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NEWS RELEASE
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End Users Seeing Fragmentation, Reduced Liquidity and Higher Costs for Derivatives

MONTREAL, April 22, 2015 – More than half of derivatives end users think markets are fragmenting along geographic lines as a result of regulatory change, and a majority of those think this is having a negative impact on their ability to manage risk, according to a new survey published today by the International Swaps and Derivatives Association, Inc. (ISDA).

Nearly 55% of respondents agreed that market fragmentation had occurred, and 56.6% thought this was having a detrimental effect on their risk management capabilities. Fragmentation is occurring as a result of inconsistent timing in the roll-out of new regulations across jurisdictions, and differences in the rules participants are required to meet. This has made it operationally challenging to trade across borders.

More than a third of respondents (36.2%) felt liquidity had deteriorated over the past year, and 34.4% thought the number of dealers willing to offer prices on derivatives transactions had shrunk over the same period. This comes at a time of ongoing regulatory and capital reforms, which have put constraints on bank capital, liquidity and resources.

Nearly 65% of those respondents who thought liquidity had deteriorated said it had impaired their ability to manage risk. And more than half of all respondents (53.1%) thought the cost of hedging had increased over the past year.

In fact, the cost of hedging is the number one concern for end users (61.5%), followed by uncertainty about home-jurisdiction (44.9%) and cross-border regulation (39.7%), and concerns about shrinking dealer availability (38.5%).

"This survey shows that inconsistent application of derivatives regulations across borders is having an impact on the ability of end users to hedge their risk. Most think markets are fragmenting and costs are rising," said Scott O'Malia, ISDA's Chief Executive Officer. "Constraints on bank balance sheets are also being felt, with roughly a third of respondents pointing to fewer dealers and a reduction in liquidity. This is now starting to have an effect on the ability of end users to hedge their risk effectively."

Despite the concerns, 89.9% of end users see derivatives as important or very important elements of their risk management strategies, and 83.4% expected their use of derivatives to either increase or stay the same over the second quarter of 2015.

The survey of 376 end users included non-financial corporates (22%), asset managers (23.9%) and financial institution end users (31.4%).

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The full survey is available on the '[Research' section of ISDA's website under 'End-user Surveys'].

For Press Queries, Please Contact:
Lauren Dobbs, ISDA Montreal AGM office, + 1 514 879 6821, ldobbs@isda.org
Nick Sawyer, ISDA Montreal AGM office, + 1 514 879 6821, nsawyer@isda.org
Donna Chan, ISDA Montreal AGM office, + 1 514 879 6821, dchan@isda.org

About ISDA
Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 800 member institutions from 67 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, 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 web site: www.isda.org.