OTC DERIVATIVES - CURRENT STATE OF PLAY

Monday May 19, 2014
The OTC Derivatives Market

$710trn  OTC notional outstanding
2.3trn  average daily turnover
82%  of volume from IRD

Sources:
1  Bank for International Settlements, Derivatives Statistics- May 09, 2014 and May 09, 2013
2  DTCC Global Trade Repository - May 02, 2014
86% of the IRD Market is Clearable

CLEARABLE PRODUCTS: 86%

NON CLEARABLE PRODUCTS: 14%

- IRS SWAP
- OIS
- FRA
- Basis Swap
- X-CCY IRS, Swap Exotic, Inflation Swap, Callable Swap, X-CCU IRS Exotic, Swaption and Caps/Floors

Sources:
1 Bank for International Settlements, Derivatives Statistics- May 09, 2014
2 DTCC Global Trade Repository - May 02, 2014
Non Clearable Products

- **Swaptions**: $32 TRN Notional Outstanding
- **Cross-Currency**: $31 TRN Notional Outstanding
- **Options**: $12 TRN Notional Outstanding
- **Inflation**: $4 TRN Notional Outstanding
- **Other (Exotic)**: $4 TRN Notional Outstanding
Where Are We Today?

Client clearing activity accelerating...

- Average daily volume has doubled in the last 6 months
  ➢ over $500bn/day in April
- Over $100 trn of client notional cleared

Renewed focus on efficiency

- 2013: $83trn of notional compressed
- 2014: SwapClear aims to compress $250 trillion – 3x more than last year
Area of Focus

• Customer protection – DF vs EMIR
• Pension funds exemption - EMIR
• FMI recovery and resolution – European Commission proposals expected in Q4 2014
• Capital concerns – requirements and cost
• ‘Skin in the Game’
Areas of focus: Skin in the Game

1. Variation Margins
2. Initial Margins
3. Defaulter’s Default Fund Contributions
4. CCP Capital (Skin in the Game)
5. Default Fund of Non Defaulting Member (Mutualised)
6. Loss Allocation
7. Service Closure
8. Capital