

Title: CITADEL ARE LEVERAGED TO THE TITS. \$900 BILLION NOTIONAL VALUES FROM THEIR DERIVATIVES, FROM \$65 BILLION BUY IN. God the fireworks are going to be spectacular. (explanations inside)

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Created 2022-06-22 21:11:45 UTC

Permalink: /r/TheGloryHodl/comments/vifmgi/citadel_are_leveraged_to_the_tits_900_billion/

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What Is Notional Value?

Notional value is a term often used to value the underlying asset in a derivatives trade. It can be the total value of a position, how much value a position controls, or an agreed-upon amount in a contract. This term is used when describing derivative contracts in the options, [futures](#), and [currency markets](#).

The **average net leverage of hedge funds is 0.59 and average long-only leverage is 1.36**. The raw volatilities of net leverage and long-only leverage are 0.28 and 0.38 respectively, which are significantly lower than the volatility of gross leverage.

The following table presents the average quarterly notional of the Company's derivative contracts by underlying risk exposure for the year ended December 31, 2021. The average quarterly notional amount provides an indication of the volume of the Company's derivative activity.

AVERAGE QUARTERLY NOTIONAL

<i>(\$ in millions)</i>	Derivative Assets	Derivative Liabilities
Gross derivative contracts		
Exchange-traded		
Equity contracts	442,033	\$ 459,310
Interest rate contracts	14,280	9,794
Commodity contracts	1,581	1,082
Foreign exchange contracts	248	182
Total Exchange-traded	458,142	470,369
Bilateral OTC		
Equity contracts	95	109
Foreign exchange contracts	15	32
Total Bilateral OTC	110	141
Total gross derivative contracts	\$ 458,252	\$ 470,510

The Company has concentration risk with respect to its derivative financial instruments. At December 31, 2021, BAML serves as clearing and prime broker for 95.65% of the Company's net derivative assets. See Note 8 for a discussion of credit risk and risk management.

The Company attempts to manage the risks associated with its derivative financial instruments along with its speculative investing activities in cash instruments as part of its overall risk management process (discussed in Note 8).

LIABILITIES AT FAIR VALUE AS OF DECEMBER 31, 2021

(\$ in millions)	Level 1	Level 2	Netting and Collateral	Total
Trading liabilities				
U.S. government securities	\$ 15,322	\$ 110	\$ —	\$ 15,432
Equity securities	13,983	4	—	13,987
Corporate debt securities	—	451	—	451
Non-U.S. government securities	1	18	—	19
U.S. agency securities	—	7	—	7
Non-U.S. agency securities	—	1	—	1
Total trading liabilities	29,306	591	—	29,897
Securities sold under agreements to repurchase	—	4,527	—	4,527
Derivative liabilities				
Options	35,804	2	—	35,806
Futures	20	—	—	20
Gross derivative liabilities	35,824	2	—	35,826
Netting	(20)	—	—	(20)
Total derivative liabilities	35,804	2	—	35,806
Total	\$ 65,110	\$ 5,120	\$ —	\$ 70,230

In the tables above:

- Trading assets, trading liabilities, options and warrants are included in securities owned or securities sold, not yet purchased, as applicable, on the statement of financial condition.
- Futures, swaps and related collateral are included in receivable from brokers and dealers as discussed in Note 2.

Understanding Notional Value

In market parlance, notional value is the total underlying amount of a derivatives trade. The notional value of derivative contracts is much higher than the market value due to a concept called leverage.

Leverage allows one to use a small amount of money to theoretically control a much larger amount. So, notional value helps distinguish the total value of a trade from the cost (or [market value](#)) of taking the trade. There is a clear distinction: the notional value accounts for the total value of the position, while the market value is the price at which that position can be bought or sold in the market place. The amount of leverage utilized can be calculated by dividing notional value by market value.