Global OTC derivatives

The notional value of over-the-counter (OTC) derivatives rose by almost 44%, to $596 trillion in the year to December, according to new figures from the Bank for International Settlements. A derivative is a financial contract whose value is based on the price of assets, such as stocks, bonds, commodities or currencies. OTC derivatives are tailored bets supplied by specialists, such as investment banks, and distinct from standardised contracts traded at arms-length on an exchange. The notional value is not the size of the bet; rather it is a reference value against which payments are set. So the notional value of interest-rate contracts, the most common OTC derivative, represents the "principal" rather than the "coupon".