

ISDA Survey: Japan's Derivatives Market Set for Expansion

TOKYO, April 16, 2024 – Tokyo and Singapore will be the top locations for derivatives trading in the Asia-Pacific region over the next three to five years, according to market participants who responded to a survey to mark the start of the International Swaps and Derivatives Association's (ISDA) 38th Annual General Meeting (AGM) in Tokyo on April 16-18.

Asked to rank the importance of a selection of Asia-Pacific cities, respondents cited Singapore (with a ranking score of 4.23), Tokyo (4.08), Hong Kong (3.74), Shanghai (3.73) and Sydney (3.63).

Nearly two-thirds (64.6%) of respondents anticipate a shift to [higher interest rates](#) will be a catalyst for increased interest rate derivatives (IRD) activity and risk management in Japan. Close to half (45.6%) believe Japan's share of global foreign exchange (FX) derivatives trading will increase given government debt levels, economic activity and currency volatility. According to the [Bank for International Settlements \(BIS\) latest triennial survey](#), the share of IRD and FX derivatives global average daily turnover reported by sales desks in Japan stood at 0.9% and 4%, respectively, in April 2022.

The overwhelming majority of survey participants (93%) stated that derivatives will be important in realizing the [Japanese government's ambition](#) to position the country as a hub for asset management, with 50.0% identifying derivatives as very or extremely important.

Market participants are also optimistic about the growth potential of IRD trading in Asia excluding Japan in the coming three to five years. Two-thirds of respondents (65.6%) expect an expansion of the region's share of IRD global average daily turnover, which stood at 11% in April 2022 (based on location of the sales desks), according to the BIS. Interest rate volatility and economic growth were cited as potential catalysts.

FX derivatives trading in Asia ex-Japan is similarly expected to grow from its current level of 22% of global average daily turnover based on BIS 2022 triennial survey analysis. The proportion reported by sales desks in the region is anticipated to increase at least moderately over the next three to five years by 72% of respondents, with 22% believing it will rise substantially. Global trade partnerships and enhanced credit activities are identified as potential drivers. Just 5% of respondents think the share of FX trading will fall.

India was seen as having more derivatives market potential than China by 75% of respondents, with economic growth and the development of capital and financial markets the most cited reasons.

The survey involved 155 global market participants with operations and/or activity in the Asia-Pacific region.

This year's AGM features sessions on the economic outlook in Japan and geopolitical risks in Asia Pacific and beyond. The event also includes panels on regulatory efforts to address perceived vulnerabilities posed by non-bank financial intermediation, the global impact of US Treasury clearing requirements and the cost of implementing Basel III.

Keynote speakers include **Rostin Behnam**, Chairman of the US Commodity Futures Trading Commission, **Marco Casalaina**, Vice President of Products at Azure AI, **Masahiko Kato**, president and CEO of Mizuho Bank, **Teruhisa Kurita**, Commissioner at Japan's Financial Services Agency, **Thomas Montag**, CEO of Rubicon Carbon, **Yutaka Nakajima**, Deputy President Director, Representative Executive Officer, Nomura Holdings, **Seiichi Shimizu**, Executive Director, Bank of Japan, and **Eiji Ueda**, Executive Managing Director and Chief Investment Officer, Government Pension Investment Fund (GPIF), Japan.

The AGM agenda is available here: agm.isda.org/agenda/.

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 77 countries. These members comprise a broad range of 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, such as exchanges, intermediaries, clearing houses 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 website:

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