NEWS RELEASE
For Immediate Release

ISDA Publishes Research Note Analyzing Impact of MAT Regulation on Market Fragmentation

MUNICH, April 9, 2014 –The International Swaps and Derivatives Association, Inc. (ISDA) today published a new *Research Note* at its 29th Annual General Meeting in Munich focusing on the effects of the Made-Available-to-Trade (MAT) regulation and its potential impact on market fragmentation.

On May 16, 2013, the Commodity Futures Trading Commission (CFTC) approved the 'made-available-to-trade' (MAT) rule, which gives the market clarity on which products must be, by law, traded on swap execution facilities (SEFs). Once the CFTC issues a MAT determination, a mandate is established for trading that product on SEF, which prevents it from being traded bilaterally by counterparties subject to the SEF requirements.

By using Depository Trust & Clearing Corporation (DTCC) publicly reported data, ISDA approximates the portion of SEF trading comprised of MAT swaps, and track changes to volume measured as gross notional and daily trade count before and after the February 2014 effective date.

According to the *Research Note*: *Made-Available-to-Trade (MAT): Evidence of Further Market Fragmentation*:

- MAT swap volume accounted for 70% of total SEF trading in interest rate derivatives in the week ending March 28, 2014
- During this period, USD MAT swaps comprise 91% of total MAT trading; EUR and GBP MAT swaps account for only 6% and 3%, respectively
- Following the February 15, 2014 implementation date for the first MAT determinations, SEFs likely became more US-centric, with USD MAT volume increasing and EUR MAT volume declining sharply
- A comparison of EUR MAT swaps before and after the rule came into effect reveals the average daily notional traded on SEFs declined by 30%, while the average daily trade count fell by 11%
- The MAT rule appears to have created smaller, less liquid pools for EUR and GBP swaps on SEFs relative to USD swaps and has reduced the dispersion of daily trade size for all MAT swaps

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This analysis builds on ISDA's earlier work on SEFs. *Cross Border Fragmentation of Global OTC Derivatives: An Empirical Analysis* revealed that changes in trading behavior had occurred between European and US dealers once the SEF regime had come into force on October 2, 2013. European dealers began to trade exclusively with other European counterparties in the market for EUR interest rate swaps and had dramatically moved away from trading with US counterparties. The resulting market fragmentation created separate liquidity pools for US and non-US persons.

Footnote 88 and Market Fragmentation: An ISDA Survey reported that 84% of survey participants believed non-US persons were choosing not to trade on a SEF. Participants predicted this shift away from SEFs would be exacerbated once swaps were made available to trade.

ISDA Research Notes are available on the ISDA website's Research section under Research Notes.

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About ISDA
Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA has over 800 member institutions from 64 countries. These members include a broad range of OTC derivatives market participants including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure including exchanges, clearinghouses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's web site: www.isda.org.