



The Trading and Non-trading Derivatives Activities of U.S. Bank Holding Companies

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ABSTRACT

We document the trading and non-trading derivatives activities reported by U.S. bank holding companies between 1995 and 2013. The overall bank derivatives activities, especially their reported trading activities, have increased substantially. The evidence indicates that the U.S. banks trade derivatives to supplement their poor cash flows and/or incomes generated in traditional banking businesses and that the derivatives reported for trading purposes are used somewhat for speculative activities. We also find that the bank derivatives reported for non-trading purposes are used to balance operational risk and to smooth cash flows.

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