



April 2015

Research Note

Cross-Border Fragmentation of Global Derivatives: End-Year 2014 Update

Evidence shows that global derivatives markets have fragmented along geographic lines since the introduction of the US swap execution (SEF) regime in October 2013. This development has been particularly conspicuous in the market for euro interest rate swaps.

The split in liquidity reached its peak in August 2014, when 95.7% of regional European interdealer volume in euro IRS was traded between European dealers. That had fallen to 84.5% by December 2014. Prior to the implementation of US SEF rules, approximately 25% of euro IRS activity by European dealers was traded with US counterparties. The market for US dollar IRS, meanwhile, has centred on SEFs, with European counterparties increasingly opting to trade on these venues to access US bank liquidity.

Swaps markets show clear evidence of fragmentation since the introduction of US trading rules in October 2013

SUMMARY

Cross-border liquidity pools for interest rate swaps (IRS) have changed markedly over the past 18 months. Clear evidence has emerged that liquidity has fragmented along geographic lines, coinciding with the introduction of the US swap execution facility (SEF) regime in October 2013.

Under these rules, electronic trading platforms that provide access to US persons were required to register with the US Commodity Futures Trading Commission (CFTC) and comply with SEF rules from October 2, 2013. The first derivatives products were mandated to trade on these platforms from February 15, 2014, under a process known as made-available-to-trade (MAT). As a result, all US persons are now legally required to trade MAT instruments on SEFs or designated contract markets. Comparable rules are not yet in place in other jurisdictions, meaning the same requirements do not exist for non-US participants.

This is the third instalment in a series of research notes charting the changes in global liquidity pools since the SEF rules came into force. To measure the impact on cross-border relationships, ISDA used monthly regional clearing data from LCH.Clearnet between January 2013 and December 2014 for US dollar and euro-denominated IRS.

The analysis reveals:

- The cleared euro IRS market remains largely fragmented in US and non-US liquidity pools. This split was first observed in October 2013 after the CFTC's SEF regime came into force.
- More euro IRS volume is now transacted exclusively between European counterparties than before October 2013. During the fourth quarter of 2014, an average of \$2,221 billion per month of euro IRS, or 87.7% of total euro IRS volume by notional, was transacted exclusively between European dealers. During the third quarter of 2013 (prior to the start of the SEF regime), an average of \$1,708 billion per month of euro IRS, or 73.4% of total euro IRS volume by notional, was transacted exclusively between European counterparties.
- The notional volume of the European-to-US interdealer cross-border euro IRS market has decreased. During the fourth quarter of 2014, an average of \$264 billion per month of euro IRS, or 10.8% of total euro IRS volume by notional, was transacted between European and US counterparties. During the third quarter of 2013, an average of \$598 billion per month of euro IRS, or 25.8% of total euro IRS volume by notional, was transacted between European and US counterparties.
- The percentage of euro IRS trades exclusively between European counterparties in the fourth quarter of 2014 was modestly lower than in previous quarters. Conversely, the percentage of trades between European and US counterparties was slightly higher. The change reflects a decline in underlying activity in euro IRS between European institutions over the period. Fourth quarter average notional volume fell 8.3% versus compared with the same period in 2013. A 25.3% decline in volume occurred between November 2013 and November 2014 alone.
- Although regional pools exist in the market for US dollar IRS, evidence of fragmentation is more subtle than in the market for euro IRS.

- European-to-US cross-border market share for US dollar IRS has now surpassed exclusive European and US dealer volumes. Continued growth of the cross-border pool will rely on the harmonization of rules in various regions, as well as participation on SEFs.
- Total global liquidity of cleared US dollar IRS volume increased 7.8% year-on-year, from \$2,035 billion in 2013 to \$2,194 billion in 2014.

FORMATION OF EXCLUSIVE EUROPEAN POOL

European
dealers now
prefer trading
euro IRS with
other European
dealers

Chart 1 shows the evolution of the European pool from January 2013 to December 2014. This market is defined as the market for euro IRS traded between European dealers and all of their counterparties by region. US dealers are the largest regional counterparty to the European dealer community and are represented by the red line¹. Within the non-US pool lies an exclusive European interdealer liquidity pool, which is denoted by the blue line. This pool's market share has grown as US regulations have come into force.

During September 2013, exclusive European interdealer liquidity accounted for 70.7% of market share. This figure jumped to 90.7% in October 2013 following implementation of the US SEF rules (highlighted by the yellow area). Following the February 15, 2014 MAT determination (orange area), the exclusive European dealer pool's share again ticked higher to 93.2% in March 2014.

The preference for European dealers to transact with firms in their own jurisdiction is evident when compared to the European-to-US interdealer 'shared' pool (red line). The percentage of transactions being dealt on a cross-border basis fell from a high of 28.7% in September 2013 to a low of 2.9% in August 2014.

European dealers continued to transact mainly in the exclusive pool for much of 2014, with the market share peaking at 95.7% in August 2014. However, the last quarter of 2014 saw a slight reversal of this trend, with the proportion of euro IRS trades between European dealers falling to 84.5% in December. Euro IRS transactions between European and US dealers rose to 14% in that month.

There are various possible explanations for this change. For one thing, there was a general decline in activity in the European interdealer market for euro IRS in the fourth quarter of the year (green area), with average monthly notional falling approximately 6% versus the average for the last three months of 2013, from €2,684 billion to €2,523 billion (see Chart 2). Most of that decline occurred between European institutions, with a modest uplift in the notional between European and US institutions failing to offset the drop in total volumes.

¹ Pct (%) European-to-Other represents transactions between European dealers and Asian/Canadian dealers in the market for euro IRS, which is denoted by the purple line

Chart 1: The European Market for Euro IRS: Percentage of Market Share

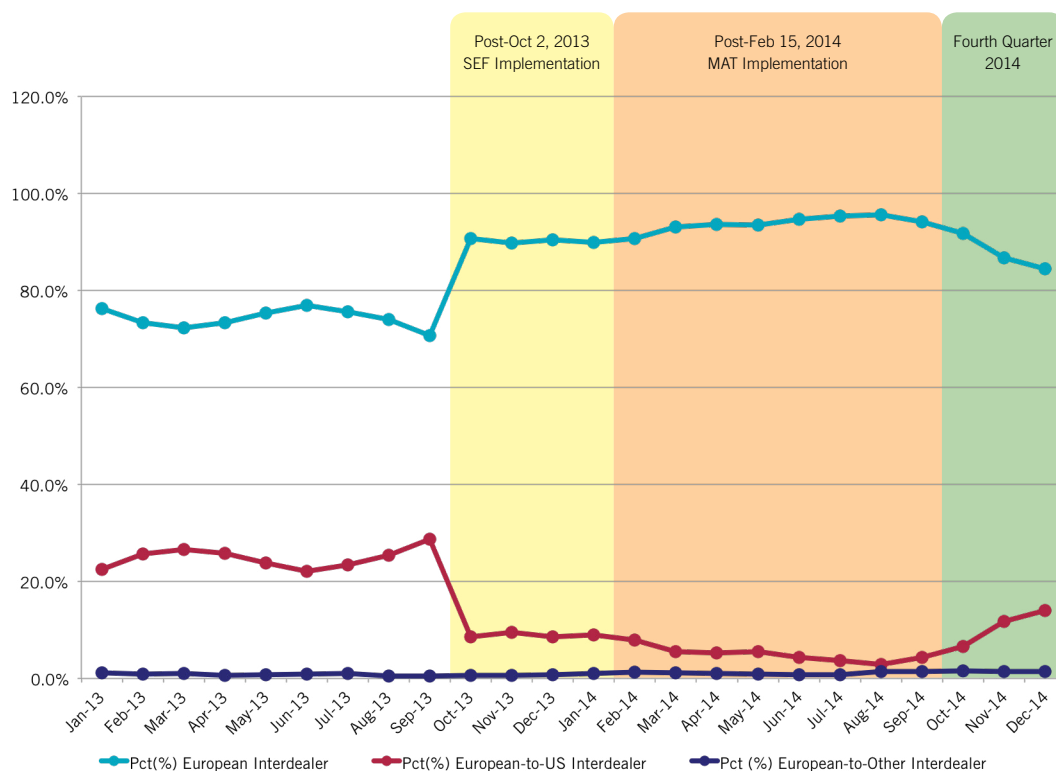
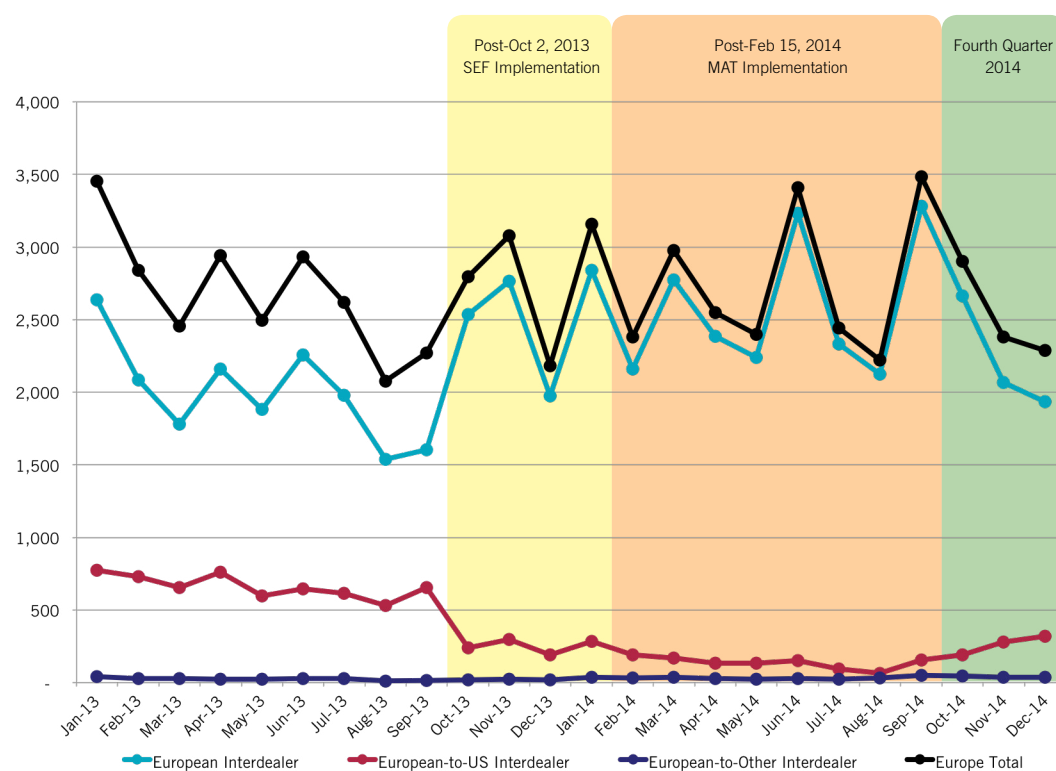


Chart 2: The European Market for Euro IRS (€ billions)



US LIQUIDITY POOL FOR EURO IRS

There was increased cross-border trading in the US liquidity pool for euro IRS at the end of 2014

The US liquidity pool for euro IRS consists of trades by US dealers and all of their regional counterparties. An exclusive US interdealer liquidity pool is a subset of the US pool and is separate and distinct from the larger exclusive European pool described in the previous section.

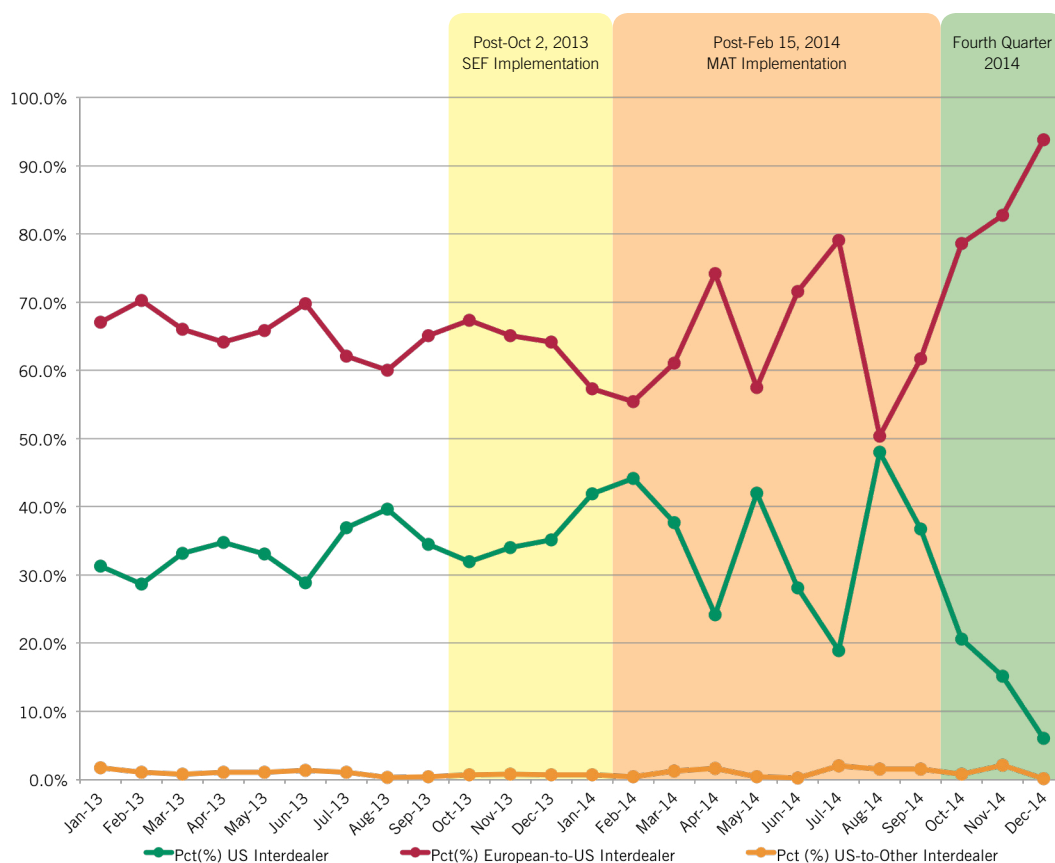
Chart 3 details the evolution of the US pool. European-to-US dealer market share (red line) has always dominated this space as US dealers access the more liquid European pool², and this portion of the market has grown over the course of 2014.

Exclusive US interdealer market share (green line) was fairly stable and showed a slight upward trend between January 2013 and January 2014. During this time, market share averaged 34.1%.

Following the implementation of the MAT determination in February 2014, exclusive US interdealer market share became more volatile. Market share dipped to 24.2% in April 2014 and peaked at 48.0% in August 2014.

More recently, the exclusive US interdealer market share has nearly disappeared, falling to a low of 6.1% in December 2014. During this time, the shared European-to-US interdealer market represented 93.8% of all euro IRS liquidity accessible by US firms.

Chart 3: The US Market for Euro IRS: Percentage of Market Share



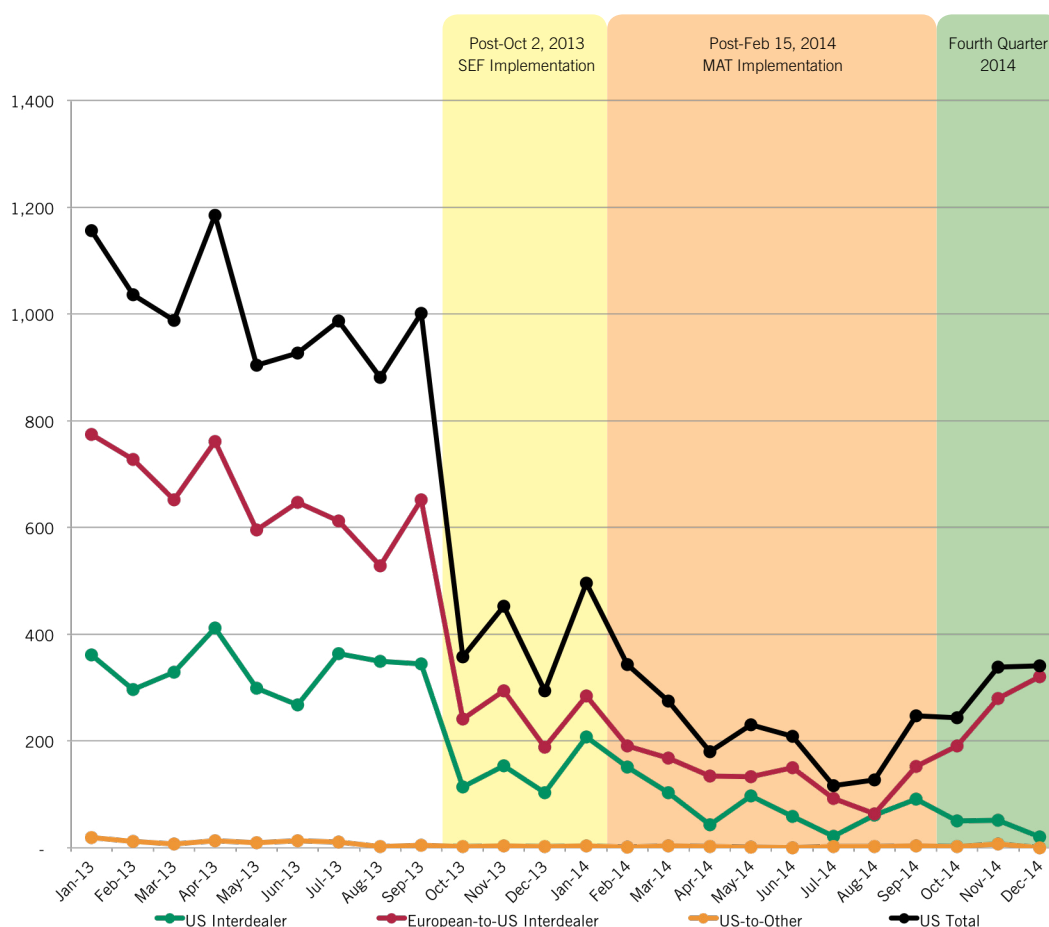
² Pct (%) US-to-Other represents transactions between US dealers and Asian/Canadian dealers in the market for euro IRS, which is denoted by the orange line

Chart 4 compares the notional volume of euro IRS transacted between US dealers and regional counterparties. Based on market share alone (Chart 3), it appears that participation by US dealers has simply shifted from the exclusive US interdealer pool (green line) to the European-to-US cross-border pool (red line). This dynamic is most evident in the fourth quarter of 2014.

Digging a little deeper, there has been a sharp decline in the volume of euro IRS traded in the US market since the SEF rules came into force, with average monthly volume dropping from €848 billion in 2013 to €263 billion in 2014. This decline was most dramatic when the October 2013 SEF rules came into force. Looking across entire sector, the largest decline was observed in the exclusive US dealer pool, which fell by 71.7% from a 2013 average monthly volume of \$283 billion to \$80 billion in 2014.

Total volume increased slightly over the last quarter of 2014, rising from €127 billion in August to €341 billion by December. Most of that activity centred on the cross-border US dealer-European dealer market. This suggests some increased participation on SEFs by European dealers. Nonetheless, the most liquid pool for euro swaps remains in Europe, potentially creating issues for those US participants restricted to trading on SEFs and so unable to access this European liquidity.

Chart 4: The US Market for Euro IRS (€ billions)



THE GLOBAL MARKET FOR EURO IRS

US dealers have all but stopped trading euro IRS with each other

This section combines the liquidity of all regional sources into one pool in order to observe market dynamics in a non-fragmented scenario. Chart 5 describes the market for euro IRS by all participants and is not segregated by access to regional counterparties. Not surprisingly European interdealer volume (blue line) continues to dominate market share, as it did in the European (non-US) pool.

From January 2013 to September 2013, the European interdealer community accounted for 65.6% of market share on average. When the US SEF rules came into force in October 2013, this percentage increased to 87%. Market share continued to climb, rising to 89.9% in March 2014 following the first MAT determinations in February, and reached a high of 94.4% in July 2014. More recently, a decline in European interdealer activity has resulted in a slight reversal of this trend, with the proportion falling to 83.8% by December 2014.

Prior to the introduction of the US SEF rules, the cross-border or shared European-to-US dealer pool (red line) accounted for an average 22% of total euro IRS volume between January 2013 and September 2013. Market share fell rapidly to 8.3% in October 2013 as the SEF rules came into force, and steadily decreased to a low of 2.8% in August 2014. The cross-border European-to-US dealer pool has recovered more recently, reaching 13.9% of total volume in December 2014. But this figure stands well below the pre-SEF-rule average.

The exclusive US interdealer market has been hit hard since the introduction of the SEF regime. This pool captured 11.3% of market share on average between January 2013 and September 2013, but this figure fell to 3.9% in the month the SEF rules came into effect. The market has not recovered since, reaching 0.9% of total volume in December 2014.

Chart 5: The Global Market for Euro IRS: Percentage of Market Share

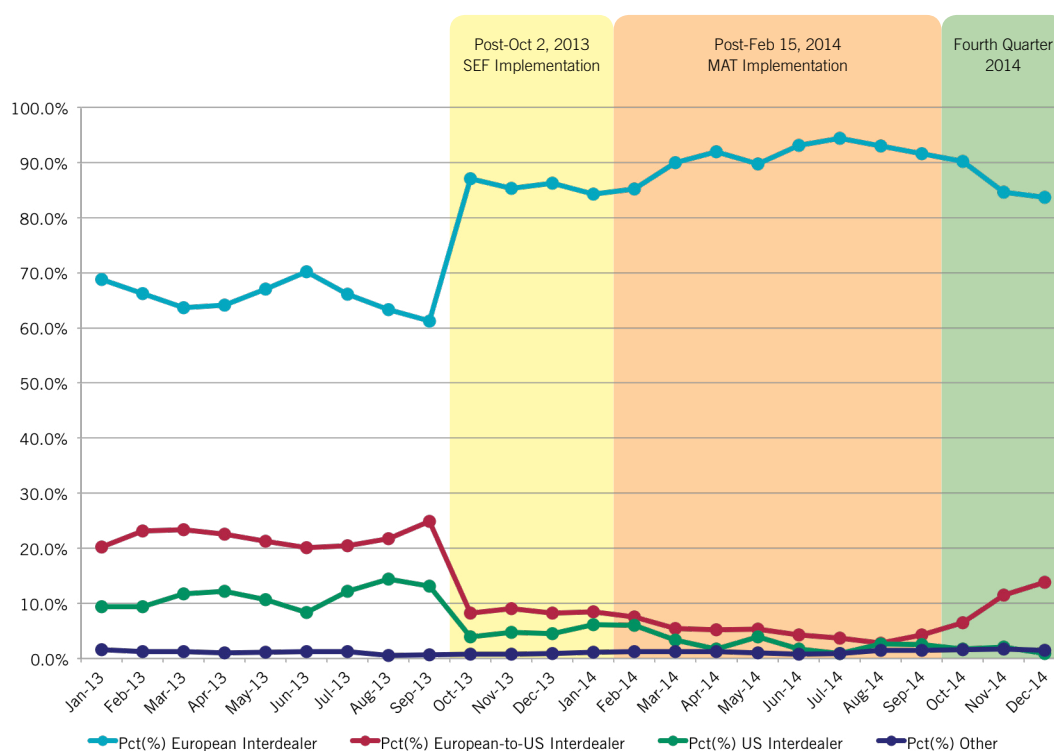
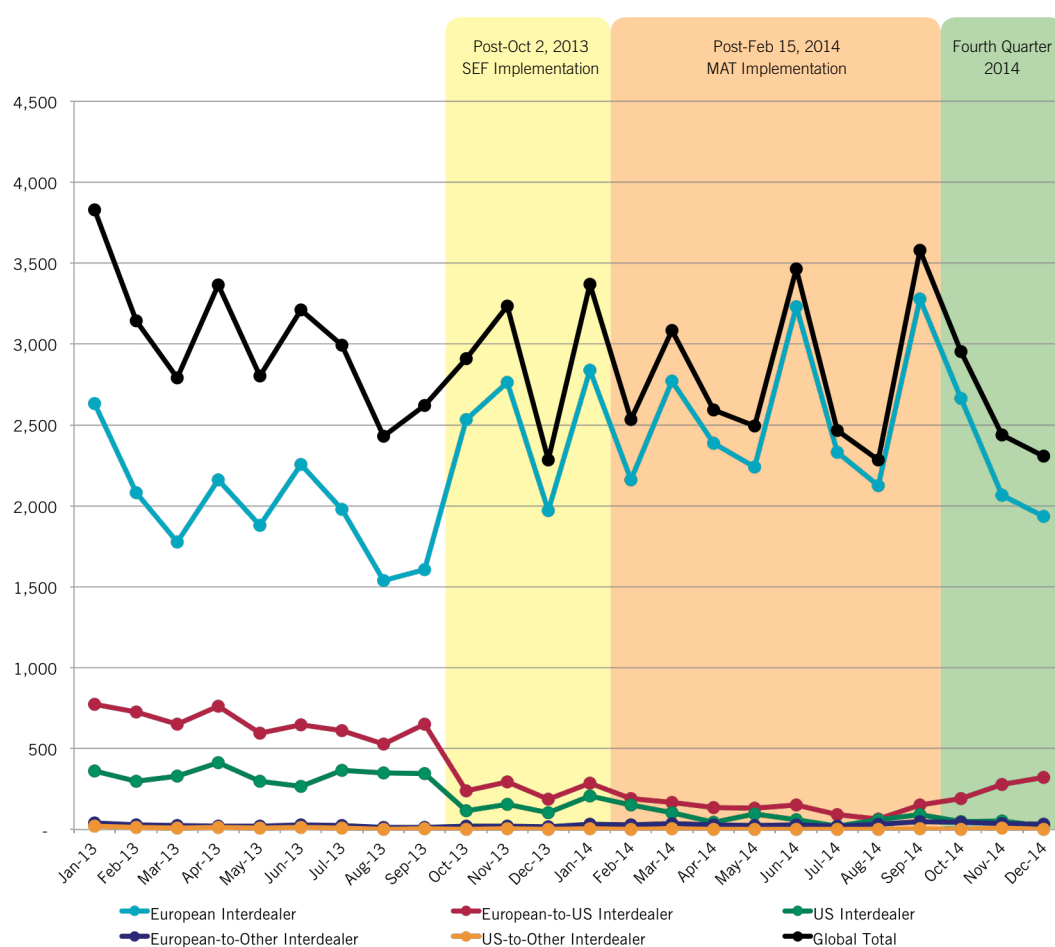


Chart 6 describes the combined total global volume of euro IRS by all participants. Total volume (black line) closely tracks changes in European interdealer volume (blue line), reflecting the dominance of this pool.

Average monthly total volume fell from €2,969 billion in 2013 to €2,798 billion in 2014, a decline of 5.8%. Since recording a high of €3,832 billion in January 2013, total volume has continued to drift lower throughout the series.

Chart 6: The Global Market for Euro IRS (€ billions)



GLOBAL CHARACTER OF THE US DOLLAR IRS MARKET

The market for US dollar IRS is more global and less fragmented

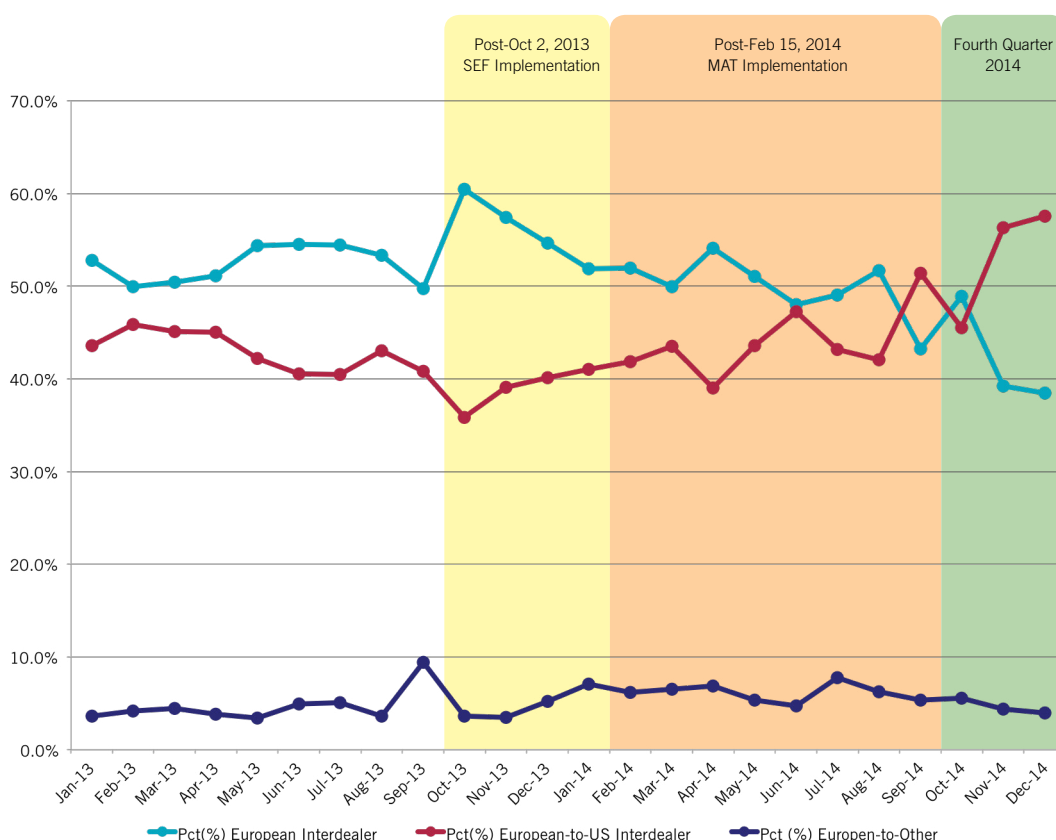
The domestic and foreign liquidity pools for US dollar IRS are covered in this section. Although exclusive regional pools exist, evidence of fragmentation is more subtle than the market for euro IRS.

Chart 7 shows the evolution of the European (non-US) market from January 2013 to December 2014. This pool is defined as the market for US dollar IRS traded by European dealers and all of their counterparties by region. US dealers are the largest regional counterparty to the European dealer community, similar to the euro IRS market. This cross-border liquidity pool for US dollar IRS is represented by the red line³. Within the non-US pool lies an exclusive European interdealer liquidity pool, which is denoted by the blue line.

Exclusive European interdealer liquidity accounted for 49.7% of market share in September 2013, but jumped to 60.5% following the start of the US SEF regime in October 2013 (yellow area). Since then, the share of the European dealer pool has drifted lower, with cross-border trading recently emerging as the dominant pool.

The cross-border market for US dollar IRS reached a low of 35.9% in the immediate aftermath of the SEF rules. Since then, its share has steadily increased, and it surpassed the exclusive European pool in September 2014. This could reflect the fact that the US IRS market is US-centric, and is primarily traded on SEFs.

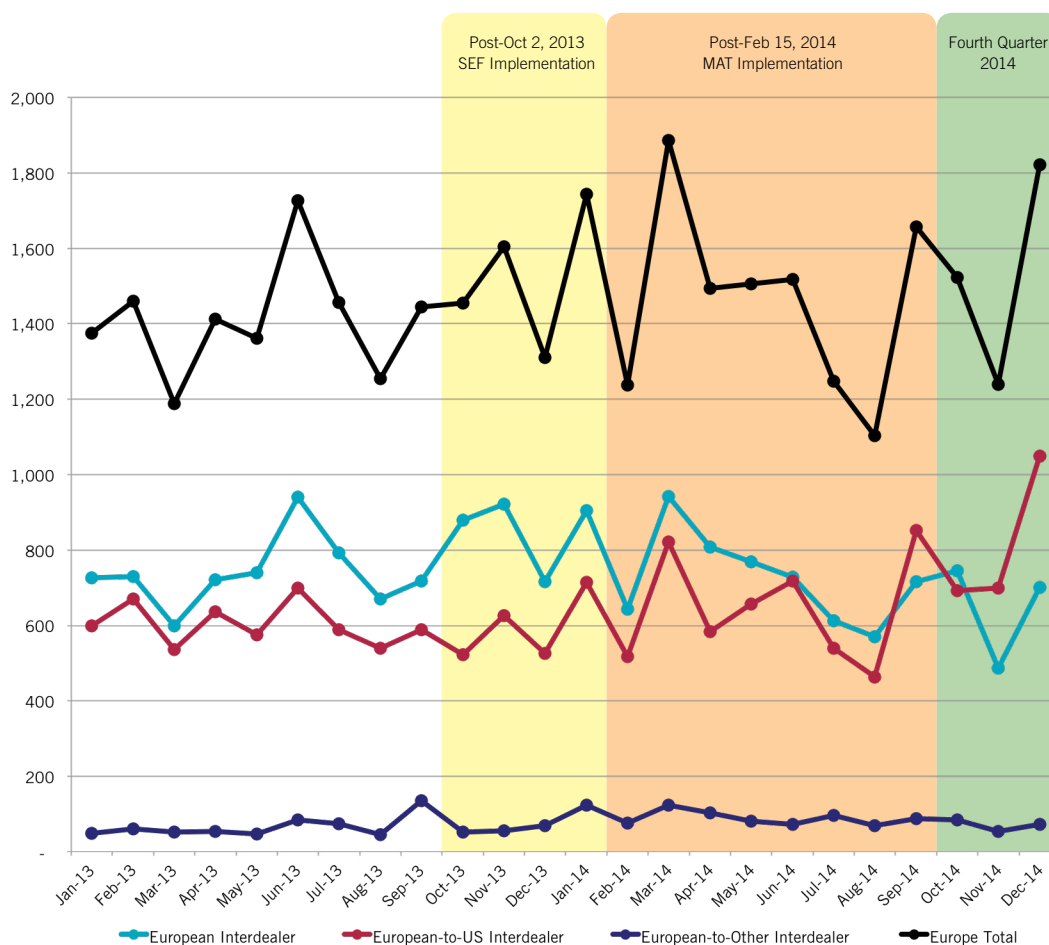
Chart 7: The European Market for US Dollar IRS: Percentage of Market Share



³ Pct (%) European-to-Other represents transactions between European dealers and Asian/Canadian dealers in the market for US dollar IRS and is denoted by the purple line

Chart 8 compares the volume of regional market participants in the European market for US dollar IRS. Total volume, denoted by the black line, increased slightly (5.4%) from a 2013 average monthly volume of \$1,421 billion to \$1,498 billion in 2014.

Chart 8: The European Market for US Dollar IRS (\$ billions)



THE EXCLUSIVE US POOL FOR US DOLLAR IRS

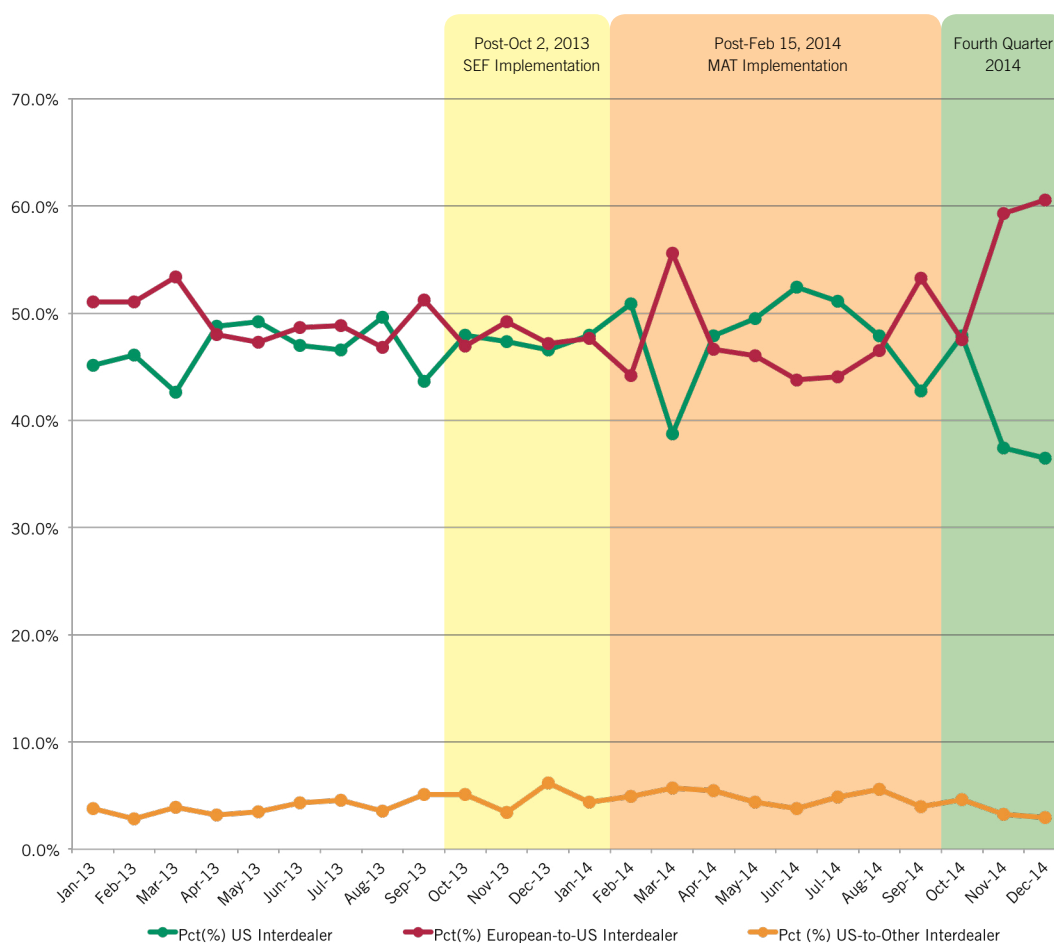
US dealers trade US dollar IRS with both US counterparties and European dealers

The US pool is defined as US dollar IRS dealt between US dealers and all of their regional counterparties. An exclusive US interdealer pool is a subset of this larger liquidity pool and is separate and distinct from the European (non-US) pool described in the previous paragraphs.

Chart 9 details the evolution of the US pool⁴. The analysis shows that US dealers appear to trade consistently with other US counterparties and European dealers. This pattern remains intact even after the October 2, 2013 SEF rule implementation.

More recently, the cross-border pool has seen more market share, reaching a high of 60.5% in December 2014. This change likely reflects the shifting character of the US IRS market, with European dealers increasingly opting to trade US dollar swaps on SEFs to access US dollar liquidity. The harmonization of cross-border rules will be critical to achieve continued growth in the European-to-US interdealer liquidity pool.

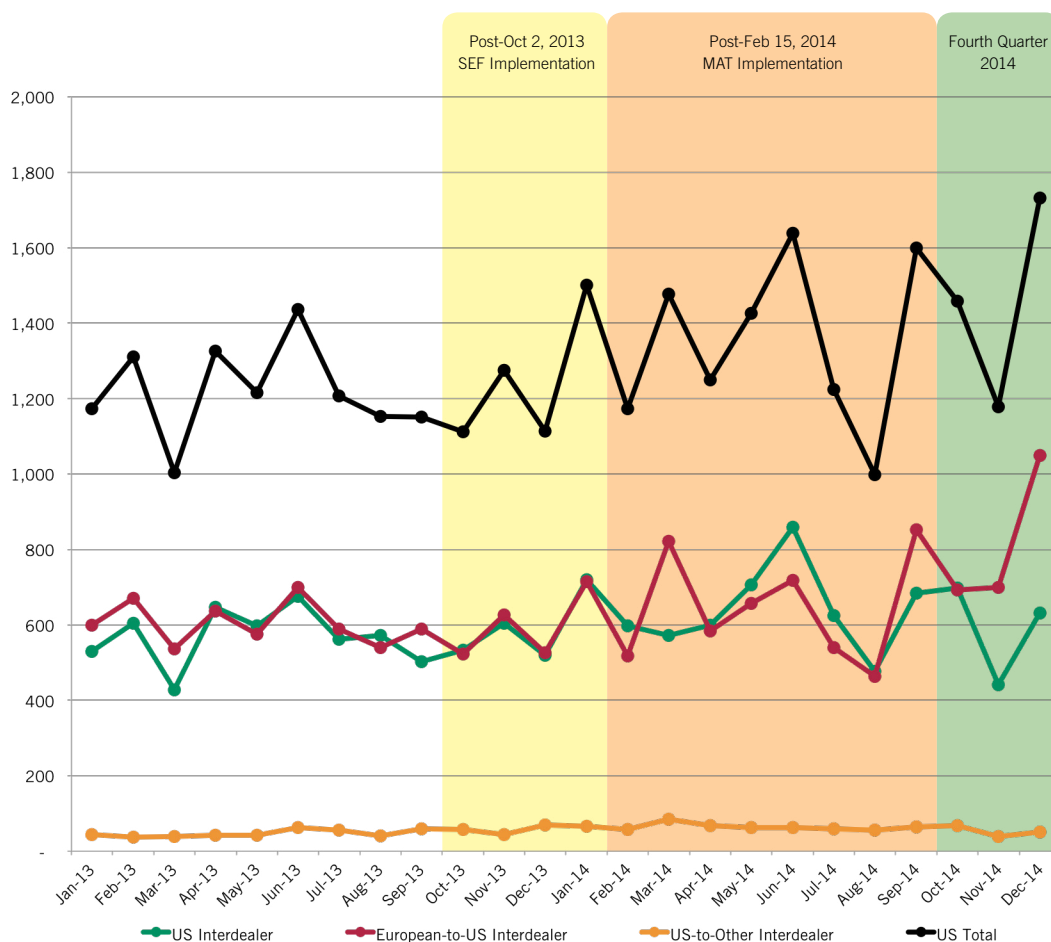
Chart 9: The US Market for US Dollar IRS: Percentage of Market Share



⁴ Pct (%) US-to-Other represents transactions between US dealers and Asian/Canadian dealers in the market for US dollar IRS and is denoted by the orange line

Chart 10 compares the notional volume of US dollar IRS transacted between US dealers and regional counterparties. Total volume (black line) increased by 15.0%, from a 2013 average monthly volume of \$1,207 billion to \$1,388 billion in 2014. A new high of \$1,732 billion was reached in December 2014 and was mostly driven by growth in the cross-border pool.

Chart 10: The US Market for US Dollar IRS (\$ billions)



US dollar IRS is evenly split between the US, European and cross-border pools

THE GLOBAL MARKET FOR US DOLLAR IRS

The previous sections comprised separate analysis for the European (non-US) and US markets for US dollar IRS in order to study the dynamics of each liquidity pool. This section combines the liquidity of all regional sources into one pool in order to compare market dynamics in a non-fragmented scenario.

Chart 11 describes the market for US dollar IRS by all participants and is not segregated by access to regional counterparties. Unlike the global market for euro IRS, US dollar IRS market share is more evenly distributed across European dealers, US dealers and the cross-border markets. Other than an initial upward blip in the proportion of trades conducted between European dealers in the aftermath of the October 2013 SEF rules, there has been little change in US dollar IRS market dynamics. Recently, however, the cross-border pool has attracted more market share, rising from 30.3% in October 2014 to 40.6% and 41.9% in November and December, respectively.

Chart 11: US Dollar IRS Global Market Share

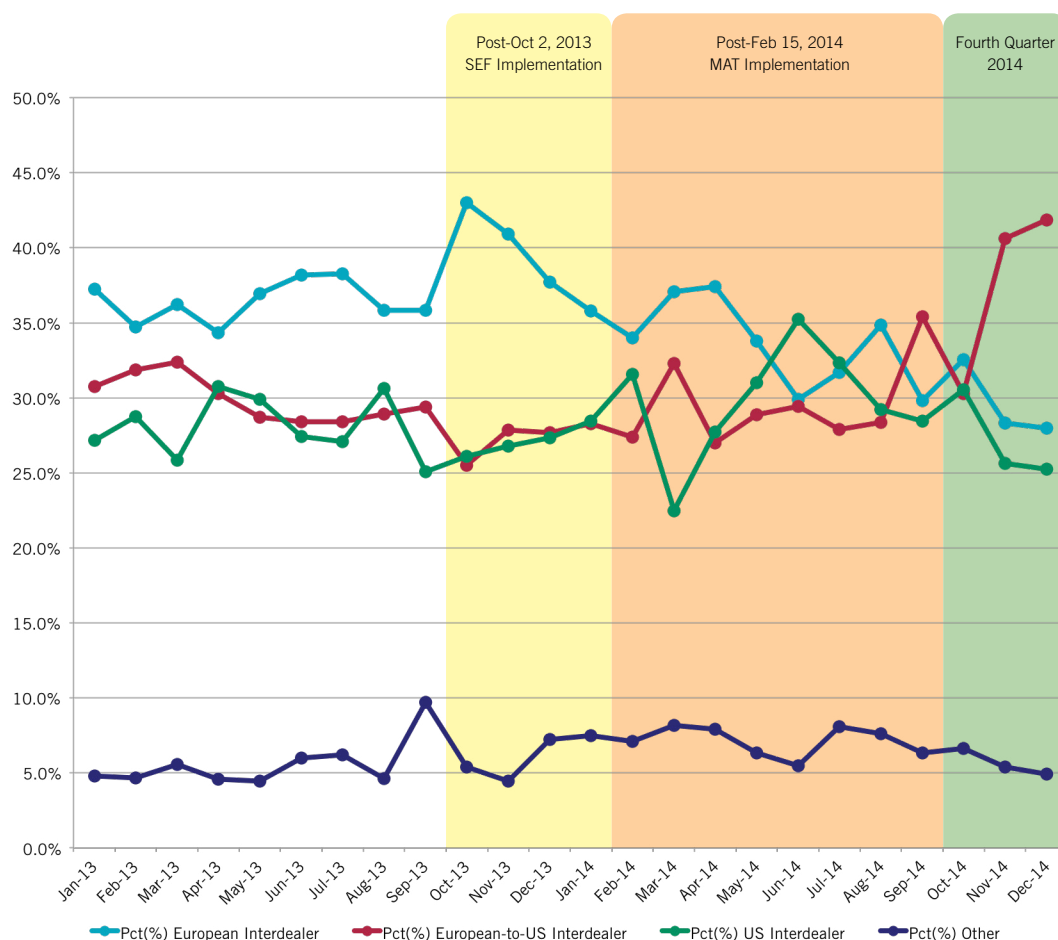
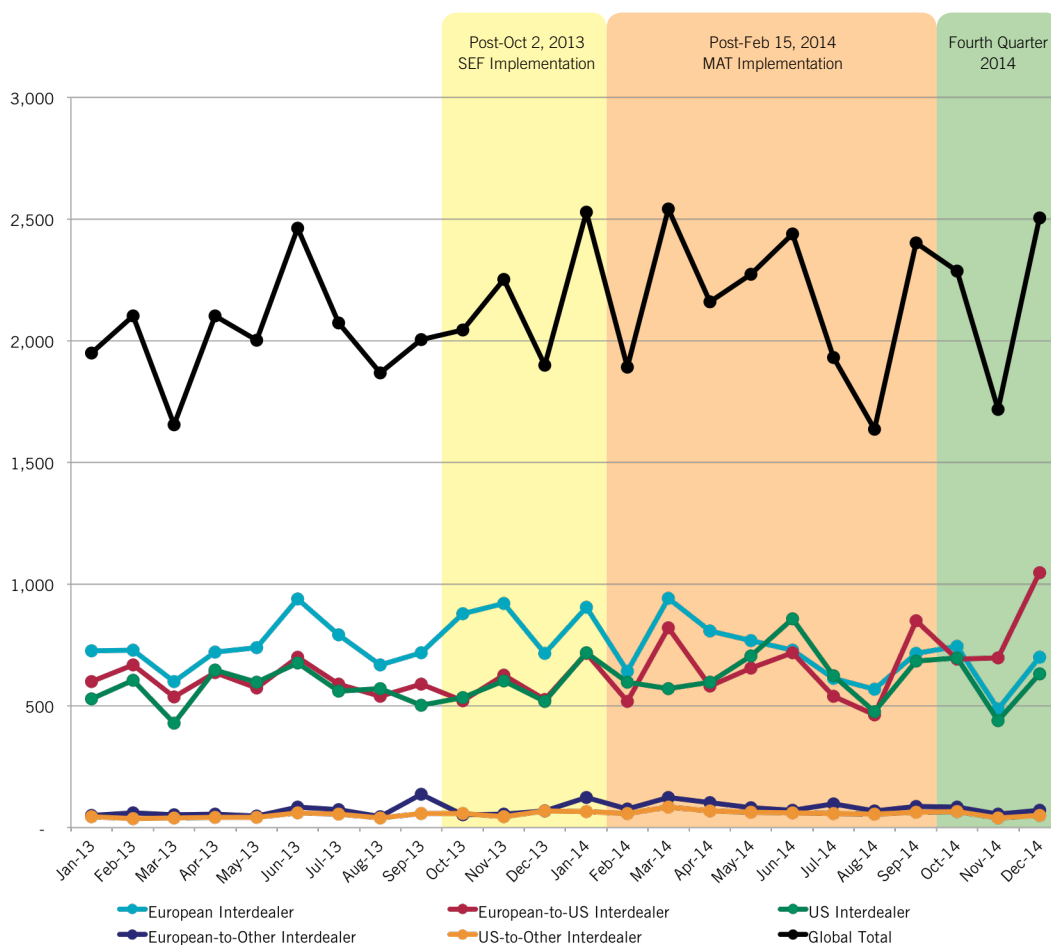


Chart 12 describes the combined total global volume of US dollar IRS by all participants. Total volume (black line) increased 7.8% from a monthly average of \$2,035 billion in 2013 to \$2,194 billion average in 2014.

Chart 12: US Dollar IRS Global Market Share (\$ billions)



CONCLUSION

Cross-border trading will depend on the harmonization of rules across jurisdictions

The October 2, 2013 effective date for SEF compliance has clearly had an impact on trading relationships in the derivatives markets. This analysis demonstrates that liquidity in the interest rate swaps market fragmented following the start of the SEF regime, and split further since the first MAT determinations came into force in February 2014. Trading between US persons and non-US persons has declined. Most notably, fragmentation is disrupting the market for euro interest rate swaps as liquidity pools have become more exclusive among European dealers.

However, there are signs the cross-border liquidity pools are growing, particularly for US dollar interest rate swaps. That likely reflects the fact that non-US firms are increasingly deciding to access US dollar liquidity via SEFs. Further cross-border growth will depend on the harmonization of rules in various regions.

ANNEX

Table 1: The European Market for Euro IRS (% of Market Share)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	76.4%	73.4%	72.4%	73.4%	75.3%	77.0%	75.6%	74.0%	70.7%	90.7%	89.8%	90.5%
European-to-US	22.5%	25.6%	26.6%	25.9%	23.9%	22.1%	23.4%	25.5%	28.7%	8.6%	9.6%	8.7%
European-to-Other	1.2%	0.9%	1.1%	0.7%	0.8%	1.0%	1.0%	0.5%	0.6%	0.7%	0.7%	0.9%
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	89.9%	90.7%	93.2%	93.6%	93.5%	94.8%	95.4%	95.7%	94.2%	91.8%	86.7%	84.5%
European-to-US	9.0%	8.0%	5.6%	5.3%	5.5%	4.4%	3.8%	2.9%	4.4%	6.6%	11.8%	14.0%
European-to-Other	1.1%	1.3%	1.2%	1.1%	1.0%	0.8%	0.9%	1.4%	1.4%	1.6%	1.5%	1.5%

Table 2: The European Market for Euro IRS (€ billions)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	2,635	2,084	1,778	2,161	1,880	2,255	1,980	1,538	1,605	2,533	2,764	1,972
European-to-US	775	728	653	761	596	647	613	529	652	241	294	189
European-to-Other	41	27	26	20	21	28	26	11	13	20	21	19
Total	3,451	2,838	2,457	2,942	2,497	2,930	2,619	2,077	2,270	2,793	3,079	2,180
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	2,839	2,161	2,774	2,386	2,240	3,230	2,331	2,126	3,281	2,663	2,066	1,934
European-to-US	285	190	168	134	133	150	92	64	153	191	280	320
European-to-Other	35	30	36	28	23	28	21	32	50	47	36	34
Total	3,159	2,381	2,977	2,548	2,396	3,408	2,444	2,222	3,484	2,901	2,381	2,288

Table 3: The US Market for Euro IRS (% of Market Share)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
US Interdealer	31.3%	28.6%	33.2%	34.7%	33.1%	28.9%	36.9%	39.7%	34.5%	32.0%	34.1%	35.1%
European-to-US	67.0%	70.3%	66.0%	64.2%	65.8%	69.8%	62.1%	60.0%	65.1%	67.3%	65.1%	64.1%
US-to-Other	1.7%	1.1%	0.8%	1.1%	1.1%	1.4%	1.0%	0.3%	0.4%	0.7%	0.8%	0.7%
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
US Interdealer	41.9%	44.2%	37.7%	24.2%	42.0%	28.2%	18.9%	48.0%	36.7%	20.6%	15.2%	6.1%
European-to-US	57.3%	55.4%	61.1%	74.2%	57.5%	71.6%	79.0%	50.4%	61.7%	78.6%	82.7%	93.8%
US-to-Other	0.7%	0.5%	1.2%	1.6%	0.5%	0.3%	2.1%	1.6%	1.6%	0.8%	2.1%	0.1%

Table 4: US Market for Euro IRS (€ billions)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
US Interdealer	362	297	328	412	299	268	364	349	345	115	154	103
European-to-US	775	728	653	761	596	647	613	529	652	241	294	189
European-to-Other	20	11	8	13	10	13	10	3	4	2	4	2
Total	1,156	1,036	989	1,186	904	927	987	881	1,001	358	452	295
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
US Interdealer	208	152	103	44	97	59	22	61	91	50	51	21
European-to-US	285	190	168	134	133	150	92	64	153	191	280	320
European-to-Other	4	2	3	3	1	1	2	2	4	2	7	0
Total	496	344	275	181	231	210	116	127	248	243	339	341

Table 5: The Global Market for Euro IRS (% of Market Share)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	68.8%	66.2%	63.7%	64.2%	67.0%	70.2%	66.1%	63.3%	61.3%	87.0%	85.4%	86.3%
European-to-US	20.2%	23.1%	23.4%	22.6%	21.2%	20.1%	20.5%	21.8%	24.9%	8.3%	9.1%	8.3%
US Interdealer	9.4%	9.4%	11.8%	12.2%	10.7%	8.3%	12.2%	14.4%	13.2%	3.9%	4.8%	4.5%
Other†	1.6%	1.2%	1.2%	1.0%	1.1%	1.3%	1.2%	0.6%	0.7%	0.8%	0.8%	0.9%
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	84.2%	85.2%	89.9%	92.0%	89.8%	93.1%	94.4%	93.1%	91.7%	90.2%	84.7%	83.8%
European-to-US	8.4%	7.5%	5.4%	5.2%	5.3%	4.3%	3.7%	2.8%	4.3%	6.5%	11.5%	13.9%
US Interdealer	6.2%	6.0%	3.4%	1.7%	3.9%	1.7%	0.9%	2.7%	2.5%	1.7%	2.1%	0.9%
Other†	1.1%	1.3%	1.3%	1.2%	1.0%	0.8%	0.9%	1.5%	1.5%	1.6%	1.7%	1.5%

†Other represents the percentage of market share represented by European-to-Asian/Canadian and US-to-Asian/Canadian interdealers

Table 6: The Global Market for Euro IRS (€ billions)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	2,635	2,084	1,778	2,161	1,880	2,255	1,980	1,538	1,605	2,533	2,764	1,972
European-to-US	775	728	653	761	596	647	613	529	652	241	294	189
US Interdealer	362	297	328	412	299	268	364	349	345	115	154	103
Other†	61	38	34	33	31	41	37	14	18	22	24	21
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	2,839	2,161	2,774	2,386	2,240	3,230	2,331	2,126	3,281	2,663	2,066	1,934
European-to-US	285	190	168	134	133	150	92	64	153	191	280	320
US Interdealer	208	152	103	44	97	59	22	61	91	50	51	21
Other†	38	32	39	31	24	29	23	34	54	48	43	34
Total	3,370	2,535	3,084	2,595	2,494	3,468	2,468	2,285	3,579	2,953	2,440	2,309

†Other represents the percentage of market share represented by European-to-Asian/Canadian and US-to-Asian/Canadian interdealers

Table 7: The European Market for US Dollar IRS (% of Market Share)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	52.8%	50.0%	50.4%	51.1%	54.4%	54.5%	54.5%	53.4%	49.7%	60.5%	57.4%	54.7%
European-to-US	43.6%	45.9%	45.1%	45.0%	42.2%	40.5%	40.5%	43.0%	40.8%	35.9%	39.1%	40.1%
European-to-Other	3.6%	4.2%	4.5%	3.8%	3.4%	4.9%	5.1%	3.6%	9.4%	3.6%	3.5%	5.2%
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	51.9%	51.9%	49.9%	54.1%	51.0%	48.0%	49.1%	51.7%	43.3%	48.9%	39.3%	38.5%
European-to-US	41.0%	41.9%	43.5%	39.0%	43.6%	47.3%	43.2%	42.1%	51.4%	45.5%	56.3%	57.6%
European-to-Other	7.1%	6.2%	6.6%	6.9%	5.4%	4.7%	7.8%	6.2%	5.3%	5.6%	4.4%	4.0%

Table 8: The European Market for US Dollar IRS (\$ billions)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European interdealer	726	729	600	722	740	941	793	670	718	880	921	716
European-to-US	599	670	536	637	575	700	589	540	590	522	627	526
European-to-Other	49	61	53	54	47	85	74	45	136	53	56	69
Total	1,375	1,460	1,189	1,413	1,361	1,726	1,456	1,255	1,444	1,455	1,605	1,311
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European interdealer	905	643	942	808	769	729	612	570	717	745	487	700
European-to-US	715	518	821	583	657	718	539	464	852	693	699	1,049
European-to-Other	123	76	124	103	81	72	97	69	88	85	55	72
Total	1,744	1,238	1,887	1,494	1,506	1,518	1,248	1,103	1,657	1,523	1,240	1,822

Table 9: The US Market for US Dollar IRS (% of Market Share)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
US Interdealer	45.2%	46.1%	42.7%	48.8%	49.2%	47.0%	46.6%	49.6%	43.7%	48.0%	47.4%	46.6%
European-to-US	51.1%	51.1%	53.4%	48.0%	47.3%	48.7%	48.8%	46.8%	51.2%	46.9%	49.2%	47.2%
US-to-Other	3.8%	2.8%	3.9%	3.2%	3.5%	4.3%	4.6%	3.5%	5.1%	5.1%	3.5%	6.2%
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
US Interdealer	48.0%	50.9%	38.7%	47.9%	49.5%	52.4%	51.1%	47.9%	42.7%	47.9%	37.4%	36.5%
European-to-US	47.6%	44.2%	55.6%	46.6%	46.1%	43.8%	44.0%	46.5%	53.3%	47.5%	59.3%	60.5%
US-to-Other	4.4%	4.9%	5.7%	5.4%	4.4%	3.8%	4.9%	5.6%	4.0%	4.6%	3.3%	3.0%

Table 10: The US Market for US Dollar IRS (\$ billions)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
US Interdealer	530	604	428	647	598	675	562	573	503	534	604	519
European-to-US	599	670	536	637	575	700	589	540	590	522	627	526
US-to-Other	44	37	39	42	43	62	55	41	59	57	44	69
Total	1,173	1,311	1,004	1,325	1,215	1,437	1,207	1,153	1,151	1,113	1,275	1,114
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
US Interdealer	720	597	572	599	706	859	625	478	683	698	441	632
European-to-US	715	518	821	583	657	718	539	464	852	693	699	1,049
US-to-Other	66	58	84	68	63	62	59	56	64	67	39	51
Total	1,502	1,173	1,477	1,250	1,426	1,638	1,224	998	1,599	1,459	1,178	1,732

Table 11: The Global Market for US Dollar IRS (% of Market Share)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	37.3%	34.7%	36.2%	34.4%	37.0%	38.2%	38.3%	35.8%	35.8%	43.0%	40.9%	37.7%
European-to-US	30.8%	31.9%	32.4%	30.3%	28.7%	28.4%	28.4%	28.9%	29.4%	25.5%	27.8%	27.7%
US Interdealer	27.2%	28.8%	25.8%	30.8%	29.9%	27.4%	27.1%	30.6%	25.1%	26.1%	26.8%	27.3%
Other†	4.8%	4.7%	5.6%	4.6%	4.5%	6.0%	6.2%	4.6%	9.7%	5.4%	4.5%	7.3%
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	35.8%	34.0%	37.1%	37.4%	33.8%	29.9%	31.7%	34.8%	29.8%	32.5%	28.3%	28.0%
European-to-US	28.3%	27.4%	32.3%	27.0%	28.9%	29.4%	27.9%	28.4%	35.4%	30.3%	40.6%	41.9%
US Interdealer	28.5%	31.5%	22.5%	27.7%	31.0%	35.2%	32.3%	29.2%	28.4%	30.5%	25.6%	25.2%
Other†	7.5%	7.1%	8.2%	7.9%	6.3%	5.5%	8.1%	7.6%	6.3%	6.6%	5.4%	4.9%

†Other represents the percentage of market share represented by European-to-Asian/Canadian and US-to-Asian/Canadian interdealers

Table 12: The Global Market for US Dollar IRS (\$ billions)

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	726	729	600	722	740	941	793	670	718	880	921	716
European-to-US	599	670	536	637	575	700	589	540	590	522	627	526
US Interdealer	530	604	428	647	598	675	562	573	503	534	604	519
Other†	94	98	92	96	89	147	129	86	195	110	100	138
Total	1,949	2,102	1,657	2,102	2,002	2,463	2,074	1,869	2,006	2,045	2,252	1,899
2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
European Interdealer	905	643	942	808	769	729	612	570	717	745	487	700
European-to-US	715	518	821	583	657	718	539	464	852	693	699	1,049
US Interdealer	720	597	572	599	706	859	625	478	683	698	441	632
Other†	189	134	208	171	144	134	157	124	152	152	93	124
Total	2,530	1,893	2,543	2,161	2,275	2,439	1,933	1,636	2,404	2,288	1,719	2,505

†Other represents the percentage of market share represented by European-to-Asian/Canadian and US-to-Asian/Canadian interdealers



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ISDA has published several research papers on the fragmentation of liquidity pools.

- ***Cross-Border Fragmentation of Global OTC Derivatives: An Empirical Analysis***, January 2014:
<http://isda.link/crossborderanalysis>
- ***Made-Available-to-Trade(MAT): Evidence of Further Market Fragmentation***, April 2014:
<http://isda.link/matstudy>
- ***Revisiting Cross-Border Fragmentation of Global OTC Derivatives: Mid-year 2014 Update***, July 2014: <http://isda.link/revisitingcrossborder>

ISDA has published other recent research notes:

- ***OTC Derivatives Market Analysis: Interest Rate Derivative***, January 2015:
<http://www2.isda.org/attachment/NzIxMQ==/OTC%20Derivatives%20Market%20Analysis-%20Interest%20Rate%20Derivatives%20FINAL.pdf>
- ***ISDA Insight: A Survey of Issues and Trends for the Derivatives End-user Community***, January 2015: <http://www2.isda.org/attachment/NzE3Ng==/ISDA%20Insight%20End%20User%20Survey%20January%202015%20FINAL.pdf>
- ***Dispelling Myths: End-User Activity in OTC Derivatives***, August 2014: <http://www2.isda.org/attachment/Njc2Nw==/ISDA-Dispelling%20myths-final.pdf>

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