

Insights into Global OTC IRD Markets Based on the 2022 BIS Triennial Central Bank Survey

This paper highlights the changes in over-the-counter (OTC) interest rate derivatives (IRD) markets from 2019 to 2022, using the data from the Bank for International Settlements (BIS) Triennial Central Bank Survey.

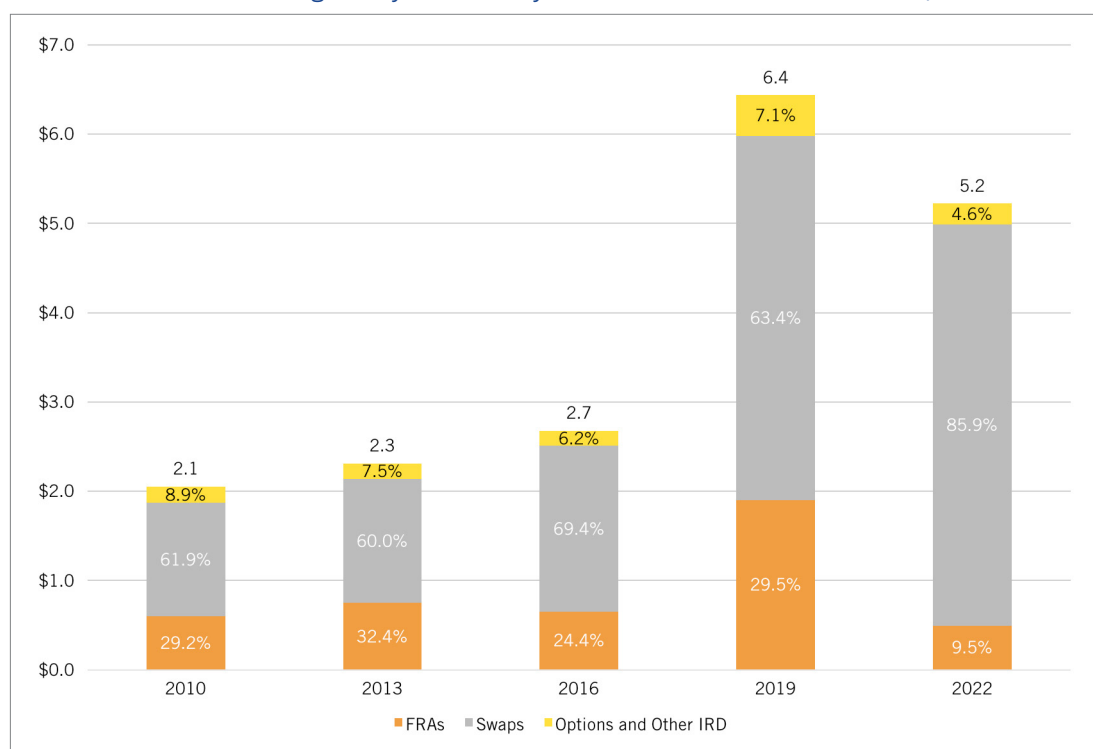
Turnover of global OTC IRD fell by 18.8% in April 2022 versus the previous survey in April 2019 due to a significant decline in US dollar-denominated forward rate agreements (FRAs). Turnover of euro-denominated contracts grew by 10.4% over the same period.

The UK remained the largest global center for IRD trading, even though the share of global turnover reported by sales desks located in the UK dropped in April 2022 versus the previous survey. Sales desks in the EU reported a higher share of euro-denominated IRD turnover in April 2022 than in April 2019.

GLOBAL IRD TURNOVER

Global average daily turnover of OTC IRD fell by 18.8% to \$5.2 trillion in April 2022 from \$6.4 trillion in April 2019^{1,2}. The decrease in IRD turnover was mainly driven by a significant decline in US dollar-denominated FRAs. The transition from LIBOR to risk-free-rates reduced the need for market participants to use FRAs for hedging LIBOR swaps (see Chart 1).

Chart 1: Global IRD Average Daily Turnover by Product on a Net-net Basis (US\$ trillions)³



Source: BIS Triennial Survey

Average daily turnover of euro-denominated IRD rose by 10.4%, bringing the share of euro-denominated IRD contracts to 33.5% of global average turnover in April 2022 versus 24.7% in April 2019 (see Chart 2).

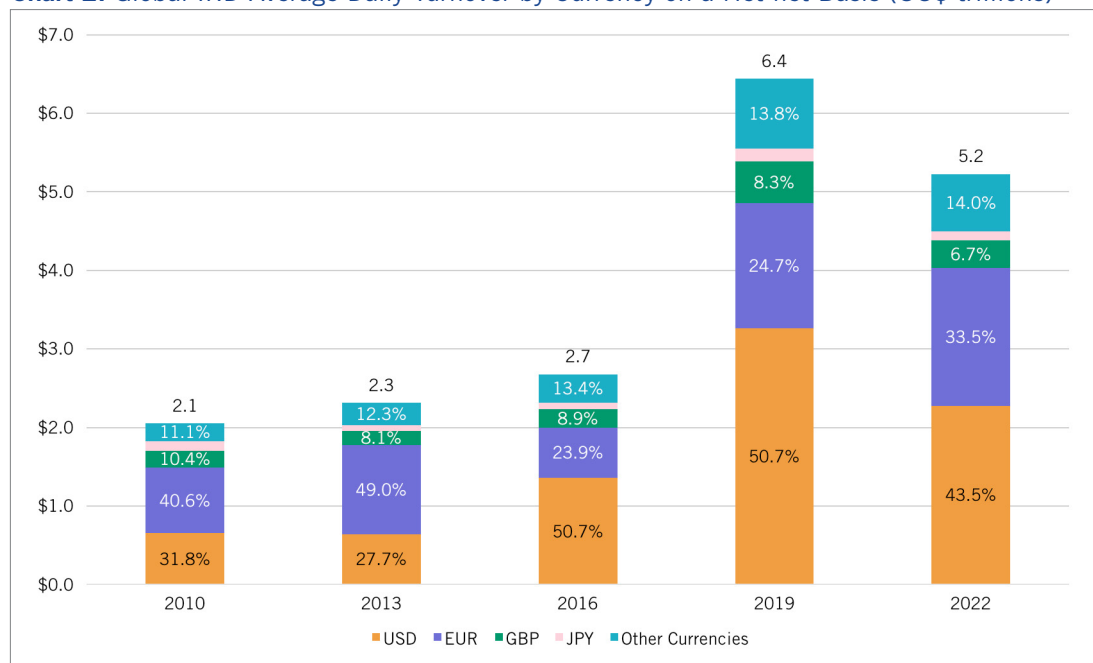
Average daily turnover of US dollar-denominated IRD fell by 30.3% in April 2022 compared to April 2019. Despite this decline, US dollar-denominated contracts remained the most actively traded IRD currency, representing 43.5% of global turnover in April 2022 versus 50.7% in April 2019.

¹ The BIS Triennial Central Bank Survey provides turnover data, which measures market activity. Turnover is defined as the gross value of all new deals entered during a given period. The survey is conducted on a triennial basis and collects turnover data over a one-month period in April (www.bis.org/statistics/rpfx22.htm). The survey is based on turnover data "reported by the sales desks of reporting dealers, regardless of where a trade is executed, and on an unconsolidated basis, ie, including trades between related entities that are part of the same group"

² The BIS adjusts the turnover data for local interdealer double counting (net-gross basis) and local and cross-border interdealer double counting (net-net basis)

³ Other IRD includes highly leveraged transactions and/or trades with a variable notional amount and where a decomposition into individual plain vanilla components is impractical or impossible

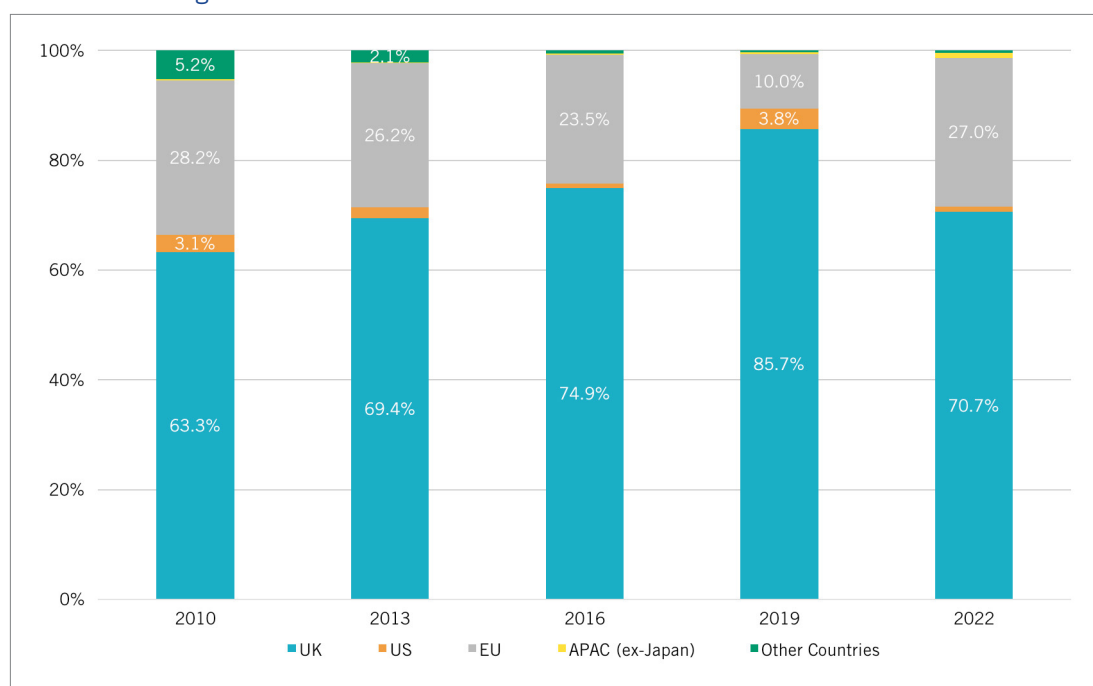
Chart 2: Global IRD Average Daily Turnover by Currency on a Net-net Basis (US\$ trillions)



Source: BIS Triennial Survey

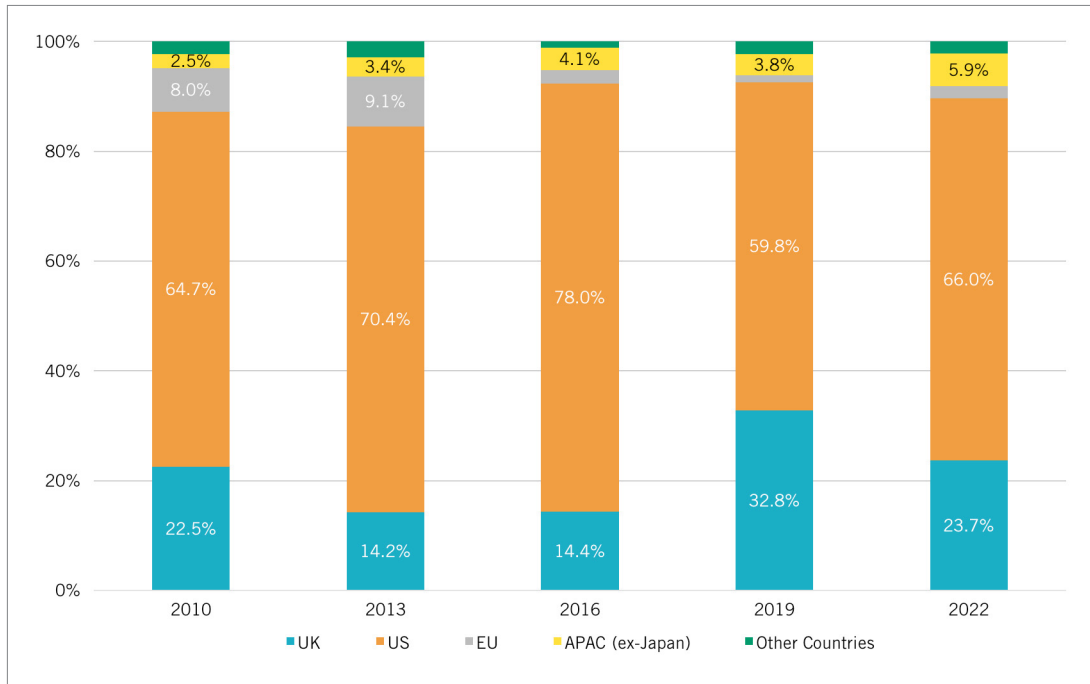
Sales desks located in the EU reported a higher share of euro-denominated IRD turnover in April 2022 versus April 2019, while the UK share declined. Sales desks in the US accounted for the majority of US dollar-denominated IRD turnover (see Charts 3 and 4).

Chart 3: Share of Global Euro-denominated IRD Average Daily Turnover by Location of Sales Desks on a Net-gross Basis



Source: BIS Triennial Survey

Chart 4: Share of Global US Dollar-denominated IRD Average Daily Turnover by Location of Sales Desks on a Net-gross Basis

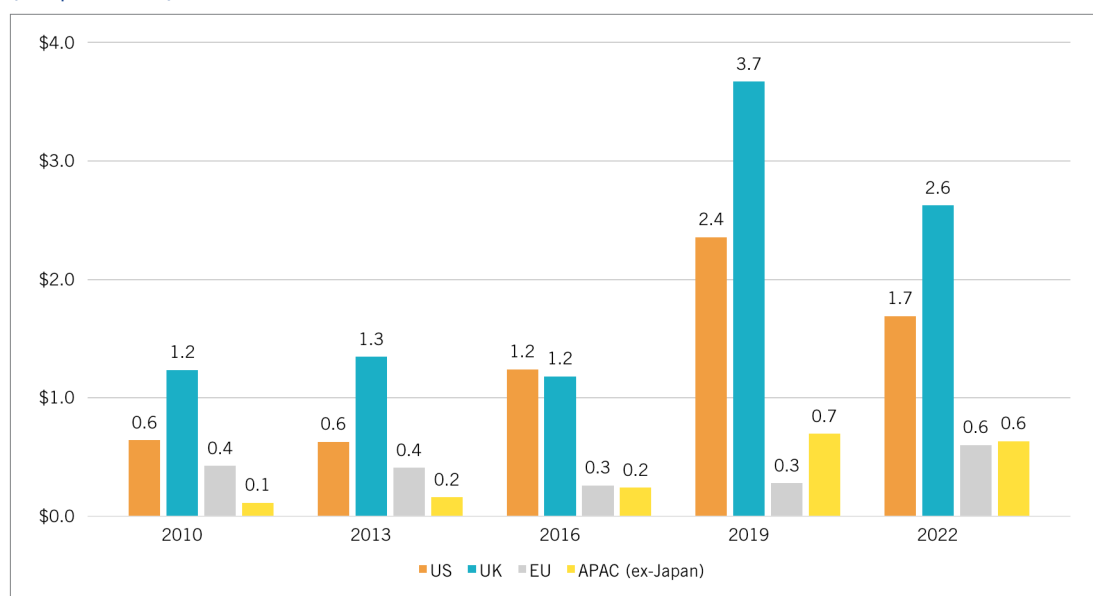


Source: BIS Triennial Survey

UK IRD TURNOVER

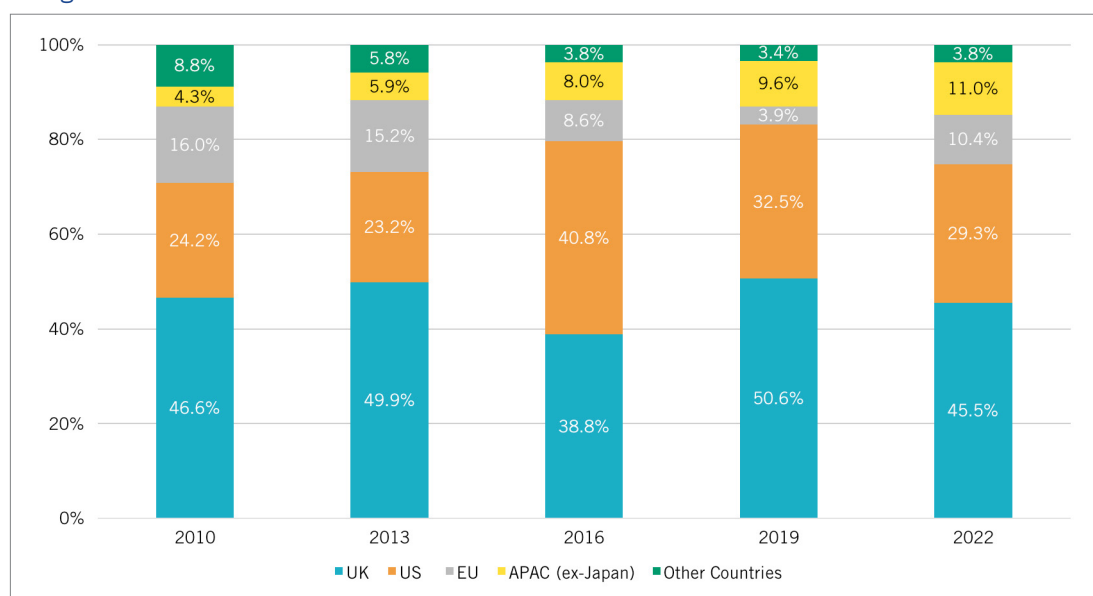
The UK remained the largest global center for IRD trading, even though turnover reported by sales desks in the UK declined by 28.4% to \$2.6 trillion in April 2022 compared to \$3.7 trillion in April 2019. UK turnover accounted for 45.5% of global turnover in April 2022 versus 50.6% in April 2019 (see Charts 5 and 6).

Chart 5: Global IRD Average Daily Turnover by Location of Sales Desks on a Net-gross Basis (US\$ trillions)



Source: BIS Triennial Survey

Chart 6: Share of Global IRD Average Daily Turnover by Location of Sales Desks on a Net-gross Basis

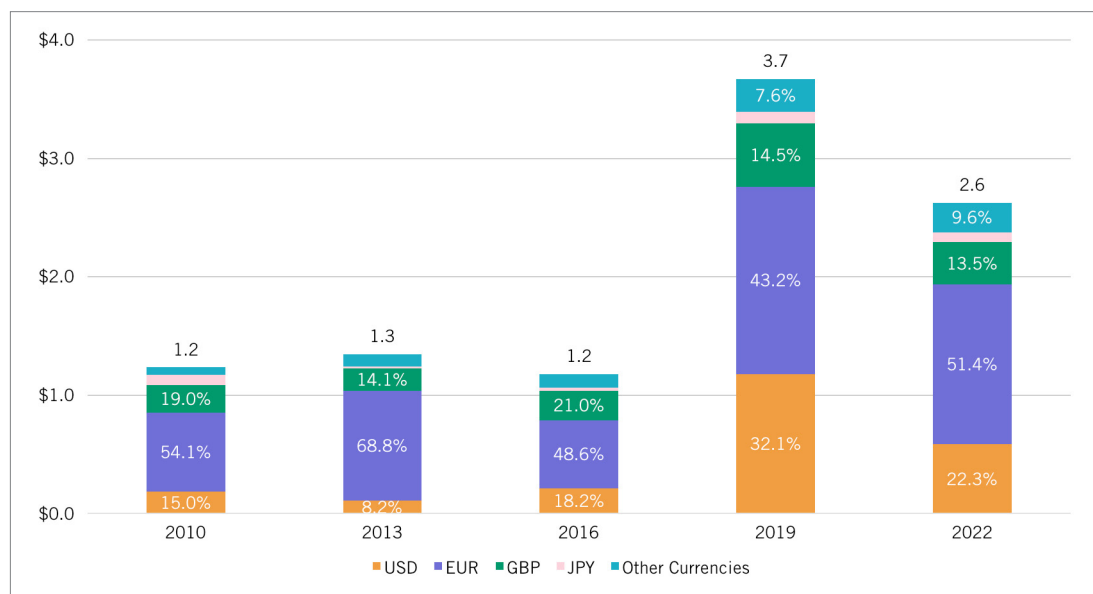


Source: BIS Triennial Survey

Sales desks in the UK accounted for 70.7% of euro-denominated IRD turnover in April 2022 versus 85.7% in 2019. The share of US dollar-denominated turnover reported by UK sales desks also fell to 23.7% in 2022 from 32.8% in 2019 (see Charts 3 and 4).

Euro-denominated IRD accounted for 51.4% of turnover reported by sales desks in the UK in April 2022 versus 43.2% in April 2019. The share of US dollar-denominated contracts declined to 22.3% from 32.1% over the same period (see Chart 7).

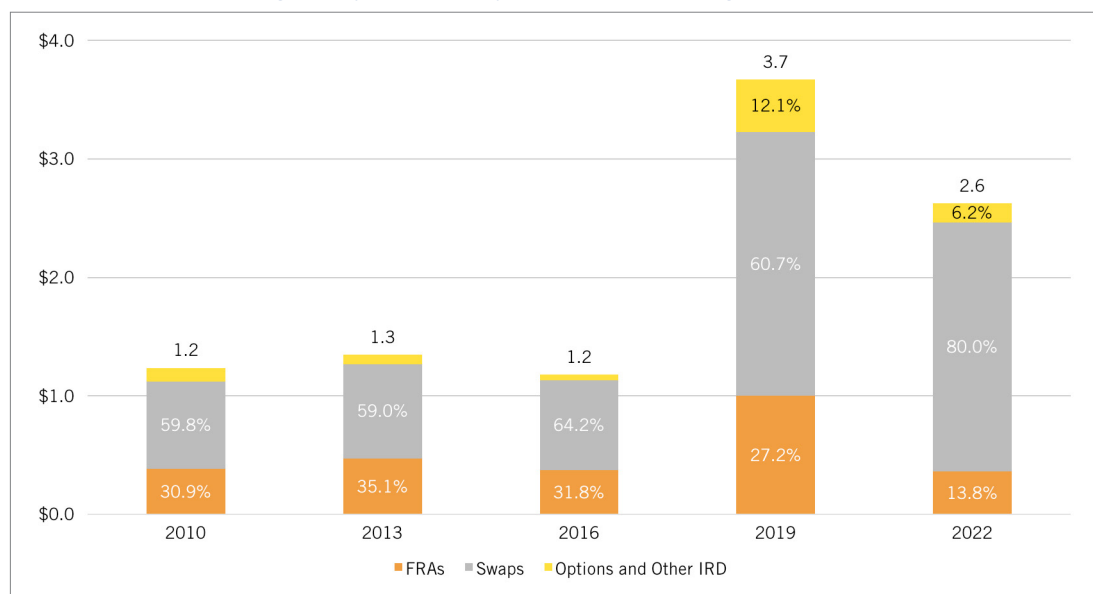
Chart 7: UK IRD Average Daily Turnover by Currency on a Net-gross Basis (US\$ trillions)



Source: BIS Triennial Survey

Turnover of swaps (including overnight index swaps (OIS)) dropped by 5.7% to \$2.1 trillion in April 2022 compared to \$2.2 trillion in April 2019. FRA turnover declined by 63.8% to \$361.6 billion from \$1.0 trillion over the same period. Swaps accounted for 80.0% of UK turnover in April 2022 compared to 60.7% in April 2019, while the share of FRAs declined to 13.8% from 27.2% (see Chart 8).

Chart 8: UK IRD Average Daily Turnover by Product on a Net-gross Basis (US\$ trillions)



Source: BIS Triennial Survey

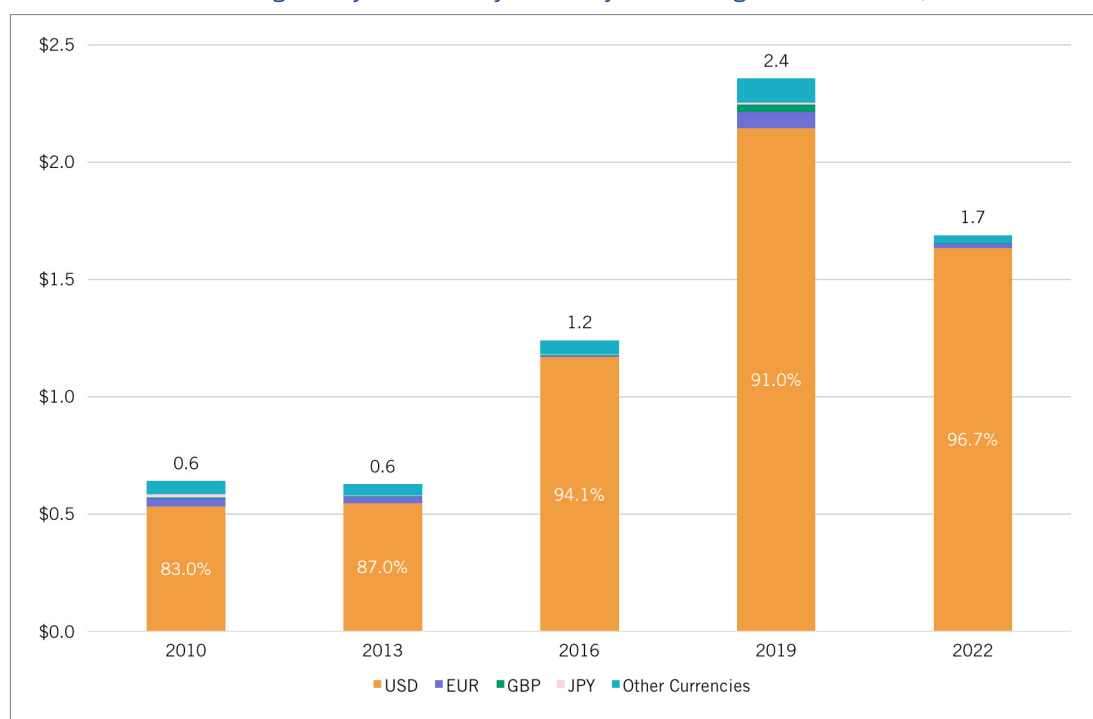
US IRD TURNOVER

The US remained the second largest IRD trading location in April 2022. Daily average turnover in the US decreased by 28.3% to \$1.7 trillion in April 2022 compared to \$2.4 trillion in April 2019. The US accounted for 29.3% of global daily average turnover in April 2022 versus 32.5% in April 2019 (see Charts 5 and 6).

The share of US dollar-denominated turnover reported by sales desks in the US rose to 66.0% in April 2022 from 59.8% in April 2019. The US accounted for only 1.0% of euro-denominated IRD turnover in April 2022 (see Charts 3 and 4).

US dollar-denominated IRD represented 96.7% of IRD turnover reported by sales desks in the US in April 2022 compared to 91.0% in April 2019, while euro-denominated IRD contracts represented 0.1% (see Chart 9).

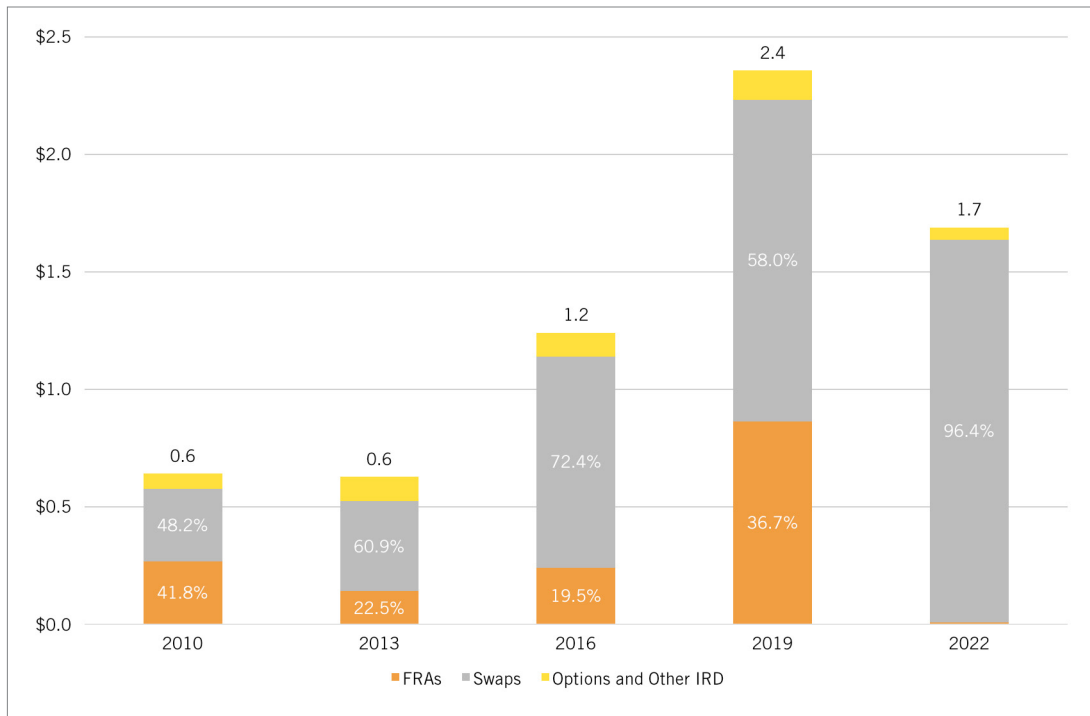
Chart 9: US IRD Average Daily Turnover by Currency on a Net-gross Basis (US\$ trillions)



Source: BIS Triennial Survey

FRA turnover declined by 99.0% to \$8.6 billion in April 2022 compared to \$864.8 billion in April 2019. Swaps turnover (including OIS) increased by 19.1% to \$1.6 trillion versus \$1.4 trillion over the same period. FRAs made up 0.5% of turnover in April 2022 compared to 36.7% in April 2019. Swaps accounted for 96.4% of turnover in April 2022 versus 58.0% in April 2019 (see Chart 10).

Chart 10: US IRD Average Daily Turnover by Product on a Net-gross Basis (US\$ trillions)



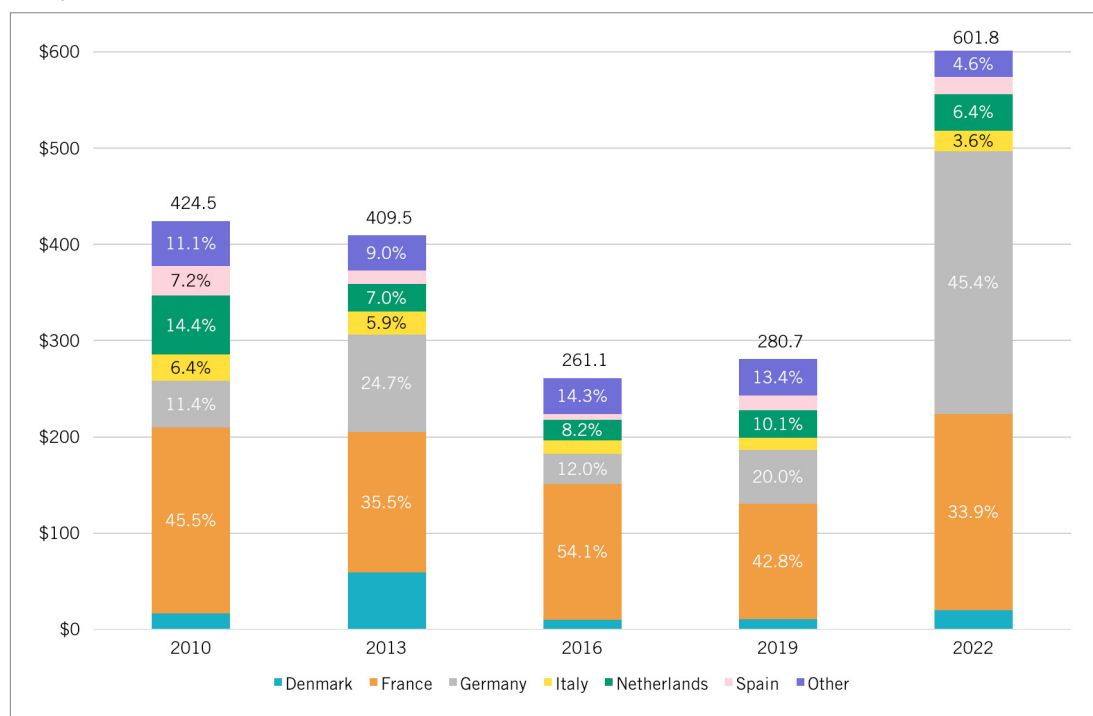
Source: BIS Triennial Survey

EU IRD TURNOVER

IRD average daily turnover reported by sales desks in the EU more than doubled to \$601.8 billion in April 2022 compared to \$280.7 billion in April 2019⁴. The global share of EU turnover increased to 10.4% in April 2022 from 3.9% in April 2019, but remained below 2010 and 2013 levels (see Charts 5 and 6).

Germany and France accounted for the majority of IRD turnover in the EU. IRD turnover reported by German sales desks increased to \$273.0 billion in April 2022 from \$56.0 billion in April 2019, while turnover reported by French sales desks increased to \$203.9 billion from \$120.0 billion over the same period. German and French sales desks accounted for 45.4% and 33.9% of EU IRD average daily turnover, respectively, in April 2022 (see Chart 11).

Chart 11: EU IRD Average Daily Turnover by Location of Sales Desks on a Net-gross Basis (US\$ billions)



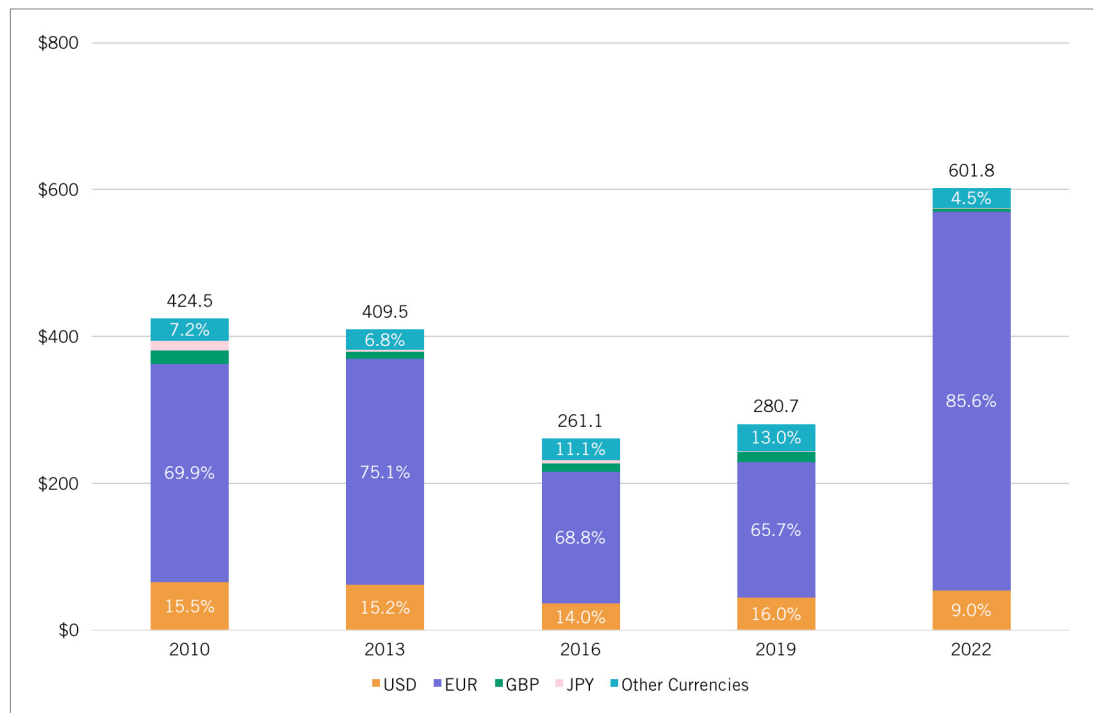
Source: BIS Triennial Survey

EU-based sales desks accounted for 27.0% of global euro-denominated IRD turnover in April 2022 compared 10.0% in April 2019. The EU share of US dollar-denominated turnover remained low at 2.2% in April 2022 (see Charts 3 and 4).

Euro-denominated IRD accounted for 85.6% of IRD turnover reported by EU sales desks in April 2022, up from 65.7% in April 2019. The share of US dollar-denominated contracts declined to 9.0% from 16.0% over the same period (see Chart 12).

⁴ EU turnover is calculated as the sum of data for Austria, Belgium, Bulgaria, Czechia, Denmark, Hungary, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden. There is no data available for Croatia, Cyprus and Malta

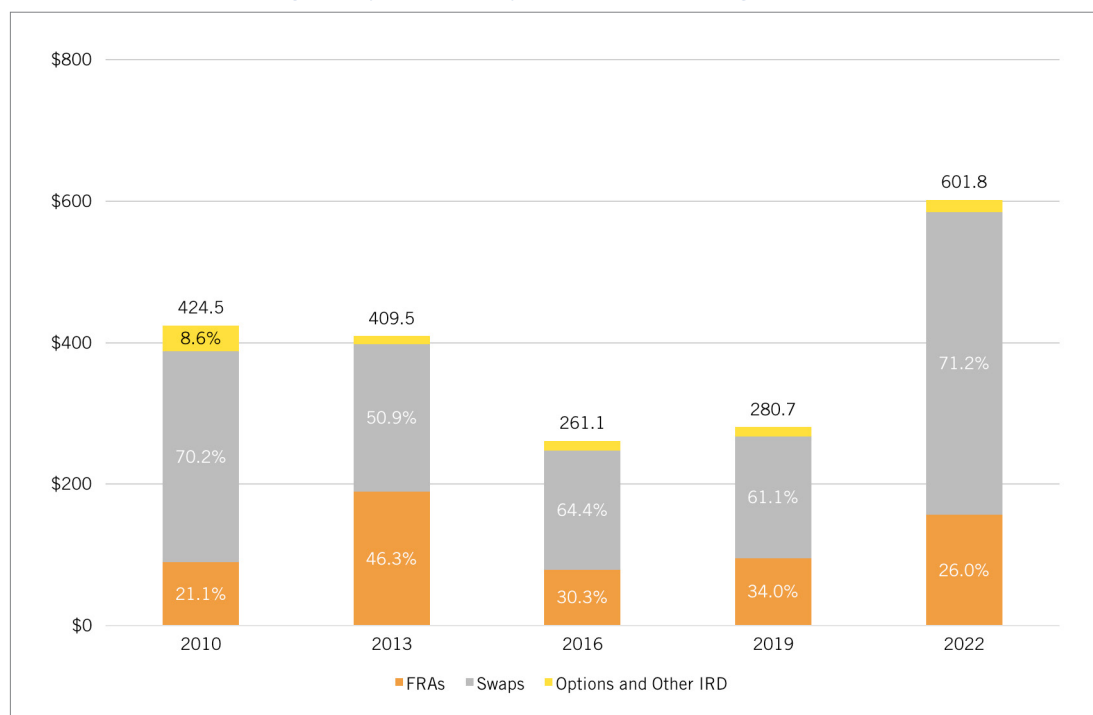
Chart 12: EU IRD Average Daily Turnover by Currency on a Net-gross Basis (US\$ billions)



Source: BIS Triennial Survey

Swaps turnover (including OIS) increased by 149.6% to \$428.4 billion in April 2022 compared to \$171.6 billion in April 2019, while FRA turnover grew by 63.8% to \$156.4 billion over the same period. Swaps accounted for 71.2% of turnover in April 2022 compared to 61.1% in April 2019. The share of FRAs fell to 26.0% from 34.0% over the same period (see Chart 13).

Chart 13: EU IRD Average Daily Turnover by Product on a Net-gross Basis (US\$ billions)



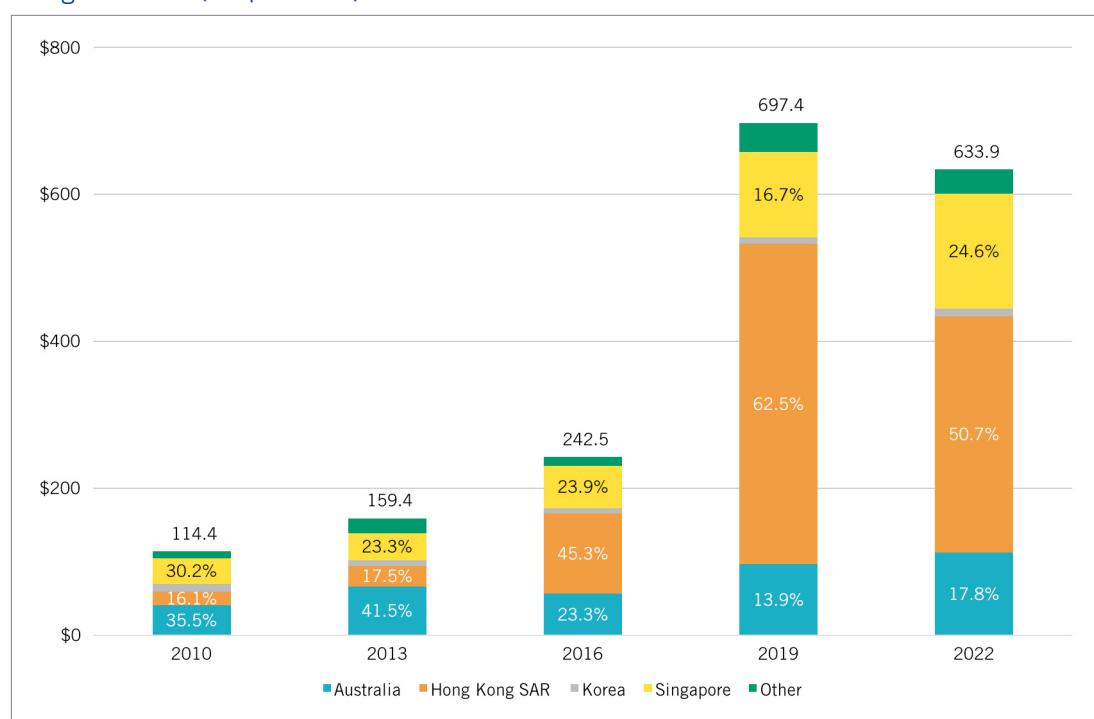
Source: BIS Triennial Survey

ASIA-PACIFIC (EX-JAPAN) IRD TURNOVER

IRD average daily turnover reported by sales desks in Asia-Pacific (excluding Japan) fell by 9.1% to \$633.9 billion in April 2022 compared to \$697.4 billion in April 2019⁵. However, the Asia-Pacific share of global IRD turnover increased to 11.0% in April 2022 from 9.6% in April 2019 (see Chart 5 and 6).

Sales desks in Hong Kong and Singapore accounted for the majority of Asia-Pacific turnover. Hong Kong represented 50.7% of Asia-Pacific turnover in April 2022 compared to 62.5% in April 2019. The share of turnover reported by sales desks in Singapore rose to 24.6% from 16.7% over the same period (see Chart 14).

Chart 14: Asia-Pacific (ex-Japan) IRD Average Daily Turnover by Location of Sales Desks on a Net-gross Basis (US\$ billions)



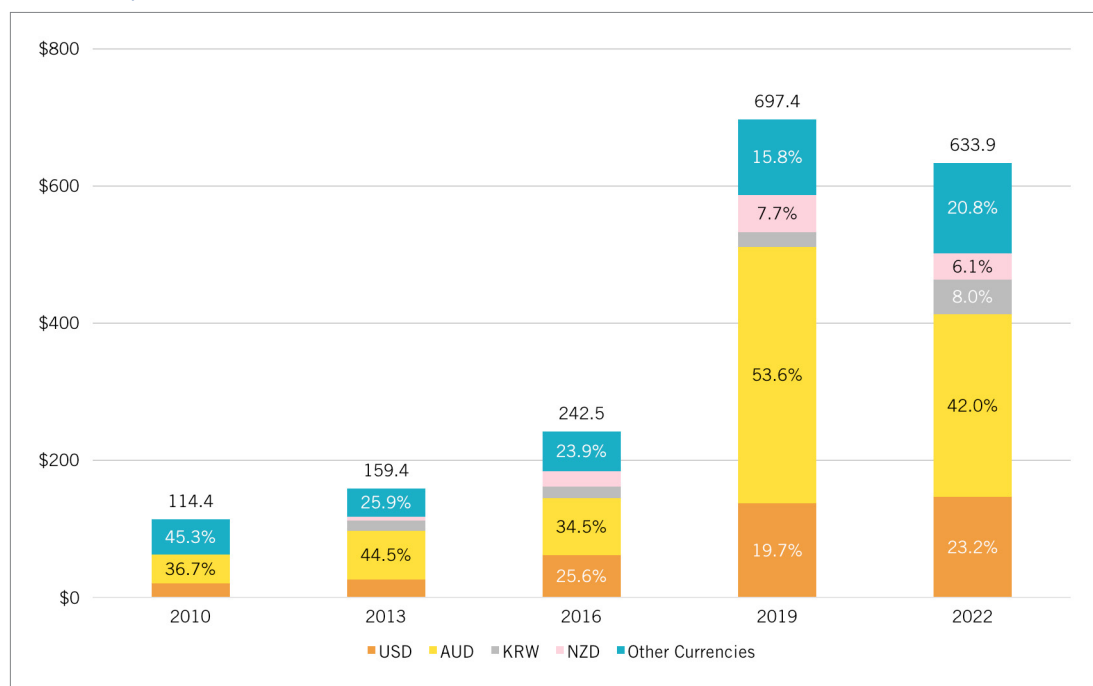
Source: BIS Triennial Survey

Sales desks in Asia-Pacific accounted for 5.9% of US dollar-denominated turnover in April 2022 compared to 3.8% in April 2019. The share of euro-denominated IRD turnover reported by Asia-Pacific sales desks was 1.0% in April 2022 (see Charts 3 and 4).

Australian dollar-denominated IRD accounted for 42.0% of turnover reported by Asia-Pacific sales desks in April 2022, down from 53.6% in April 2019. The share of US dollar-denominated IRD contracts increased to 23.2% from 19.7% over the same period (see Chart 15).

⁵ Asia-Pacific (excluding Japan) turnover is calculated as the sum of data for Australia, China, Chinese Taipei, Hong Kong, India, Indonesia, Korea, Malaysia, New Zealand, Philippines, Singapore and Thailand

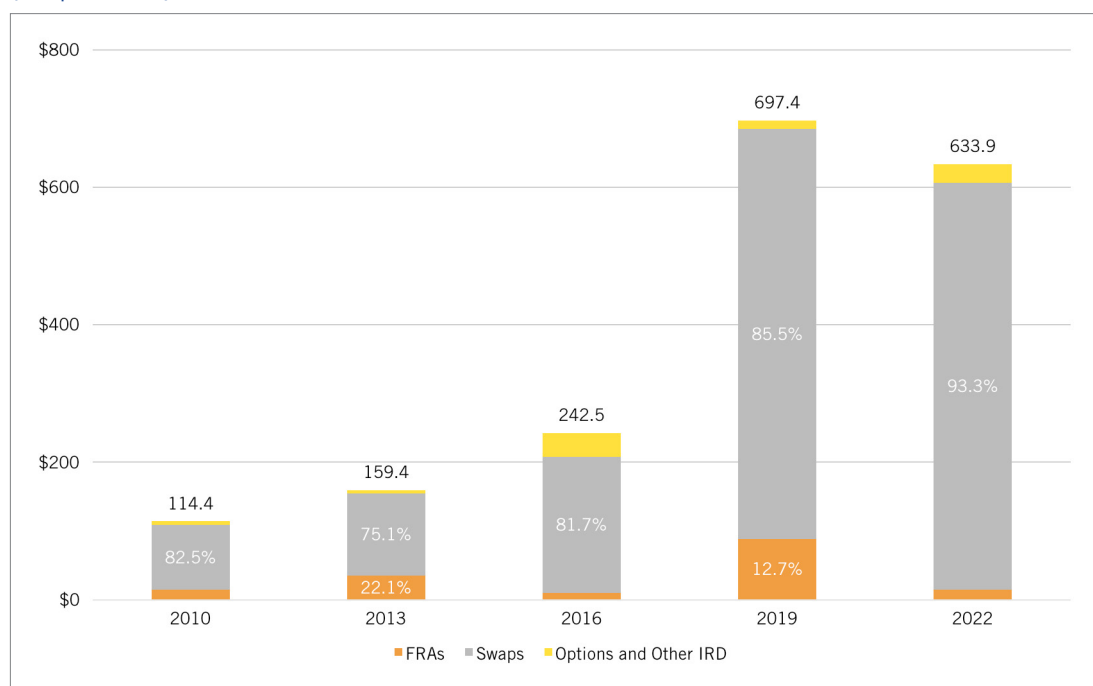
Chart 15: Asia-Pacific (ex-Japan) IRD Average Daily Turnover by Currency on a Net-gross Basis (US\$ billions)



Source: BIS Triennial Survey

Swaps turnover (including OIS) declined by 0.8% to \$591.6 billion in April 2022 compared to \$596.6 billion in April 2019. FRA turnover fell by 83.5% to \$14.6 billion from \$88.5 billion over the same period. Swaps accounted for 93.3% of Asia-Pacific turnover in April 2022 compared to 85.5% in April 2019. FRAs represented 2.3% of turnover compared to 12.7% in the previous survey.

Chart 16: Asia-Pacific (ex-Japan) IRD Average Daily Turnover by Product on a Net-gross Basis (US\$ billions)



Source: BIS Triennial Survey



ISDA has published other recent research papers:

- ***ISDA-Clarus RFR Adoption Indicator: October 2022***

<https://www.isda.org/a/16cgE/ISDA-Clarus-RFR-Adoption-Indicator-October-2022.pdf>

- ***Interest Rate Benchmarks Review: Third Quarter of 2022 and Year-to-September 30, 2022***

<https://www.isda.org/a/WA5gE/Transition-to-RFRs-Review-Third-Quarter-of-2022-and-Year-to-September-30-2022.pdf>

- ***SwapsInfo Third Quarter of 2022 and Year-to-September 30, 2022 Review***

<https://www.isda.org/a/wMcgE/SwapsInfo-Third-Quarter-of-2022-and-Year-to-September-30-2022-Review-Full-Report.pdf>

For questions on ISDA Research, please contact:

Olga Roman

Head of Research

International Swaps and Derivatives Association, Inc. (ISDA)

Office: 212-901-6017

oroman@isda.org

ABOUT ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 1,000 member institutions from 79 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 web site: www.isda.org. Follow us on [Twitter](#), [LinkedIn](#), [Facebook](#) and [YouTube](#).