



August 2021

## Research Note

### Interest Rate Derivatives Trading Activity Reported in EU, UK and US Markets: May 2021

ISDA is expanding its SwapsInfo analysis to include interest rate derivatives (IRD) trading activity reported in Europe.

The analysis, believed to be the first of its kind, is based on transactions publicly reported by 30 European approved publication arrangements (APAs) and trading venues (TVs) for May 2021. The report analyzes European transactions based on the location of reporting venues (EU versus UK), currency, product taxonomy, execution venue and cleared status.

The analysis also compares European IRD reported trading activity to what is reported in the US. US trading activity analysis is based on information from the Depository Trust & Clearing Corporation (DTCC) swap data repository (SDR), which only includes trades that are required to be disclosed under US regulations.

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## EXECUTIVE SUMMARY

### Total European IRD Trading Activity<sup>1</sup>

- Total European IRD trading activity reported by APAs and TVs in the EU and UK was \$10.7 trillion in May 2021.
- Nearly half (47.7%) of total European IRD traded notional was denominated in euros. Sterling-denominated transactions comprised 22.8% of traded notional, while contracts denominated in US dollars contributed 14.1%.
- Fixed-for-floating interest rate swaps (IRS) accounted for 52.0% of total European IRD traded notional, while forward rate agreements (FRAs) and overnight index swaps (OIS) totaled 14.0% and 27.2%, respectively.
- 50.2% of total European IRD traded notional was executed on TVs, 32.9% was executed by systemic internalizers<sup>2</sup> (SIs) and 16.9% was executed off venue<sup>3</sup>.
- 63.3% of total European IRD traded notional was cleared.

### UK IRD Trading Activity

- IRD traded notional reported by APAs and TVs in the UK was \$7.9 trillion and accounted for 73.7% of total European IRD traded notional in May 2021.
- Euro-denominated IRD accounted for 35.2% of total UK IRD traded notional, sterling trades comprised 30.6% and US dollar-denominated IRD represented 15.8%.
- Fixed-for-floating IRS accounted for 47.3% of total UK IRD traded notional, while FRAs and OIS comprised 14.5% and 29.9%, respectively.
- 41.2% of UK IRD traded notional was executed on TVs, 38.3% was executed by SIs and 20.5% was executed off venue.
- 65.8% of total UK IRD traded notional was cleared.

### EU IRD Trading Activity

- IRD traded notional reported by APAs and TVs in the EU was \$2.8 trillion and accounted for 26.3% of total European IRD traded notional in May 2021.
- Euro-denominated IRD accounted for 83.0% of total EU IRD traded notional.
- Fixed-for-floating IRS comprised 65.0% of total EU IRD traded notional, while FRAs and OIS totaled 12.3% and 19.7%, respectively.
- 75.5% of total EU IRD traded notional was executed on TVs, 18.0% was executed by SIs and 6.6% was executed off venue.
- 53.1% of total EU IRD traded notional was cleared.

<sup>1</sup> European IRD trading activity is measured by IRD traded notional and trade count reported by approved publication arrangements (APAs) and trading venues (TVs)

<sup>2</sup> This includes financial instruments admitted to trading or traded on a trading venue, where a transaction on that financial instrument is executed by a systematic internalizer (SI). SIs are investment firms that deal on their own account by executing client orders outside a regulated market (RM) or TV

<sup>3</sup> This includes financial instruments admitted to trading or traded on a trading venue, where a transaction on that financial instrument is not executed on a trading venue, systematic internalizer or organized trading platform outside the EU or where an investment firm does not know it is trading with another investment firm acting as an SI

## European and US IRD Trading Activity

- IRD traded notional reported in the US was \$15.7 trillion<sup>4</sup> and accounted for 59.5% of the combined EU, UK and US traded notional total in May 2021. The EU and UK comprised 10.6% and 29.9% of the combined total, respectively.
- Of the combined \$26.4 trillion in EU, UK and US IRD traded notional, 40.5% was denominated in US dollars, 32.4% was in euros and 14.6% was in sterling.
- 85.9% of total US dollar-denominated IRD was reported in the US. Reporting of euro-denominated transactions was split between the three jurisdictions, with 27.2% in the EU, 32.4% in the UK and 40.4% in the US. 62.6% of sterling-denominated IRD traded notional was reported in the UK, with the remainder reported in the US.
- Single currency fixed-for-floating IRS accounted for 47.8% of total EU, UK and US IRD traded notional in May 2021. FRAs and OIS accounted for 22.0% and 20.0%, respectively.

## US IRD Trading Activity

- IRD contracts denominated in US dollars were the most actively traded in May 2021. US dollar-denominated IRD contributed 58.5% of total US IRD traded notional, while euro- and sterling-denominated transactions accounted for 22.0% and 9.1%, respectively.
- The composition of IRD transactions reported in the US differed from those reported in the EU and UK. Fixed-for-floating IRS accounted for 44.9% of total US traded notional, similar to the UK. However, FRAs comprised 27.4% of total IRD traded notional in the US – well above the other jurisdictions. OIS accounted for 15.1% of total IRD traded notional in the US, lower than the EU and UK.
- IRD traded notional executed on swap execution facilities (SEFs) represented 71.2% of total IRD traded notional in the US.
- Cleared IRD transactions comprised 75.2% of total IRD traded notional in the US.

<sup>4</sup>Based on data from the Depository Trust & Clearing Corporation (DTCC) swap data repository (SDR). This data covers only transactions required to be disclosed under US regulations. See ISDA SwapsInfo website [www.swapsinfo.org](http://www.swapsinfo.org)

## METHODOLOGY

### European Data

ISDA's analysis of European-reported IRD trading data is based on transactions publicly reported by eight European APAs and 22 TVs<sup>5</sup>.

Under European post-trade reporting requirements, “[i]nvestment firms which, either on own account or on behalf of clients, conclude transactions in bonds, structured finance products, emission allowances and derivatives traded on a trading venue shall make public the volume and price of those transactions and the time at which they were concluded”<sup>6</sup>.

Trade information must be publicly disseminated either through an APA or by a TV through which a transaction was executed<sup>7</sup>. As of June 2021, there were 15 active APAs, 142 active multilateral trading facilities (MTFs) and 27 active organized trading facilities (OTFs) registered on the European Securities and Markets Authority's (ESMA) website<sup>8</sup>. In the UK, there were five APAs, 223 MTFs and 80 OTFs registered by the Financial Conduct Authority (FCA)<sup>9</sup>.

While ISDA's data set doesn't include all APAs and TVs that are registered with ESMA and the FCA, the trades reported by the 30 APAs and TVs included in this analysis are believed to cover most over-the-counter (OTC) IRD activity in Europe.

UK IRD trading activity is measured by IRD traded notional and trade count reported by APAs and TVs located in the UK, while EU IRD trading activity is measured by IRD traded notional and trade count reported by APAs and TVs located in the EU. Of the 30 APAs and TVs covered by this analysis, 17 are located in the UK and 13 are located in the EU.

To collect the data, ISDA set up daily feeds from the eight APAs and 22 TVs<sup>10</sup>. ISDA also set up a data feed from the Association of National Numbering Agencies' Derivatives Service Bureau to download new International Securities Identification Numbers (ISINs) for IRD transactions<sup>11</sup>. By matching IRD ISINs with all daily reported transactions that include various asset classes (equity, fixed income derivatives, etc), ISDA eliminated all non-IRD transactions and kept only the IRD data.

Using ISIN data, ISDA identified IRD instrument type (swap, option, forward, etc), IRD product taxonomy (fixed-for-floating IRS, FRAs, OIS, etc), underlying reference rate and tenor. Using trade details published by APAs and TVs, ISDA identified publication ID, trade date, publication date, venue of execution, notional amount, notional currency, cleared status and supplementary flags.

The ISDA data set includes only new trades. All cancelled transactions are removed and amended trades are updated using the original ID field. Transactions reported with a four-week aggregation flag and volume omission flag are also removed from the data set.

<sup>5</sup> The list of APAs and TVs is included in Appendix 1

<sup>6</sup> MIFIR Article 21 [www.esma.europa.eu/databases-library/interactive-single-rulebook/clone-mifir/article-21](http://www.esma.europa.eu/databases-library/interactive-single-rulebook/clone-mifir/article-21)

<sup>7</sup> See Appendix 2 for more detailed information on Post-trade Reporting Requirements in Europe and US

<sup>8</sup> ESMA List of Registers [https://registers.esma.europa.eu/publication/searchRegister?core=esma\\_registers\\_upreg](https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_upreg)

<sup>9</sup> FCA The Financial Services Register [https://register.fca.org.uk/s/resources#Other\\_registers](https://register.fca.org.uk/s/resources#Other_registers)

<sup>10</sup> Most APAs and TVs display data only for a short period of time and no historical data is available

<sup>11</sup> Most APAs and TVs don't disclose asset class data and publish all transactions using International Securities Identification Numbers

Reported notional is converted to US dollars based on daily foreign exchange (FX) rates. All reported transactions are aggregated on a daily basis. Monthly traded notional referenced in this report represents the sum of converted traded notional of all transactions executed during the month. Monthly trade count represents the number of all transactions executed during the month.

Due to post-trade transparency deferrals, the majority of European transactions are published with a four- to five-week delay.

## US Data

Analysis of US IRD is based on data from the DTCC SDR that only covers transactions required to be disclosed under US regulations<sup>12</sup>.

In the US, the Commodity Futures Trading Commission (CFTC) swap reporting rules were finalized in December 2011 and required all traded swaps to be reported by the end of 2013. These rules require key swap transaction and pricing data to be reported to US-registered SDRs as soon as technologically practicable after execution<sup>13</sup>.

There are three major SDRs in the US: DTCC SDR (reports all asset classes); CME (reports all asset classes except for equity); and ICE Trade Vault (reports credit, FX and commodities)<sup>14</sup>. Almost all OTC IRD are reported by the DTCC SDR.

The DTCC SDR reports execution time stamp, effective date, expiration date, asset class, product taxonomy, notional amount, notional currency, underlying reference rate, execution venue, cleared status and other trade details<sup>15</sup>.

ISDA analysis includes only new transactions. All cancelled transactions are removed and amended trades are updated using the dissemination ID field. Reported notional is converted to US dollars based on daily FX rates. All reported transactions are aggregated on a daily basis.

Delays in reporting (generally 15 or 30 minutes, with a maximum of 24 business hours) are allowed for block trades (transactions with a notional above the minimum block size for the relevant asset class) and large notional trades.

## Data Limitations

While ISDA believes this data covers the majority of OTC IRD transactions in Europe, it doesn't capture 100% of the market. First, it doesn't cover all APAs and TVs that are registered with ESMA and the FCA. Second, it captures only transactions that are subject to post-trade transparency reporting requirements. OTC derivatives that are not traded on TVs are considered 'traded on a trading venue' (TOTV) – and are therefore subject to the reporting and transparency requirements – if they share the same reference data details as derivatives traded on TVs<sup>16</sup>. Therefore, OTC derivatives not traded on TVs that are not TOTV are not captured.

<sup>12</sup> See Appendix 2 for more detailed information on Post-trade Reporting Requirements in Europe and the US

<sup>13</sup> CFTC 17 CFR Part 43 Real-Time Public Reporting of Swap Transaction Data [www.cftc.gov/sites/default/files/idc/groups/public/@Irfederalregister/documents/file/2011-33173a.pdf](http://www.cftc.gov/sites/default/files/idc/groups/public/@Irfederalregister/documents/file/2011-33173a.pdf)

<sup>14</sup> Bloomberg SDR was closed in August 2018 and all transactions were moved to DTCC SDR

<sup>15</sup> DTCC SDR services <https://pddata.dtcc.com/gtr/cftc/dashboard.do>

<sup>16</sup> ESMA Clarifies Traded On a Trading Venue Under MiFID II [www.esma.europa.eu/press-news/esma-news/esma-clarifies-traded-trading-venue-under-mifid-ii](http://www.esma.europa.eu/press-news/esma-news/esma-clarifies-traded-trading-venue-under-mifid-ii)

When European counterparties face US entities on a SEF, ESMA does not require EU firms to systematically republish information in the EU about transactions executed on TVs outside the EU that are subject to transparency provisions similar to those applicable to EU TVs. Under US rules, SEFs are required to send relevant trade details to an SDR for real-time public dissemination<sup>17</sup>. Therefore, these trades will be captured in US trading activity only, resulting in a potential understatement of European traded notional.

Trades executed on MTFs and OTFs between EU and US counterparties may be disseminated to the public twice. Since EU and US reporting rules have not been determined equivalent, trades executed on MTFs and OTFs are viewed as off-facility transactions for US real-time reporting purposes and are subject to the CFTC reporting rules. At the same time, MTFs and OTFs have an obligation to send trade details for public dissemination. Therefore, these trades may be double counted in European and US combined trading activity analysis.

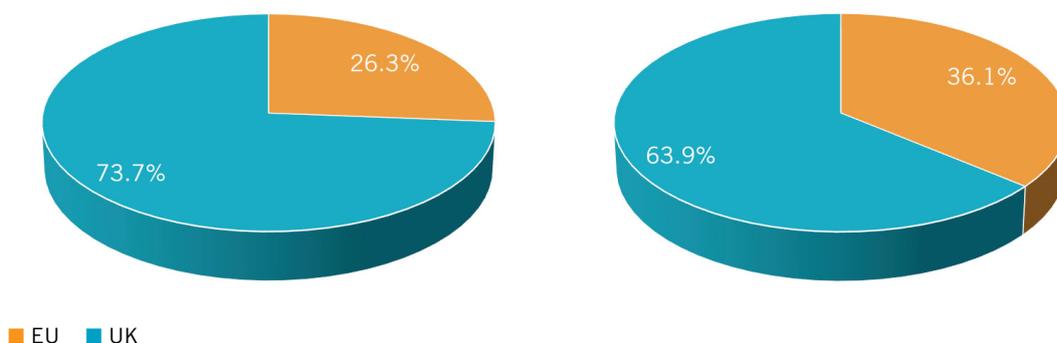
The majority of block trades and large notional off-facility swaps (LNOFs) are reported to the DTCC SDR with a capped notional. Block trades and LNOFs are transactions above a designated notional threshold (block size). These transactions are reported with a delay at the capped amounts (cap size). As ISDA cleans up DTCC SDR data, all transactions that are reported with a '+' indicating a block trade are counted at the minimum notional. For example, a transaction reported with \$1,000,000+ notional would be counted as \$1,000,000 traded notional. As the result, total DTCC IRD traded notional is likely to be understated.

<sup>17</sup> A Practical Guide to Navigating Derivatives Trading on US/EU Recognized Trading Venues [www.isda.org/a/CRmEE/ISDA-Publishes-Guide-to-Trading-on-US-EU-Trading-Venues-FINAL.pdf](http://www.isda.org/a/CRmEE/ISDA-Publishes-Guide-to-Trading-on-US-EU-Trading-Venues-FINAL.pdf)

## EUROPEAN IRD TRADING ACTIVITY

In May 2021, total European IRD trading activity reported by APAs and TVs in the EU and UK was \$10.7 trillion. Total trade count was 73.2 thousand. Traded notional reported in the UK accounted for 73.7% of total European IRD traded notional and 63.9% of total trade count (see Chart 1).

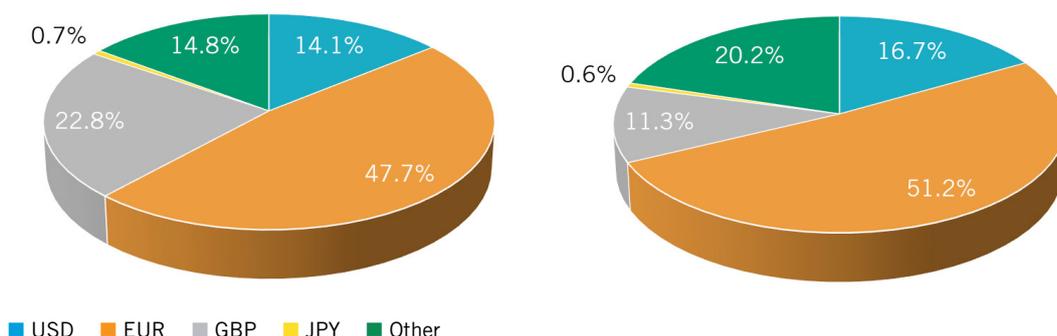
**Chart 1:** European IRD Traded Notional and Trade Count



Source: European APAs and TVs

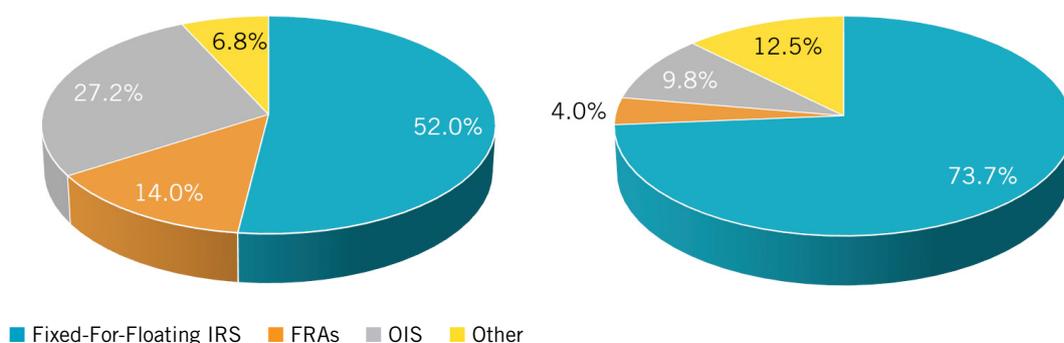
Nearly half of total European IRD trading activity was denominated in euros. Euro-denominated IRD traded notional accounted for 47.7% of total European traded notional and 51.2% of trade count. Sterling-denominated transactions comprised 22.8% of total European traded notional and 11.3% of trade count, while contracts denominated in US dollars contributed 14.1% of total European traded notional and 16.7% of trade count (see Chart 2).

**Chart 2:** European IRD Traded Notional and Trade Count by Currency



Source: European APAs and TVs

Fixed-for-floating IRS accounted for 52.0% of total European IRD traded notional and 73.7% of total trade count in May 2021. FRAs and OIS represented 14.0% and 27.2% of total European traded notional and 4.0% and 9.8% of trade count, respectively (see Chart 3).

**Chart 3: European IRD Traded Notional and Trade Count by Product**

Source: European APAs and TVs

About half (50.2%) of total European IRD traded notional was executed on TVs, 32.9% was executed by SIs<sup>18</sup> and 16.9% was executed off venue<sup>19</sup> (see Table 1).

**Table 1: European IRD Traded Notional and Trade Count by Execution Venue**

	TVs	SIs	Off-venue
<b>UK Traded Notional</b>	41.2%	38.3%	20.5%
<b>EU Traded Notional</b>	75.5%	18.0%	6.6%
<b>Total European Traded Notional</b>	50.2%	32.9%	16.9%
<b>UK Trade Count</b>	51.2%	31.1%	17.7%
<b>EU Trade Count</b>	72.6%	19.7%	7.7%
<b>Total European Trade Count</b>	58.9%	27.0%	14.1%

Source: European APAs and TVs

63.3% of total European IRD traded notional and 62.8% of total trade count was cleared and 36.7% of traded notional and 37.2% of trade count was non-cleared (see Table 2).

**Table 2: European IRD Traded Notional and Trade Count by Cleared Status**

	% Cleared	% Non-Cleared
<b>UK Traded Notional</b>	65.8%	34.2%
<b>EU Traded Notional</b>	53.1%	46.9%
<b>Total European Traded Notional</b>	63.3%	36.7%
<b>UK Trade Count</b>	62.0%	38.0%
<b>EU Trade Count</b>	60.3%	39.7%
<b>Total European Trade Count</b>	62.8%	37.2%

Source: European APAs and TVs

<sup>18</sup> This includes financial instruments admitted to trading or traded on a trading venue, where a transaction on that financial instrument is executed by an SI. SIs are investment firms that deal on their own account by executing client orders outside a RM or TV

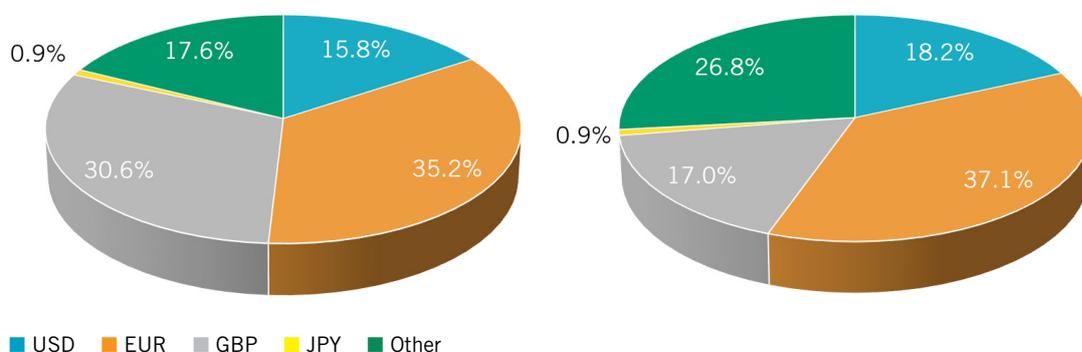
<sup>19</sup> This includes financial instruments admitted to trading or traded on a trading venue, where a transaction on that financial instrument is not executed on a TV, SI or organized trading platform outside the EU or where an investment firm does not know it is trading with another investment firm acting as an SI

## UK IRD TRADING ACTIVITY

IRD traded notional and trade count reported by APAs and TVs in the UK in May 2021 was \$7.9 trillion and 46.9 thousand, respectively. UK-reported trading activity accounted for 73.7% of total European IRD traded notional and 63.9% of trade count (see Chart 1).

Euro-denominated IRD accounted for 35.2% of total UK IRD traded notional and 37.1% of trade count in May 2021. Sterling-denominated transactions represented 30.6% of total UK IRD traded notional and 17.0% of trade count. US dollar-denominated IRD contributed 15.8% of total UK IRD traded notional and 18.2% of trade count (see Chart 4).

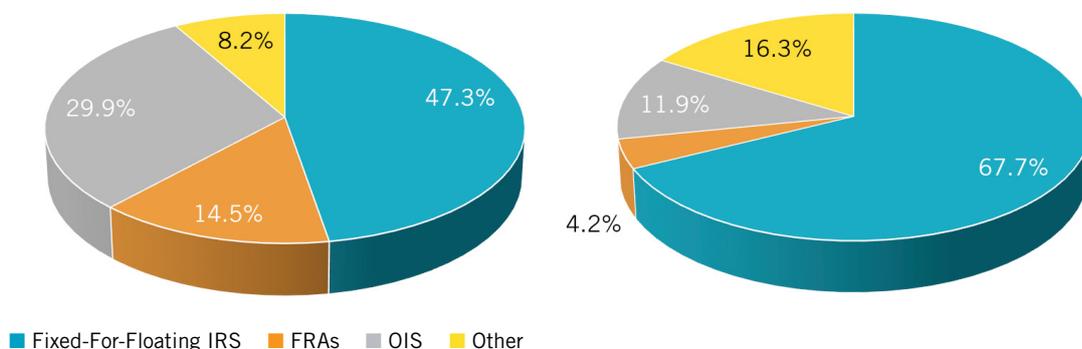
**Chart 4: UK IRD Traded Notional and Trade Count by Currency**



Source: European APAs and TVs

Single currency fixed-for-floating IRS comprised 67.7% of total UK IRD trade count but represented only 47.3% of UK IRD traded notional in May 2021. FRAs and OIS accounted for 14.5% and 29.9% of total UK traded notional and 4.2% and 11.9% of trade count, respectively (see Chart 5).

**Chart 5: UK IRD Traded Notional and Trade Count by Product**



Source: European APAs and TVs

41.2% of total UK IRD traded notional and 51.2% of trade count was executed on TVs. 38.3% of total UK IRD traded notional and 31.1% of trade count was executed by SIs, and 20.5% of traded notional and 17.7% of trade count was executed off venue (see Table 1).

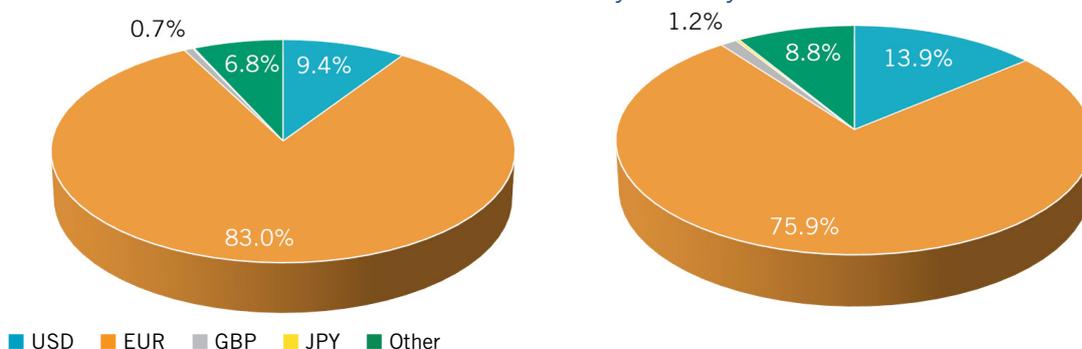
65.8% of total UK IRD traded notional and 62.0% of total trade count was cleared and 34.2% of traded notional and 38.0% of trade count was non-cleared (see Table 2).

## EU IRD TRADING ACTIVITY

IRD traded notional and trade count reported by APAs and TVs in the EU in May 2021 was \$2.8 trillion and 26.4 thousand, respectively. EU-reported IRD trading activity comprised 26.3% of total European IRD traded notional and 36.1% of total European trade count (see Chart 1).

IRD denominated in euros accounted for the majority of trades reported in the EU in May 2021. Euro-denominated IRD comprised 83.0% of total EU IRD traded notional and 75.9% of trade count. US dollar-denominated IRD accounted for 9.4% of total EU IRD traded notional and 13.9% of trade count, while sterling-denominated transactions totaled only 0.7% and 1.3% of total EU IRD traded notional and trade count, respectively (see Chart 6).

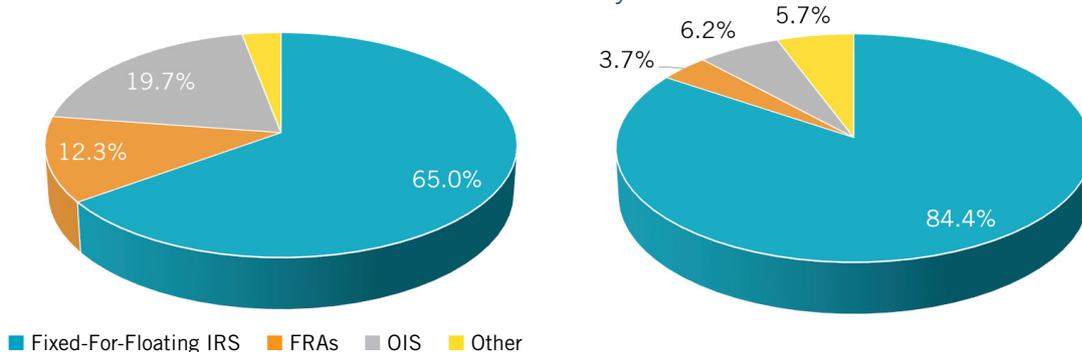
**Chart 6: EU IRD Traded Notional and Trade Count by Currency**



Source: European APAs and TVs

The composition of swaps reported in the EU differed from those reported in the UK, with a larger share of fixed-for-floating IRS and a smaller share of OIS. Single currency fixed-for-floating IRS represented 84.4% of total EU IRD trade count and 65.0% of IRD traded notional. FRAs and OIS accounted for 12.3% and 19.7% of total EU IRD traded notional and 3.7% and 6.2% of trade count, respectively (see Chart 7).

**Chart 7: EU IRD Traded Notional and Trade Count by Product**



Source: European APAs and TVs

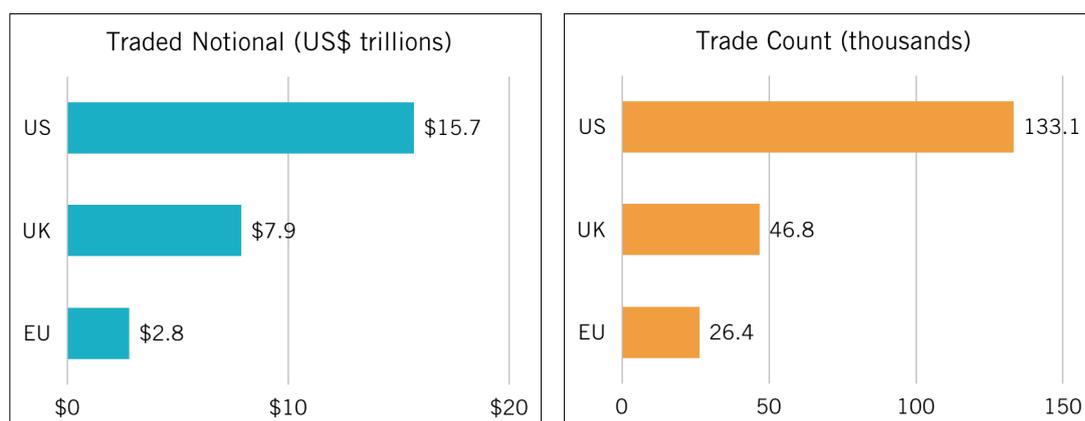
The share of IRD traded notional executed on TVs in the EU was significantly higher compared to the UK. 75.5% of total EU IRD traded notional and 72.6% of total EU IRD trade count was executed on TVs, 18.0% of traded notional and 19.7% of trade count was executed by SIs and 6.6% of traded notional and 7.7% of trade count was executed off venue (see Table 1).

53.1% of total EU IRD traded notional and 60.3% of total trade count was cleared and 46.9% of traded notional and 39.7% of trade count was non-cleared (see Table 2).

## EUROPEAN AND US IRD TRADING ACTIVITY

IRD traded notional and trade count reported in the US in May 2021 was \$15.7 trillion and 133.1 thousand, respectively (see Chart 8)<sup>20</sup>. Combined EU, UK and US traded notional and trade count was \$26.4 trillion and 206.4 thousand.

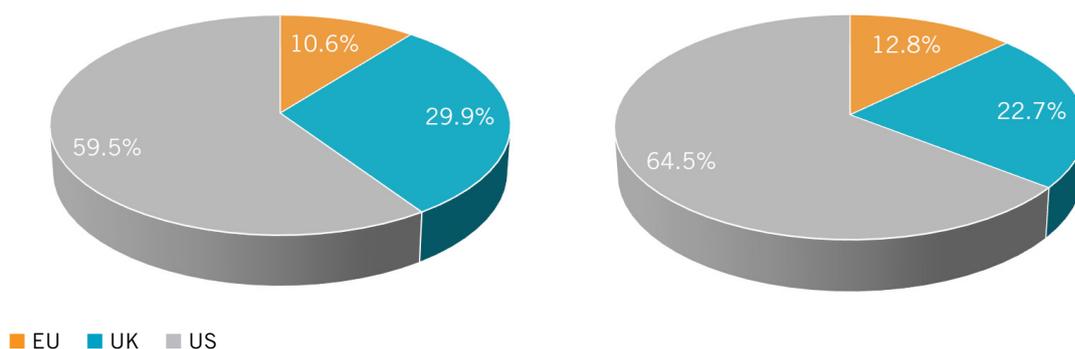
**Chart 8:** US, UK and EU Traded Notional and Trade Count



Source: DTCC SDR, European APAs and TVs

US traded notional accounted for 59.5% of the combined EU, UK and US traded notional, while the EU and UK comprised 10.6% and 29.9%, respectively. US transactions represented 64.5% of all trade count, while the EU and UK accounted for 12.8% and 22.7%, respectively (see Chart 9).

**Chart 9:** Combined US, UK and EU IRD Traded Notional and Trade Count

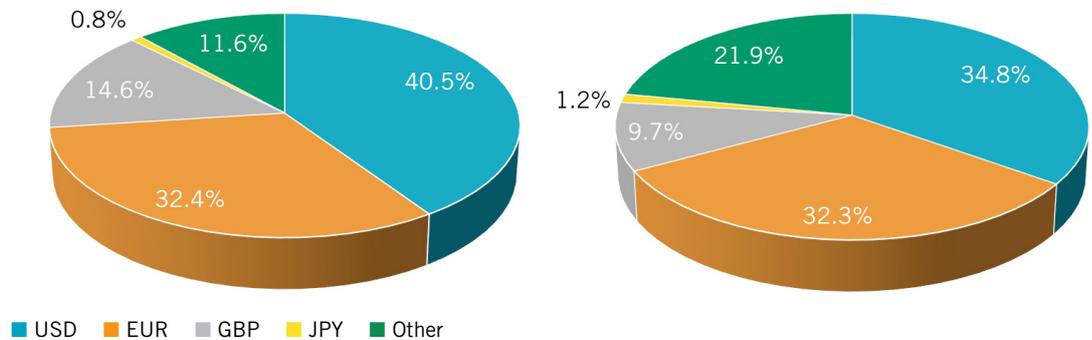


Source: DTCC SDR, European APAs and TVs

Of the combined \$26.4 trillion in EU, UK and US IRD traded notional, 40.5% was denominated in US dollars, 32.4% was in euros and 14.6% was in sterling. Of the 206.4 thousand in combined trade count, 34.8% was denominated in US dollars, 32.3% was in euros and 9.7% was in sterling (see Chart 10).

<sup>20</sup> Based on the data from the DTCC SDR that covers only transactions required to be disclosed under US regulations

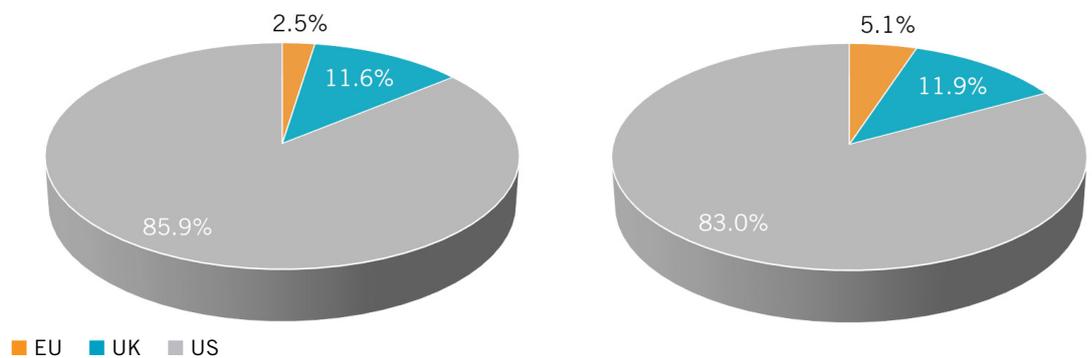
**Chart 10:** Combined US, UK and EU IRD Traded Notional and Trade Count by Currency



Source: DTCC SDR, European APAs and TVs

85.9% of total US dollar-denominated IRD traded notional and 83% of trade count was reported in the US, while 11.6% of US dollar-denominated traded notional and 11.9% of trade count was reported in the UK (see Chart 11).

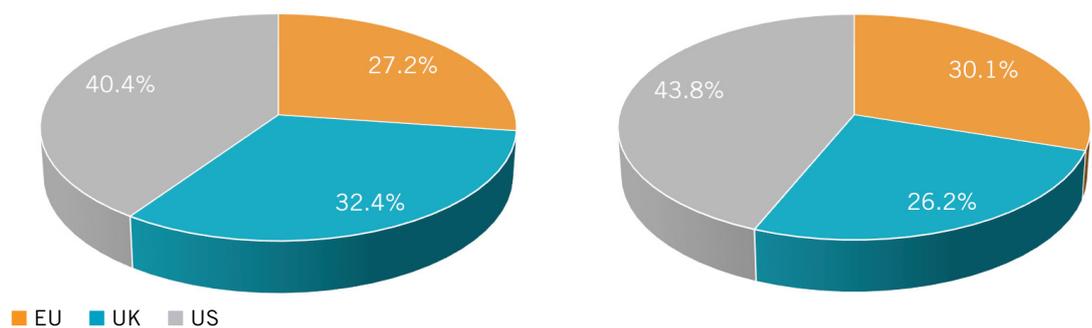
**Chart 11:** Combined US Dollar-denominated IRD Traded Notional and Trade Count by Jurisdiction



Source: DTCC SDR, European APAs and TVs

Reporting of total euro-denominated IRD transactions was split between the three jurisdictions: 27.2% of euro-denominated traded notional and 30.1% of trade count was reported in the EU; 32.4% of traded notional and 26.2% of traded count was reported in the UK; and 40.4% of euro-denominated traded notional and 43.8% of trade count was reported in the US (see Chart 12).

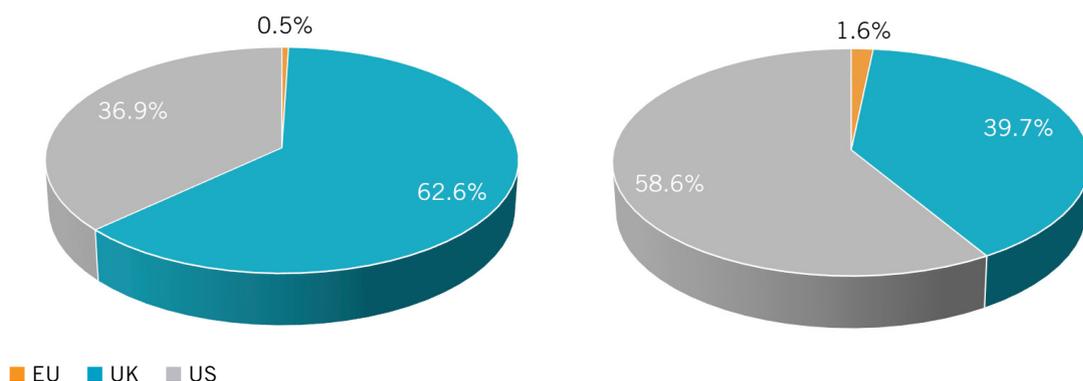
**Chart 12:** Combined Euro-denominated IRD Traded Notional and Trade Count by Jurisdiction



Source: DTCC SDR, European APAs and TVs

62.6% of sterling-denominated IRD traded notional and 39.7% of trade count was reported in the UK, with the remainder reported in the US (see Chart 13).

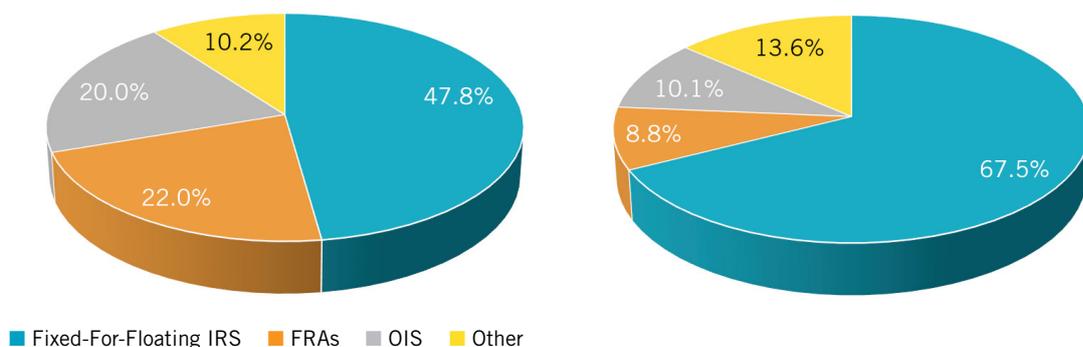
**Chart 13:** Combined Sterling-denominated IRD Traded Notional and Trade Count by Jurisdiction



Source: DTCC SDR, European APAs and TVs

Single currency fixed-for-floating IRS accounted for 67.5% of combined EU, UK and US IRD trade count, but represented only 47.8% of combined IRD traded notional in May 2021. FRAs and OIS accounted for 22.0% and 20.0% of total combined traded notional and 8.8% and 10.1% of trade count, respectively (see Chart 14).

**Chart 14:** Combined US, UK and EU IRD Traded Notional and Trade Count by Product

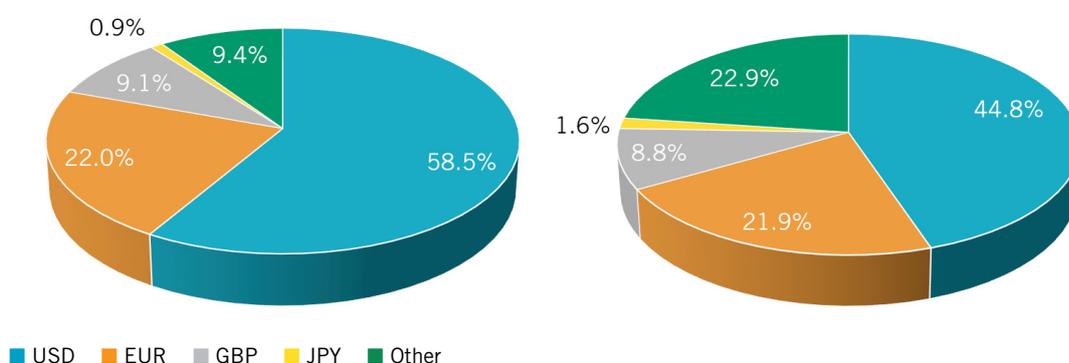


Source: DTCC SDR, European APAs and TVs

## US IRD TRADING ACTIVITY

IRD contracts denominated in US dollars were the most actively traded in May 2021. US dollar-denominated IRD comprised 58.5% of total US IRD traded notional and 44.8% of trade count. Euro-denominated transactions accounted for 22.0% of total US IRD traded notional and 21.9% of trade count. Sterling-denominated transactions represented 9.1% and 8.8% of total US IRD traded notional and trade count, respectively (see Chart 15).

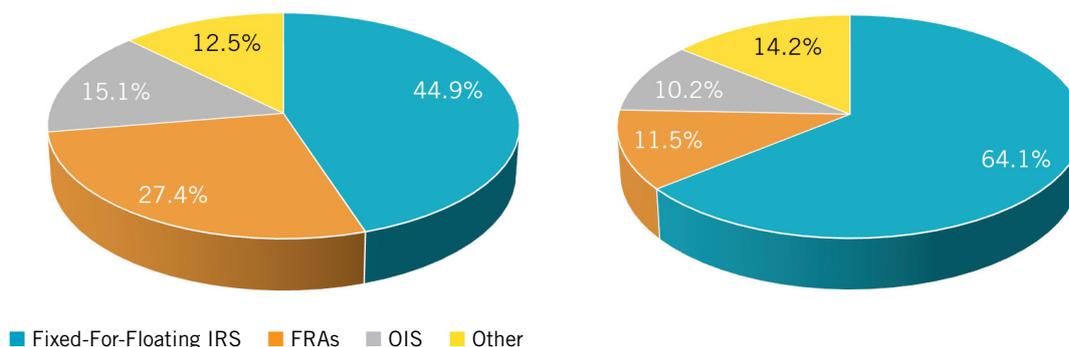
**Chart 15: US IRD Traded Notional and Trade Count by Currency**



Source: DTCC SDR

In the US, the share of FRAs relative to total traded notional was higher than in the EU and UK, while the share of fixed-for-floating IRS was lower. Single currency fixed-for-floating IRS accounted for 64.1% of total US IRD trade count and represented 44.9% of IRD traded notional. FRAs and OIS accounted for 27.4% and 15.1% of total US traded notional and 11.5% and 10.2% of trade count, respectively (see Chart 16).

**Chart 16: US IRD Traded Notional and Trade Count by Product**



Source: DTCC SDR

71.2% of total US IRD traded notional and 67.2% of trade count was executed on SEFs in May 2021. 75.2% of total IRD traded notional and 70.8% of trade count reported in the US was cleared<sup>21</sup>.

<sup>21</sup> A planned system upgrade by the DTCC SDR on November 21, 2020 changed reporting logic for the cleared status of trades. Following the upgrade, the percentage of IRD trades indicated to be cleared appears lower in 2021 compared to historical averages as firms switched to the new reporting logic

## APPENDIX 1: LIST OF MAJOR VENUES REPORTING OTC IRD TRANSACTIONS INCLUDED IN THE ISDA EUROPEAN IRD MARKETS DATASET

Venue Name	Venue Type	MIC	Region
Aurel BGC Paris	OTF	AURO	EU
BGC Brokers LP	OTF	BGCO	UK
Bloomberg BV APA	APA	BAPE	EU
Bloomberg BV MTF	MTF	BTFE	EU
Bloomberg UK APA	APA	BAPA	UK
Bloomberg UK MTF	MTF	BMTF	UK
GFI Brokers Limited	OTF	GFBO	UK
GFI Paris	OTF	GFPO	EU
ICAP EU OTF	OTF	ICOT	EU
ICAP Global Derivatives MTF	MTF	IGDL	UK
ICAP Securities OTF	OTF	IOTF	UK
iSWAP EU MTF	MTF	ISWP	EU
I-Swap Euro MTF	MTF	ISWA	UK
TP ICAP EU MTF	MTF	TPIC	EU
TP ICAP UK MTF	MTF	ICPM	UK
TRADEcho NL	APA	ECEU	EU
TRADEcho UK	APA	ECHO	UK
Tradeweb BV APA	APA	TWEA	EU
Tradeweb BV MTF	MTF	TWEM	EU
Tradeweb UK APA	APA	TREA	UK
Tradeweb UK MTF	MTF	TREU	UK
Tradition	OTF	TCDS	UK
Trad-X EU	MTF	TRXE	EU
Trad-X UK	MTF	TRDX	UK
Trax APA	APA	TRAX	UK
Trax NL APA	APA	TRNL	EU
TSAF OTC	OTF	TSAF	EU
Tullett Prebon EU OTF	OTF	TPEU	EU
Tullett Prebon Europe MTF	MTF	TPEL	UK
Tullett Prebon Europe OTF	OTF	TPEO	UK

## APPENDIX 2: POST-TRADE REPORTING REQUIREMENTS IN EUROPE AND US

### Europe

#### MIFID II/MIFIR

Post-trade transparency and reporting obligations under the revised Markets in Financial Instruments Directive (MIFID II)/Markets in Financial Instruments Regulation (MIFIR) went into force in January 2018. The rules apply to qualifying investment firms, their non-EU domiciled branches and EU branches of non-EU qualifying investment firms.

The rules stipulate that “[i]nvestment firms which, either on own account or on behalf of clients, conclude transactions in bonds, structured finance products, emission allowances and derivatives traded on a trading venue shall make public the volume and price of those transactions and the time at which they were concluded”<sup>22</sup>.

The reporting obligation always falls on one party in a trade. If the trade is transacted on a regulated market (RM), multilateral trading facility (MTF) or organized trading facility (OTF), the venue has the reporting obligation. When a trade is executed with a systemic internalizer (SI), the SI has the reporting obligation. In cases when a trade is not executed on a venue, the selling counterparty is required to report<sup>23</sup>.

Transparency and transaction reporting requirements apply to instruments that are admitted to trading on a RM, as well as those that are traded on other trading venues (TVs), including MTFs and OTFs.

The transparency requirements also apply to investment firms not trading on TVs if the underlying financial instrument is ‘traded on a trading venue’ (TOTV) or is an index or basket composed of financial instruments that are traded on a TV. Financial instruments that are solely traded outside of TVs are not subject to the requirements.

Over-the-counter (OTC) derivatives not traded on TVs are considered TOTV – and are therefore subject to transaction reporting and transparency requirements – if they share the same reference data details as derivatives that are traded on TVs<sup>24</sup>.

Trade information must be publicly disseminated either through approved publication arrangements (APAs) or by TVs through which a transaction was executed.

Trade information must include at a minimum trading date and time, instrument identification code type, instrument identification code, price, venue of execution, price notation, price currency, notation of the quantity in measurement unit, quantity in measurement unit, quantity, notional amount, notional currency, type for emission allowances, publication date and time, venue of publication, transaction identification code and a code to identify whether the transaction will be cleared<sup>25</sup>.

<sup>22</sup> MIFIR Article 21 [www.esma.europa.eu/databases-library/interactive-single-rulebook/clone-mifir/article-21](http://www.esma.europa.eu/databases-library/interactive-single-rulebook/clone-mifir/article-21)

<sup>23</sup> AFME MIFID II/MIFIR Post-trade Reporting Requirements, [www.afme.eu/portals/0/globalassets/downloads/publications/afme-mifidii-mifir-post-trade-reporting-requirements.pdf](http://www.afme.eu/portals/0/globalassets/downloads/publications/afme-mifidii-mifir-post-trade-reporting-requirements.pdf)

<sup>24</sup> ESMA Clarifies Traded On a Trading Venue Under MIFID II [www.esma.europa.eu/press-news/esma-news/esma-clarifies-traded-trading-venue-under-mifid-ii](http://www.esma.europa.eu/press-news/esma-news/esma-clarifies-traded-trading-venue-under-mifid-ii)

<sup>25</sup> Commission Delegated Regulation (EU) 2017/583 of July 14, 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on transparency requirements for trading venues and investment firms in respect of bonds, structured finance products, emission allowances and derivatives <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0583&from=EN>

APAs and TVs are responsible for publishing details of executed trades on behalf of investment firms as close to real time as possible, on a reasonable commercial basis. The data should be made available free of charge 15 minutes after publication.

APAs are mostly operated by exchanges or other TVs that are authorized to publish trade reports on behalf of investment firms. As of June 2021, there were 15 active APAs, 142 active MTFs and 27 active OTFs registered on the European Securities and Markets Authority's (ESMA) website<sup>26</sup>. In the UK, there were five APAs, 223 MTFs and 80 OTFs registered by the Financial Conduct Authority<sup>27</sup>.

MIFID II allows the publication of all information on a trade to be delayed for larger transactions and instruments deemed to be illiquid. Deferrals can vary significantly depending on the trading jurisdiction. Some deferrals last up to four weeks.

A large-in-scale (LIS) deferral is given if the trade is larger than the average size of trades within that asset class. A size-specific-to-instrument deferral is granted to transactions that are larger than a minimum size threshold but smaller than the LIS threshold.

Under MIFID II, investment firms are also required to submit post-trade data to authorized reporting mechanisms (ARMs) on a T+1 basis. ARMs report the details of transactions to regulators on behalf of investment firms.

## EMIR

The European Market Infrastructure Regulation (EMIR), which took effect in all EU member states in August 2012, requires all counterparties in the EU entering into derivatives contracts to report the details of their trades to one of six authorized trade repositories (TRs)<sup>28</sup>. TRs have to report the data to competent authorities, maintain records of derivatives contracts and publish aggregated positions by asset class.

EMIR applies to financial counterparties as well as non-financial counterparties. It covers both exchange-traded and OTC derivatives and applies to the five main derivatives classes: interest rates, credit, foreign exchange (FX), commodities and equities.

The data required to be reported under EMIR originally included about 85 fields and was segregated into two categories, including counterparty data and transaction data (such as a derivatives type, prices, notional outstanding, execution venue and cleared status). Transaction reports must also include the legal entity identifier and unique trade identifier.

EMIR requires both counterparties to report if they are located in the EU. As a result, trades are frequently reported twice, possibly to two different TRs. Data aggregation requires combining data from all TRs and reconciling it to eliminate duplicate trades.

As noted by ESMA, the EMIR reconciliation process includes pairing and matching. The pairing process requires identification of both legs of the reported transaction, but has historically been problematic. While it has increased from about 43% to 53%, it remains very low<sup>29</sup>.

<sup>26</sup> ESMA [https://registers.esma.europa.eu/publication/searchRegister?core=esma\\_registers\\_upreg](https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_upreg)

<sup>27</sup> FCA [https://register.fca.org.uk/s/resources#Other\\_registers](https://register.fca.org.uk/s/resources#Other_registers)

<sup>28</sup> Regulation (EU) No 648/2012 of the European Parliament and of the Council of July 4, 2012 on OTC Derivatives, Central Counterparties and Trade Repositories

<sup>29</sup> ESMA EMIR and SFTR Data Quality Report [www.esma.europa.eu/sites/default/files/library/esma80-193-1713\\_emir\\_and\\_sftr\\_data\\_quality\\_report.pdf](http://www.esma.europa.eu/sites/default/files/library/esma80-193-1713_emir_and_sftr_data_quality_report.pdf)

## US

In the US, the Commodity Futures Trading Commission (CFTC) swap reporting rules were finalized in December 2011 and all traded swaps instruments were required to be reported by the end of 2013. The CFTC's swap data reporting requirements include real-time public reporting, regulatory reporting and data record keeping.

Part 43 covers real-time public reporting and requires key information about the swap transaction and pricing to be reported to US-registered swap data repositories (SDRs) as soon as technologically practicable after execution<sup>30</sup>.

Part 45 governs regulatory reporting of swap data and record-keeping rules. The reporting counterparty to a swap is responsible for reporting a variety of information about the transaction to an appropriate SDR, both upon creation and throughout the life of the swap. This data is only accessible to the CFTC<sup>31</sup>.

For trades executed on swap execution facilities (SEFs) or designated contract markets (DCMs), the SEF or DCM is responsible for reporting swap transaction, pricing and swap creation data to the SDR. For off-facility swaps, a designated reporting counterparty, which differs depending on the status of the counterparties, is responsible for reporting the information.

There are three major SDRs in the US: the Depository Trust & Clearing Corporation SDR (reports all asset classes); CME (reports all asset classes except for equity); and ICE Trade Vault (reports credit, FX and commodities)<sup>32</sup>. SDRs must ensure the public dissemination of all publicly reportable swap transactions.

All derivatives other than FX swaps and deliverable forward contracts are subject to the reporting obligations. All swap transaction and pricing data must be reported to the appropriate registered SDR irrespective of whether the swap is executed on a regulated trading platform or bilaterally.

Some of data fields reported by SDRs include execution time stamp, effective date, expiration date, asset class, product taxonomy, notional amount, notional currency, underlying reference rate, execution venue, cleared status and other trade details<sup>33</sup>.

Delays in reporting (generally 15 or 30 minutes, with a maximum of 24 business hours) are allowed for block trades (transactions with a notional above the minimum block size for the relevant asset class) and large notional trades.

<sup>30</sup> 17 CFR Part 43 Real-Time Public Reporting of Swap Transaction Data [www.cftc.gov/sites/default/files/idc/groups/public/@Irfederalregister/documents/file/2011-33173a.pdf](http://www.cftc.gov/sites/default/files/idc/groups/public/@Irfederalregister/documents/file/2011-33173a.pdf)

<sup>31</sup> 17 CFR Part 45 Swap Data Recordkeeping and Reporting Requirements [www.cftc.gov/sites/default/files/idc/groups/public/@Irfederalregister/documents/file/2011-33199a.pdf](http://www.cftc.gov/sites/default/files/idc/groups/public/@Irfederalregister/documents/file/2011-33199a.pdf)

<sup>32</sup> Bloomberg SDR was closed in August 2018 and all transactions were moved to DTCC SDR

<sup>33</sup> See Appendix A to Part 43 Data Fields for Public Dissemination



ISDA has published other recent research papers:

- ***SwapsInfo First Half of 2021 and the Second Quarter of 2021 Review: Summary, August 2021***

<https://www.isda.org/a/Q4MgE/SwapsInfo-First-Half-of-2021-and-Second-Quarter-of-2021-Review-Summary.pdf>

- ***Transition to RFRs Review: First Half of 2021 and the Second Quarter of 2021, August 2021***

<https://www.isda.org/a/lmMgE/Transition-to-RFRs-Review-First-Half-of-2021-and-the-Second-Quarter-of-2021.pdf>

- ***ISDA-Clarus RFR Adoption Indicator: June 2021, July 2021***

<https://www.isda.org/a/PBEgE/ISDA-Clarus-RFR-Adoption-Indicator-June-2021.pdf>

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## **ABOUT ISDA**

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