

Title: What do we know about trade compression of swaps

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I found the following in the Quarterly Report on Bank Trading and Derivatives Activities Third Quarter 2021

- > Notional amounts of banks' derivative contracts have generally declined since 2013 because of
- > trade compression efforts, leading to less need for risk management products. Trade compression
- >
- > continues to be a significant factor in reducing the amount of notional derivatives outstanding.
- > Trade compression aggregates a large number of swap contracts with similar factors, such as risk
- > or cash flows, into fewer trades. Compression removes economic redundancy in a derivative
- >
- > book and reduces operational risk and capital costs for large banks. Trade compression activities
- >
- > increased in the third quarter of 2021, as shown in figure 6.

What are the rules for compressing swaps trades, could they potentially use mechanisms to hide some of them?

<https://imgur.com/a/LnZgcor>