

New Report Shows Importance of Derivatives to Japan's Asset Management Ambitions

NEW YORK, October 16, 2025 – A new research report by the International Swaps and Derivatives Association, Inc. (ISDA) and Crisil Coalition Greenwich shows that derivatives are expected to play a pivotal role in Japan's ambition to become a global leader in asset management, but some barriers need to be reduced to enable the country's asset managers to fully take advantage of these instruments.

The report, based on discussions with 20 senior asset managers in Japan, shows that derivatives are viewed as essential tools for achieving investment strategies and objectives, with 80% of respondents highlighting their importance for both portfolio management and product development. Following the end of the Bank of Japan's eight-year negative interest rate policy last year, firms are expected to increasingly look to the derivatives market to help manage the implications of interest rate changes. According to the report, 90% of asset managers see value in expanding their use of derivatives.

In fact, 89% of market participants who responded to the survey believe further use of derivatives will directly or indirectly support the Japanese government's asset management strategy. Since 2023, the Japanese Financial Services Agency has announced a series of initiatives to strengthen Japan's position as a hub for asset management, including steps to remove barriers to entry and promote a diverse range of investment opportunities.

Despite these steps, market participants highlighted several issues that can constrain their use of derivatives, including uneven liquidity in some market segments, low levels of electronic execution and processing, regulatory and accounting issues and a shortage of local derivatives expertise.

"Our report shows asset managers in Japan see real value in using derivatives to manage risk, enhance returns and enable product innovation – benefits that will increase the vibrancy of Japan's asset management sector and allow firms to improve their competitiveness on the global stage. We encourage regulators and market participants to work together to deliver the market, policy and infrastructure improvements necessary to unlock the full potential of Japan's derivatives market and cement the country's position as a leading asset management center," said Scott O'Malia, ISDA's Chief Executive.

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“Derivatives have proven over time to be useful tools that continue to provide benefits to Japanese asset managers and corporations alike,” said Stephen Bruel, Head of Derivatives and FX on the Market Structure and Technology team at Crisil Coalition Greenwich, and author of the report. “Removing the constraints will improve scale and efficiency and make those benefits more pronounced.”

Read the full report [here](#).

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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: www.isda.org. Follow us on [LinkedIn](#) and [YouTube](#).