

ISDA[®]

International Swaps and Derivatives Association, Inc.

ISDA End-User Survey: Interest Rate Swaps

October 2010

Background & Methodology

- During July and August 2010, ISDA conducted a survey of over-the-counter (OTC) derivatives end-users, including non-financial corporations, asset managers and other financial institutions
- 295 respondents from North America and Europe who use OTC derivatives participated in the survey. Of these:
 - 80% or 234 used interest rate swaps (IRS)
 - 59% or 174 used currency/FX swaps,
 - 27% or 80 used credit default swaps (CDS),
 - 25% or 74 used equity swaps and
 - 32% or 94 used commodity/energy swaps.
- Respondents were asked their opinions only on those OTC derivatives that they said they have used
- This report covers IRS. Additional End-User Survey reports – one on CDS and another on equity and commodity/energy swaps – will be published shortly

Executive Summary: Interest Rate Swaps

- **Pre-trade Price Transparency:** The majority of surveyed interest rate swap (IRS) end-users give high remarks to the current level of pre-trade price transparency in the IRS market
 - On a scale of 1 to 5, 59% of IRS end-users rate pre-trade price transparency at a 4 or 5
 - Only 17% of IRS end-users rate it at a 1 or 2, the two lowest levels
- **Pre-trade Price Transparency vs. Other Markets:** A strong majority rate pre-trade price transparency in the IRS market as equal to or better than foreign exchange (FX), equities, corporate bonds and asset-based securities (ABS)
 - 69% of IRS end-users rate it equal to or better than FX and equities
 - 77% rank it the same as or better than corporate bonds
 - 85% see it as equal to or better than ABS
- **Sources of Pricing:** 84% of the surveyed IRS end-users typically get multi-dealer quotes before executing an IRS, while 67% consult vendor screens

Executive Summary: Interest Rate Swaps

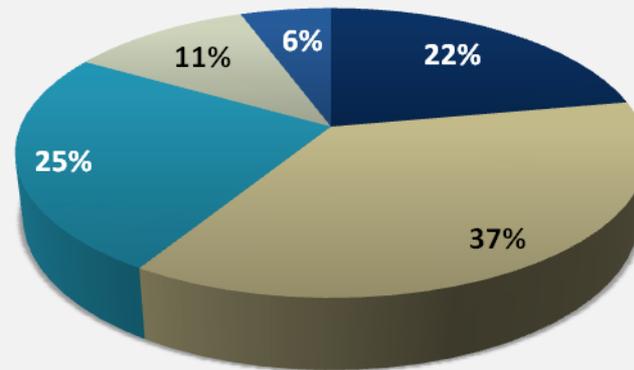
- **Price Competitiveness:** Most surveyed end-users believe the prices they receive from dealers for IRS are competitive; very few believe they are not competitive
 - On a 1 to 5 scale, 62% rate IRS price competitiveness at a 4 or 5
 - Only 10% of IRS end-users rate it at a 1 or 2
- **Liquidity:** A strong majority of the surveyed IRS end-users rate the liquidity of the IRS market as equal to or better than the liquidity of the FX, equity, corporate bond and ABS markets
 - 71% of IRS end-users rank it same as or better than FX
 - 69% rank it same as or better than equities
 - 83% rank it equal to or better than corporate bonds
 - 87% rank it same as or better than ABS

Executive Summary: Interest Rate Swaps

- **Electronic Trading:** A majority of those surveyed (77%) believe electronic trading of IRS is beneficial
 - End-users are positively disposed to electronic trading if it results in better pricing or better efficiency.
 - Two-thirds (67%) of those surveyed do not believe mandatory e-trading would favorably impact their ability to manage risk
 - On a 1 to 5 scale, 45% of IRS end-users rate the benefits of mandatory trading at a 1 or 2, the lowest ratings. In contrast, only 33% of IRS end-users rate the benefits of mandatory trading at a 4 or 5
- **Post-trade Price Transparency:** A majority of those surveyed (63%) believe that post-trade price transparency would be beneficial for negotiating their IRS transactions

Pre-Trade Price Transparency

Please rate the current level of pre-trade price transparency for interest rate swap transactions.

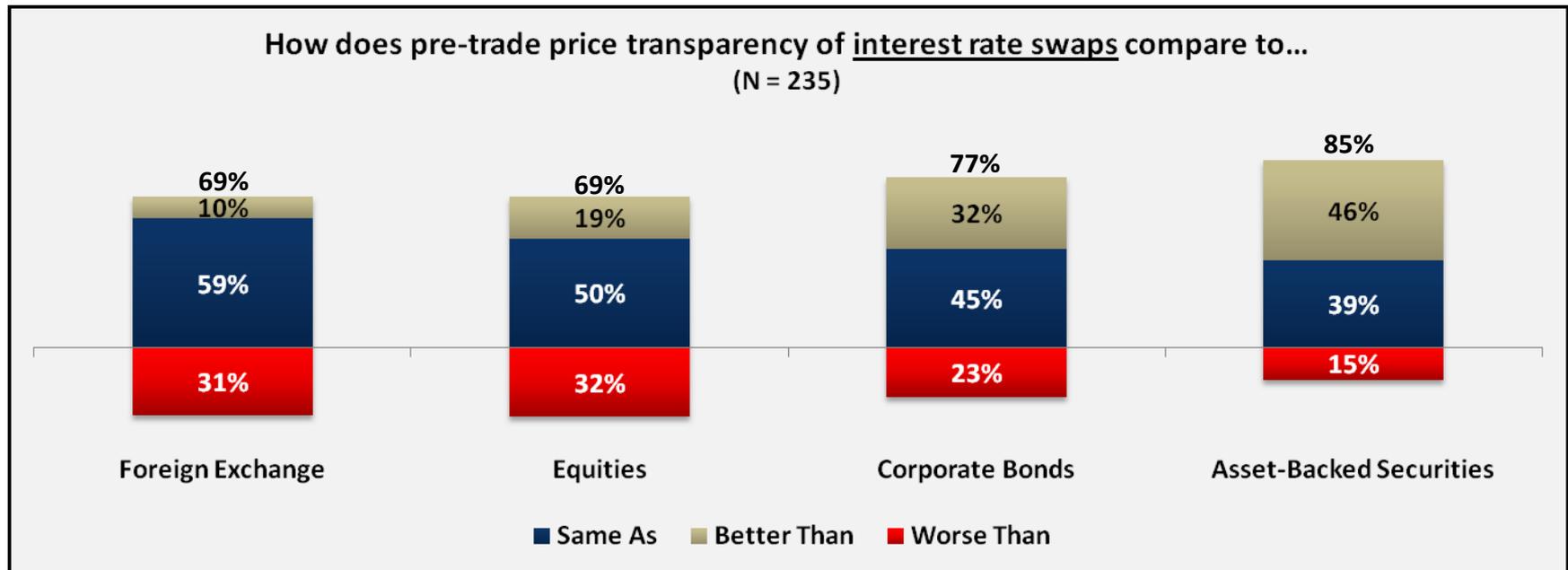


■ 5 - Very Satisfactory ■ 4 ■ 3 ■ 2 ■ 1 - Very Unsatisfactory

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Pre-Trade Price Transparency Comparisons

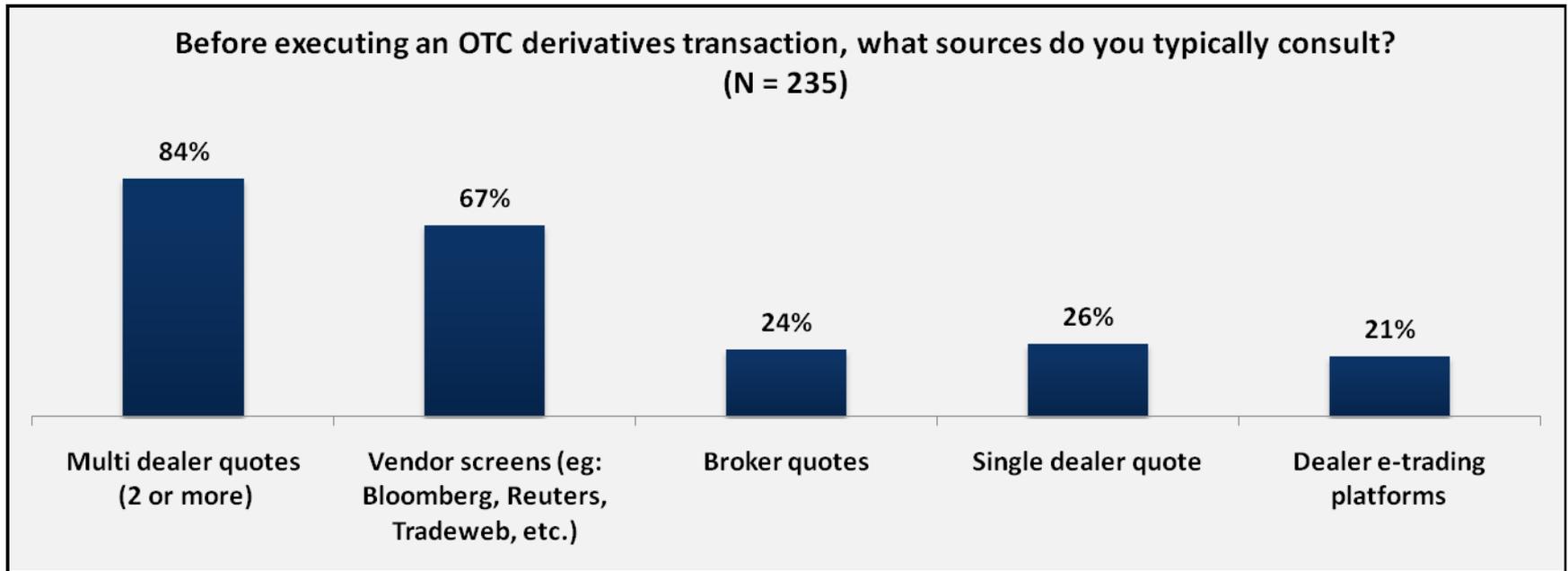
Interest Rate Swaps



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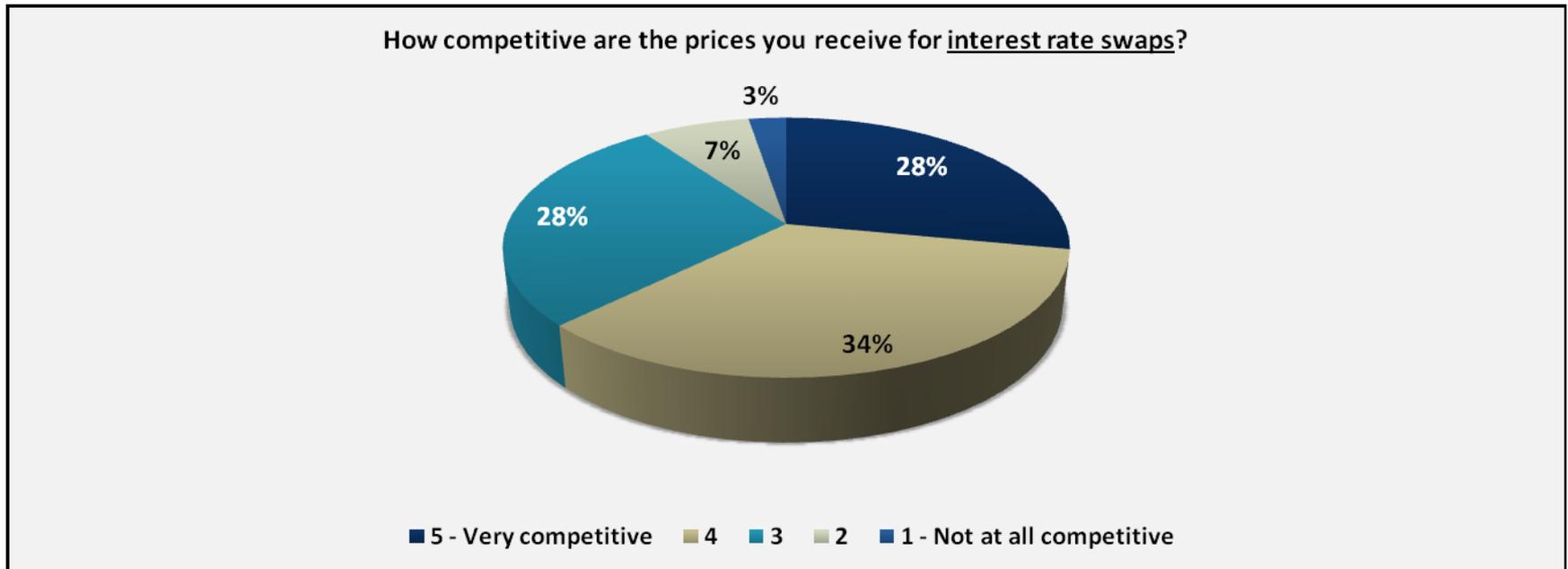
Sources of Pricing

Interest Rate Swaps



- 84% of the surveyed IRS end-users typically get multi-dealer quotes before executing an IRS, while 67% consult vendor screens

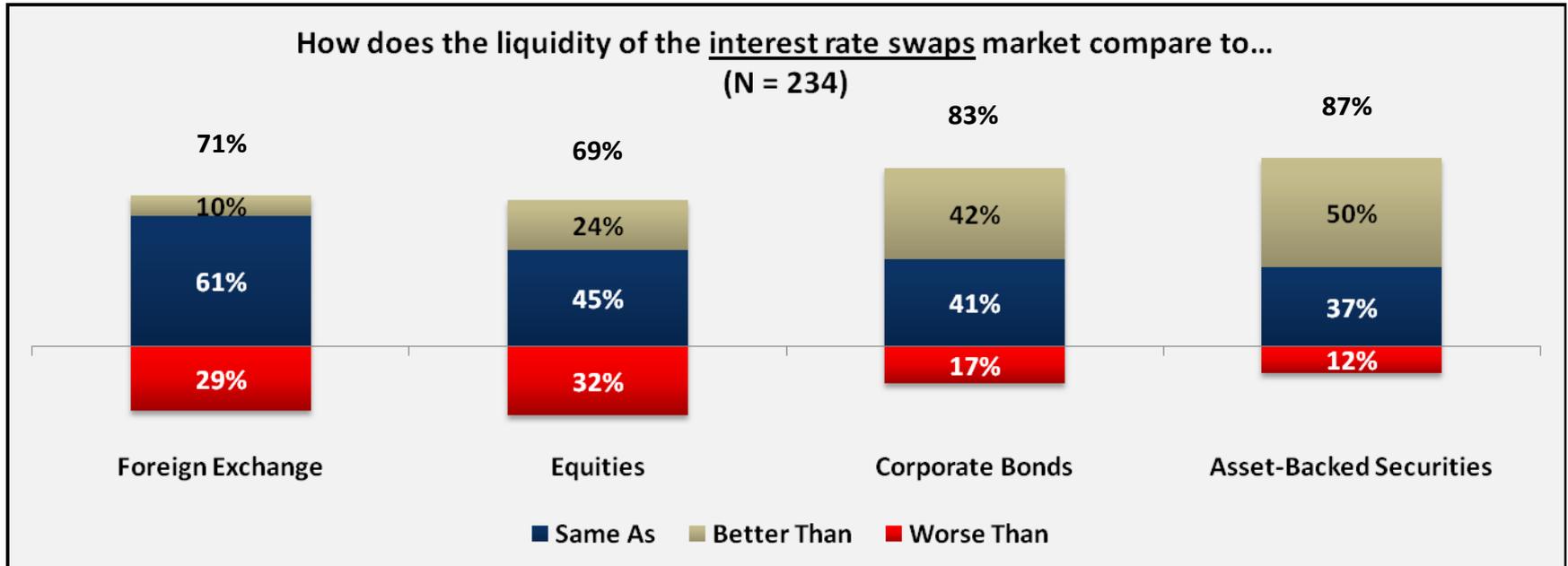
OTC Derivatives Pricing



- Most surveyed end-users believe the prices they receive from dealers for IRS are competitive; very few believe they are not competitive
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- Only 10% of IRS end-users rate it at a 1 or 2

Liquidity Comparisons

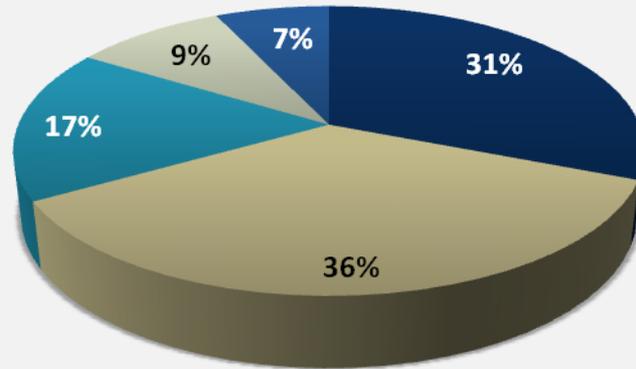
Interest Rate Swaps



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Benefit of Trading Electronically

How beneficial would it be to trade interest rate swaps on electronic platforms?

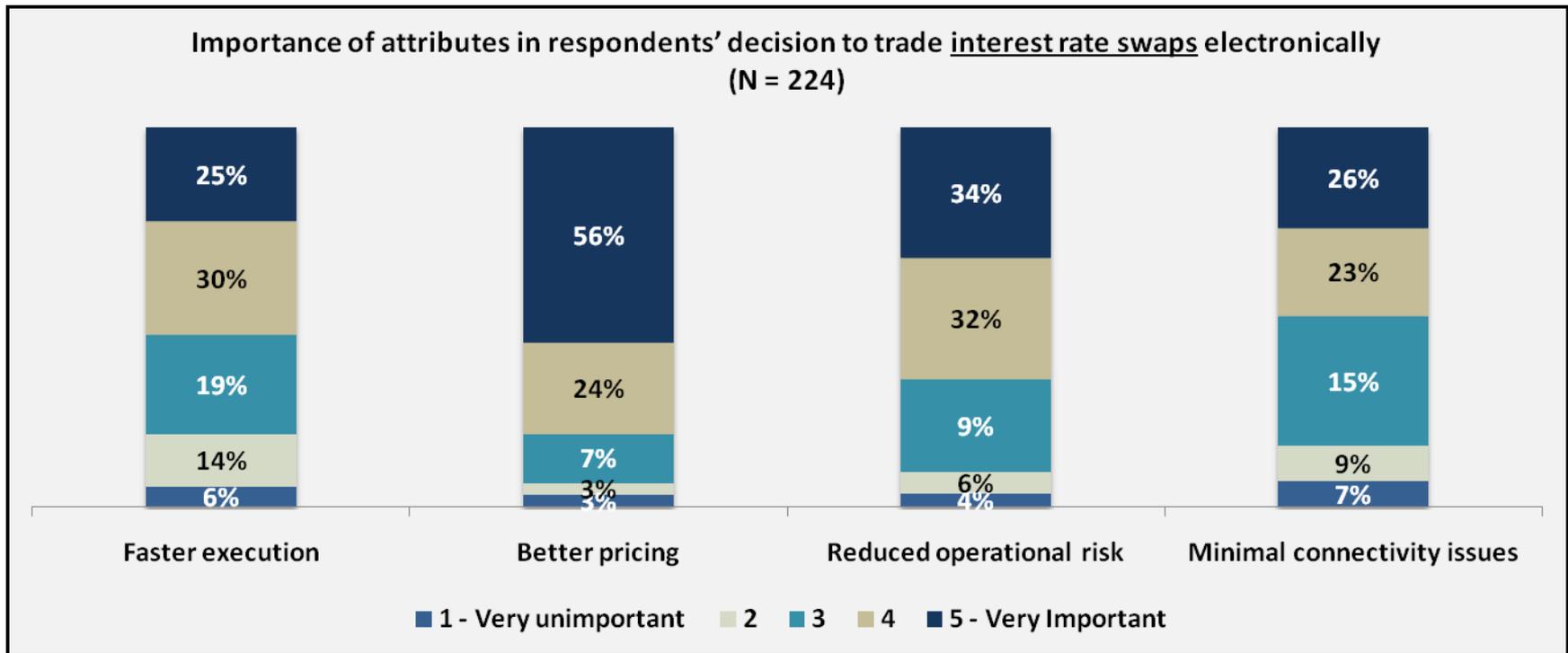


■ 5 - Very beneficial ■ 4 ■ 3 ■ 2 ■ 1 - Not at all beneficial

- A majority of IRS end-users (77%) believe trading IRS on electronic platforms is beneficial

Attribute Influence on Trading Electronically

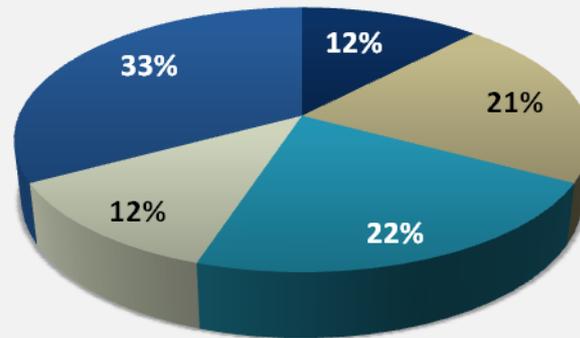
Interest Rate Swaps



- End-users are positively disposed to electronic trading if it results in better pricing or better efficiency
- 80% say that e-trading of IRS would be beneficial if they could receive better pricing
- 66% say that it would be beneficial if it reduced operational risk

Mandatory Electronic Trading

How beneficial do you think mandatory electronic trading for interest rate swaps would be on your firm's ability to manage risk?

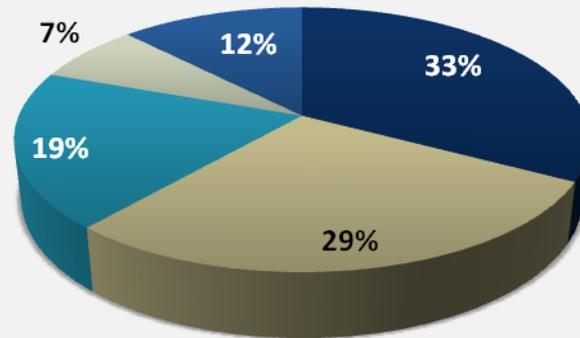


■ 5 - Very beneficial ■ 4 ■ 3 ■ 2 ■ 1 - Not at all beneficial

- Two-thirds (67%) of those surveyed do not believe mandatory e-trading would favorably impact their ability to manage risk
- 45% of IRS end-users rate the benefits of mandatory trading at a 1 or 2, the lowest ratings
- In contrast, only 33% of IRS end-users rate the benefits of mandatory trading at a 4 or 5

Post-Trade Price Transparency

How beneficial would post-trade price transparency be in negotiating your interest rate swaps transactions?



■ 5 - Very beneficial ■ 4 ■ 3 ■ 2 ■ 1 - Not at all beneficial

- A majority of IRS end-users believe that post-trade price transparency would be beneficial for negotiating their OTC derivatives transactions
- 63% of IRS end-users rate the benefit of post-trade price transparency a 4 or 5