market size.

To monitor market developments also requires a broader instrument coverage. For example, index CDS products and CDS on asset-backed securities have been two market segments that have grown considerably over the past few years. Yet, information on the activity in these two is relatively limited.

In addition, more detailed information on the counterparties of reporting banks would be useful to help gauge sectoral risk position. In particular, collecting information on exposures to insurance companies and hedge funds on a more consistent basis could improve the information content of the current statistics. Similarly, more information on the risk transfer among large financial centres or regions will be needed to measure risk being transferred between geographical areas.



In view of the statistical gaps, the Committee of the Global Financial System decided in November 2008 to establish a Working Group to review the OTC credit risk transfer statistics collected under its auspices. The Working Group conducted consultations with users and reporters on some proposed extensions to the current reporting exercise. The final report of the Working Group, which include a number of recommendations, will be published later this year.