ISDA-Clarus RFR Adoption Indicator

June 2020

ISDA-Clarus RFR Adoption Indicator is intended to track how much trading activity (as measured by DV01) is being conducted in cleared over-the-counter (OTC) and exchange-traded interest rate derivatives (IRD) that reference the identified risk-free rates (RFRs) in six major currencies.

RFR Adoption Indicator

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The RFR Adoption Indicator was at **4.7%** vs. 5.4% last month (Chart 1).	RFR-linked IRD notional transacted was **$8.0 Tn** vs. $8.2 Tn last month (Chart 3).
DV01 of RFR-linked IRD was **$1.3 Bn** vs. $1.4 Bn last month (Chart 2).	Split of RFR activity OTC vs ETD was **62.2%** vs. 69.5% last month (Chart 4).

RFR Risk by Currency

| **GBP** saw the largest percentage of RFR risk traded at 24.4% of total GBP risk (Chart 5a).	**3.0%** of USD risk was transacted in SOFR this month. (Chart 5b)	**JPY** saw the highest percentage of RFR risk executed as transactions with tenors >2Y (Chart 6).

Total IRD Activity

$27.9 Bn Total IRD DV01 transacted this month vs. $25.5 Bn the prior month.	**$119.3 Tn** Total IRD notional transacted this month vs. $117.0 Tn the prior month.	**$26.6 Bn** Other indices DV01 transacted this month vs. $24.1 Bn the prior month.

Chart 1: RFR Adoption Indicator: % of DV01 Transacted as RFR-linked IRD Products in USD, EUR, GBP, JPY, AUD, CHF
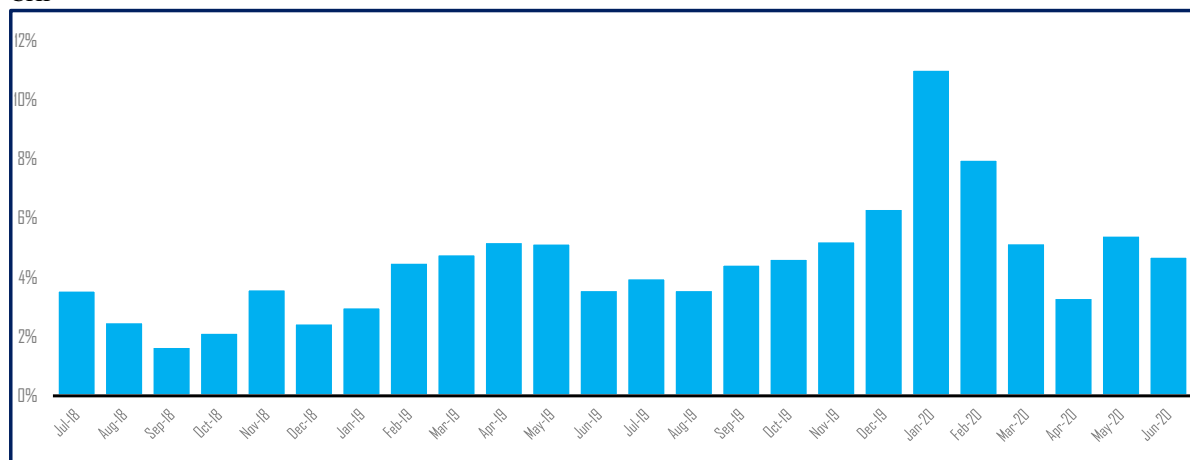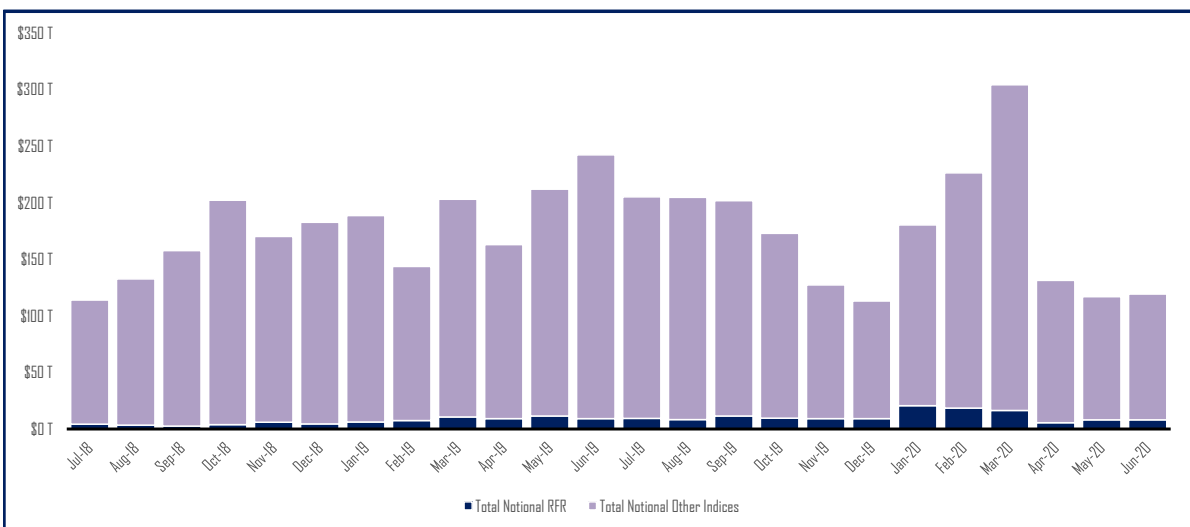

Calculation: The sum of all DV01s for RFR-linked IRD products, including OTC and exchange-traded derivatives (ETD) for all six currencies, divided by the sum of DV01s for all indices (both RFR and other indices) across all IRD products.

Chart 2: Total IRD DV01 Traded per Month
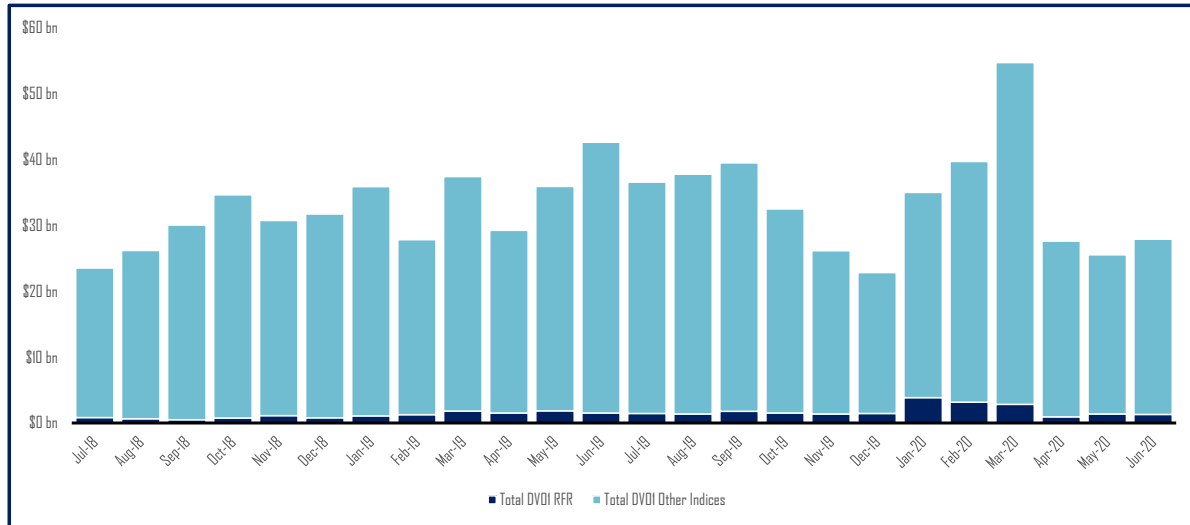
Calculation: Total DV01 traded per month across all IRD products split by RFRs (including OTC and ETD) and all IRD products referencing other indices.

Chart 3: Total IRD Notional Traded per Month

Calculation: Total traded notional per month across all IRD products split by RFRs (including OTC and ETD) and all IRD products referencing other indices.

Chart 4: RFR-linked IRD DV01 Traded per Month Split by OTC and ETD
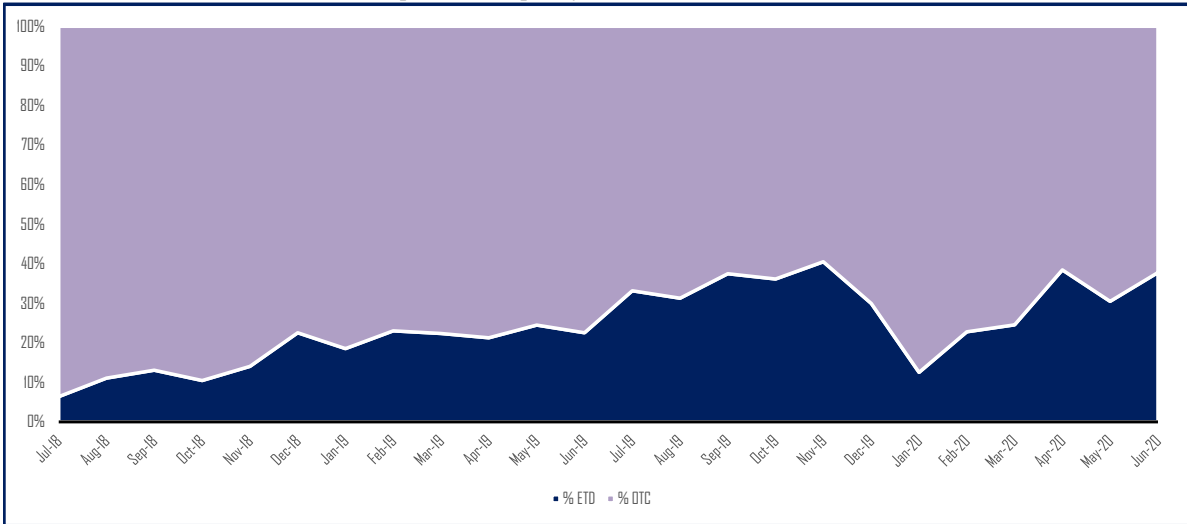
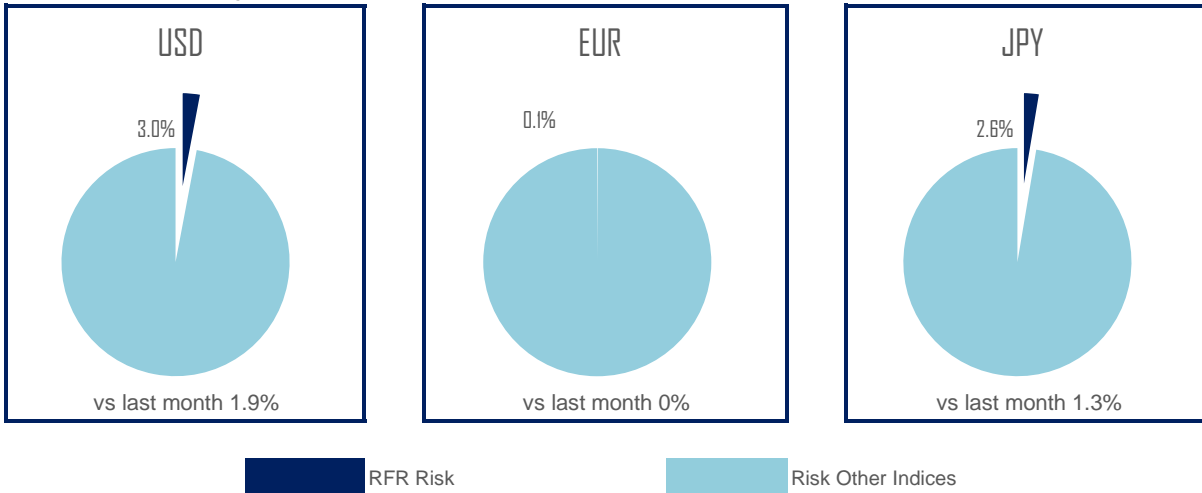**Calculation**: The sum of DV01s for OTC RFR-linked IRD products across all six currencies divided by the sum of DV01s for OTC and ETD RFR-linked IRD products.

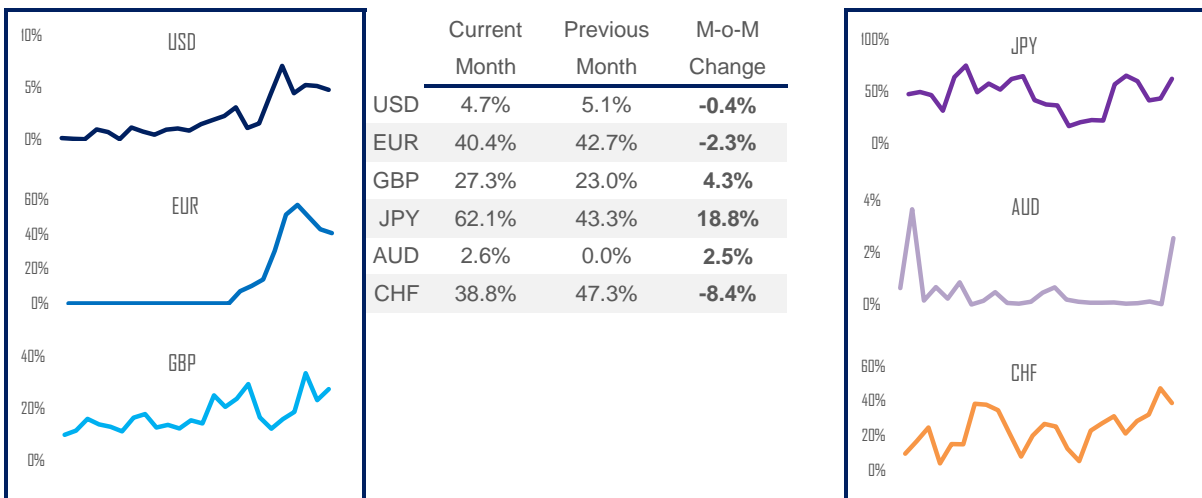Chart 5a: The Percentage of DV01 per Currency Traded as an RFR-linked IRD Product
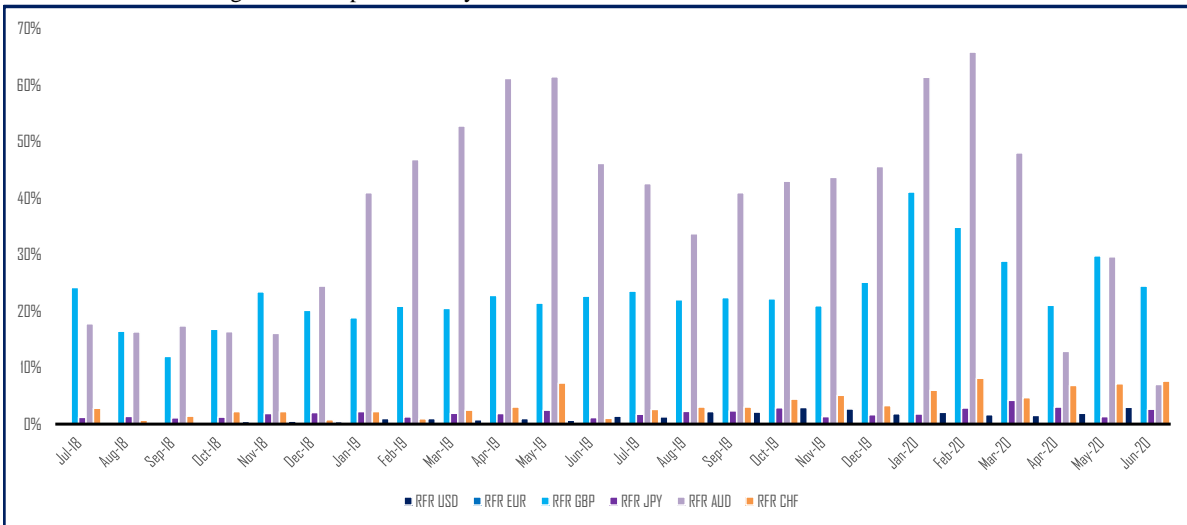
Calculation: The sum of DV01s for RFR-linked IRD products (OTC and ETD) per currency divided by the sum across all OTC and ETD IRD products (both RFR and other indices) per currency.

Chart 5b: The Percentage of IRD DV01 Traded as an RFR in USD, EUR and JPY

USD	EUR	JPY
3.0%	0.1%	2.6%
vs last month 1.9%	vs last month 0%	vs last month 1.3%

■ RFR Risk   ■ Risk Other Indices

Calculation: Same data as in Chart 5a with the focus only on USD, EUR and JPY RFR.

Chart 6: The Percentage of RFR-linked IRD DV01 per Currency Traded with a Tenor Longer than Two Years

	Current Month	Previous Month	M-o-M Change
USD	4.7%	5.1%	**-0.4%**
EUR	40.4%	42.7%	**-2.3%**
GBP	27.3%	23.0%	**4.3%**
JPY	62.1%	43.3%	**18.8%**
AUD	2.6%	0.0%	**2.5%**
CHF	38.8%	47.3%	**-8.4%**

Calculation: The sum of DV01s for RFR-linked IRD products (OTC and ETD) per currency in the 5Y, 10Y, 30Y and 50Y tenors divided by DV01s for RFR-linked IRD products (OTC and ETD) per currency across all tenor buckets.

About ISDA-Clarus RFR Adoption Indicator

- Data is collected from all major CCPs that clear OTC and ETD IRD products in the six currencies, including ASX, CME, EUREX, ICE, JSCC, LCH and TFX. Only cleared transactions are captured.
- Other indices include IBORs (USD LIBOR, GBP LIBOR, CHF LIBOR, EUR LIBOR, EURIBOR, JPY LIBOR, TIBOR, Euroyen TIBOR and AUD BBR-BBSW) and overnight rates (the effective federal funds rate (EFFR) and EONIA).
- RFRs include SOFR, SONIA, SARON, €STR, TONA and AONIA.
- This data is standardized and collated to produce notional-equivalent volumes in six tenor buckets (based on duration of transactions).
- The notional data is converted into a maturity agnostic measure of risk, DV01.
- Notional volumes are collected in millions of USD-equivalent and converted to DV01 on the USD curve.
- The measures of volumes are extremely broad, covering many OTC IRD products (interest rate swaps, overnight index swaps, forward rate agreements and basis swaps), as well as short-term interest rate futures contracts.
- RFR volumes are measured across both swaps and futures.
- A whitepaper detailing the exact methodology can be found **here**.

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Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 925 member institutions from 75 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 Twitter, Linkedin, Facebook and YouTube.

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ABOUT CLARUS

Clarus Financial Technology is a data, research and software provider to derivatives markets. Clarus provide the tools and insights required by market participants to adapt to new and evolving regulatory landscapes. Clarus pride themselves in staying in touch with current market conditions to better inform product initiatives. As a result Clarus maintain a high quality blog at clarusft.com with over 8 years of articles covering topics from clearing and market share data to financial engineering.

The RFR Adoption Indicator and all associated data are built exclusively using Clarus microservices, a cloud hosted service that is accessible via any programming language.

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