

GLOBAL INTEREST RATE DERIVATIVES MARKETS: Insights into the 2019 BIS Triennial Central Bank Survey

This paper highlights changes in the size and structure of global over-the-counter interest rate derivatives (IRD) markets from 2007 to 2019, using data from the Bank for International Settlements (BIS) Triennial Central Bank Surveys.

IRD average daily turnover, which measures market activity, more than doubled in April 2019 compared with April 2016. This rate of growth was considerably higher relative to prior periods.

US dollar-denominated contracts remained the most actively traded IRD in April 2019, having surpassed euro-denominated instruments in trading volume in April 2016. On a geographic basis, the UK took back its status as the largest global center for IRD trading, surpassing the US.

KEY HIGHLIGHTS

- IRD daily turnover averaged \$6.5 trillion in April 2019, up 142.8% compared with \$2.7 trillion in April 2016^{1,2,3}. This increase was significantly higher relative to prior periods. Average daily turnover of IRD increased by 23.6% between 2007 and 2010, 12.5% between 2010 and 2013, and 14.3% between 2013 and 2016 (Chart 1).

US Dollar-denominated IRD Trading

- US dollar-denominated contracts, which surpassed euro-denominated instruments in April 2016, remained the most actively traded IRD in April 2019. Average daily turnover in US dollar-denominated contracts more than doubled from \$1.4 trillion in April 2016 to \$3.3 trillion in April 2019 (Chart 2).
- US dollar-denominated turnover accounted for about 50.3% of total average daily activity in April 2019, consistent with the 2016 survey and significantly higher compared to 28.0% in the 2013 survey (Chart 3).
- Sales desks located in the US accounted for 59.9% of US dollar-denominated average daily turnover in April 2019 versus 70.4% in April 2013 and 78.0% in April 2016⁴. UK market participants significantly increased their trading in US-denominated contracts and, as a result, the share of average daily turnover by sales desks located in the UK increased to 32.9% in April 2019 from 14.2% in April 2013 (Chart 4).

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 into during a given period. The survey is conducted on a triennial basis, and turnover data is collected over a one-month period in April (<https://www.bis.org/statistics/rpx19.htm>).

The survey is based on turnover data "reported by the sales desks of reporting dealers, regardless of where a trade is booked, and are reported on an unconsolidated basis, i.e. including trades between related entities that are part of the same group"

² The BIS analysis attributes this growth to increased hedging and positioning amid shifting prospects for growth and monetary policy. Additionally, the 2019 survey included more related party trades than previous surveys. The BIS estimates that average daily turnover adjusted for related party trades would have been closer to \$5.8 trillion

³ The BIS adjusts turnover data for local interdealer double counting (net-gross basis) and for local and cross-border interdealer double counting (net-net basis)

⁴ The BIS reports all turnover by trading location only on a net-gross basis

Euro-denominated IRD Trading

- Turnover in euro-denominated contracts more than doubled from \$0.6 trillion in April 2016 (its lowest level in the 12-year period) to \$1.6 trillion in 2019. The share of euro-denominated contracts accounted for 24.4% of global average daily turnover in April 2019, consistent with the 2016 survey but significantly lower than 48.9% in the 2013 survey (Charts 2, 3).
- The UK remained the primary center for euro-denominated trading activity. Sales desks located in the UK accounted for 85.7% of euro-denominated average daily turnover in April 2019 versus 69.4% in April 2013 and 74.9% in April 2016. Trading activity in euro-denominated contracts by US market participants jumped from \$6.8 billion per day in April 2016 to \$69.4 billion per day in April 2019, but accounted only for 3.8% of euro-denominated average daily turnover in April 2019 (Chart 5).

IRD Trading by Geography

- The UK took back its status as the largest global center for IRD trading. Average daily turnover in the UK increased to \$3.7 trillion in April 2019 from \$1.2 trillion in April 2016. The share of UK daily average turnover increased to 50.2% in April 2019 from 38.8% in April 2016, while the share of US turnover declined to 32.2% from 40.8% over the same period⁵ (Charts 6, 7).
- In continental Europe, average daily turnover in France significantly declined from its peak of \$193.3 billion in April 2010 to \$120.0 billion in April 2019. Average daily turnover in Germany increased to \$56.0 billion in April 2019 from its lowest level of \$31.3 billion in April 2016, but remained about 45% lower compared to its peak of \$101.4 billion in April 2013.
- In Asia-Pacific markets (excluding Japan), average daily turnover jumped to \$689.5 billion in April 2019 from \$242.5 billion in April 2016⁶. The combined share of trading volume in Asia-Pacific markets increased to 9.4% of global average daily turnover in April 2019 from 8.0% in April 2016 (Charts 6, 7).

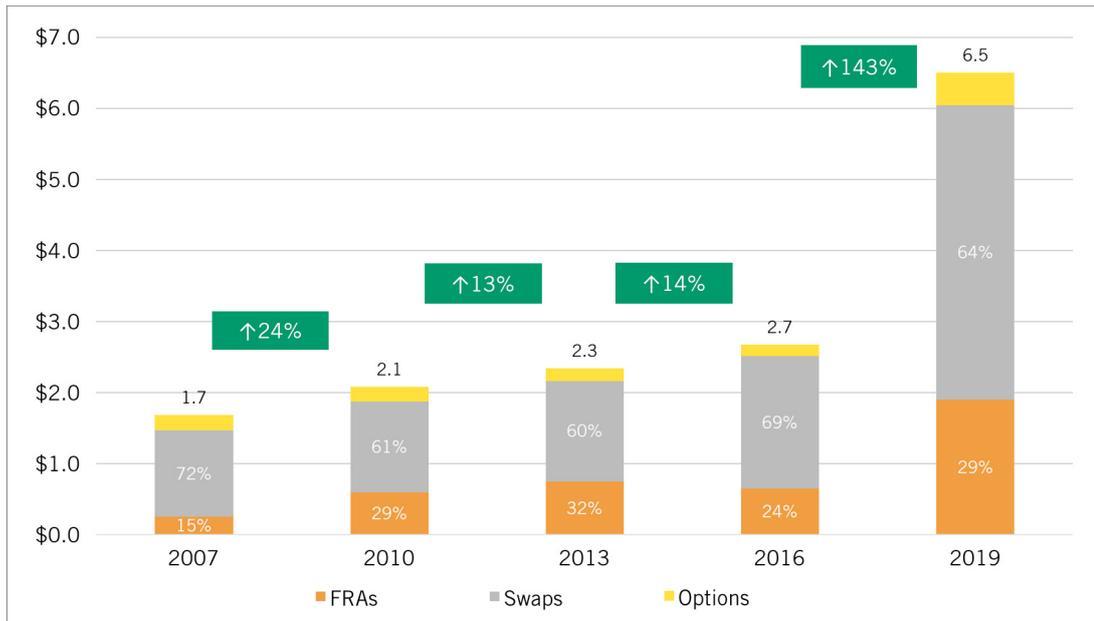
⁵ The increase in UK average daily turnover was driven by higher turnover in euro-denominated contracts and a higher share of US dollar-denominated contracts by UK market participants

⁶ Calculated as the sum of average daily turnover in Australia, China, Chinese Taipei, Hong Kong, India, Indonesia, Korea, Malaysia, New Zealand, Philippines, Singapore and Thailand

- Hong Kong, Singapore and Australia remained the major IRD markets in Asia-Pacific. Average daily IRD turnover in Hong Kong increased to \$435.9 billion in April 2019 from \$109.8 billion in April 2016, while average daily IRD turnover in Singapore grew to \$108.7 billion from \$58.0 billion over the same period. As a result, Hong Kong market share increased to 6% in April 2019, while Singapore market share declined to 1.5% of global average daily turnover. Average daily IRD turnover in Australia increased to \$97.1 billion in April 2019 from \$56.4 billion in April 2016, and its market share totaled 1.3% in April 2019 (Chart 8).
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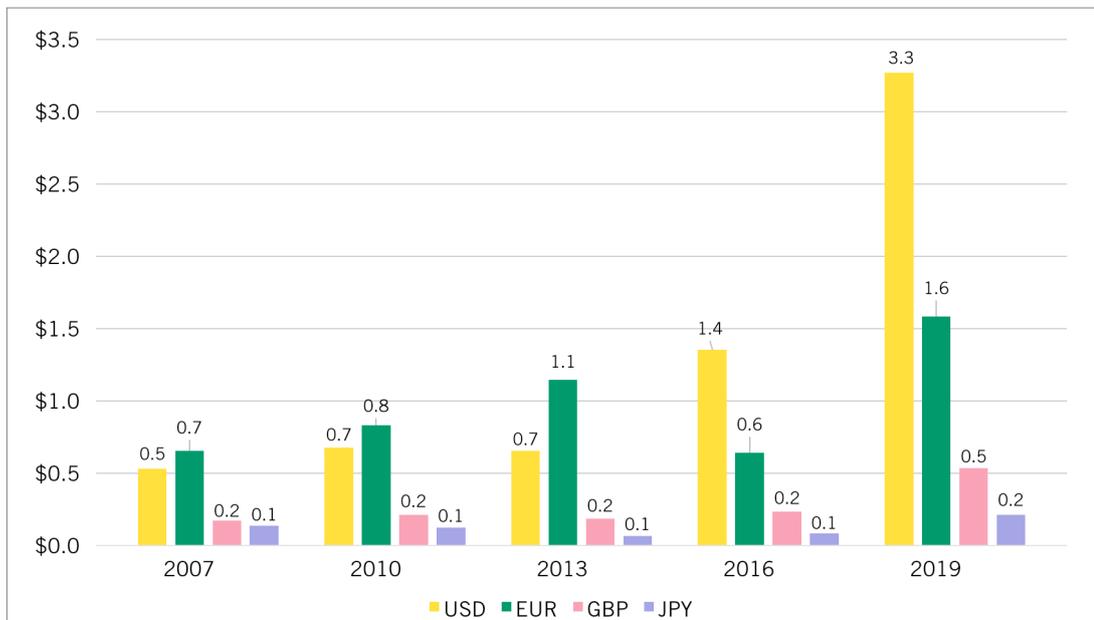
KEY TRENDS

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



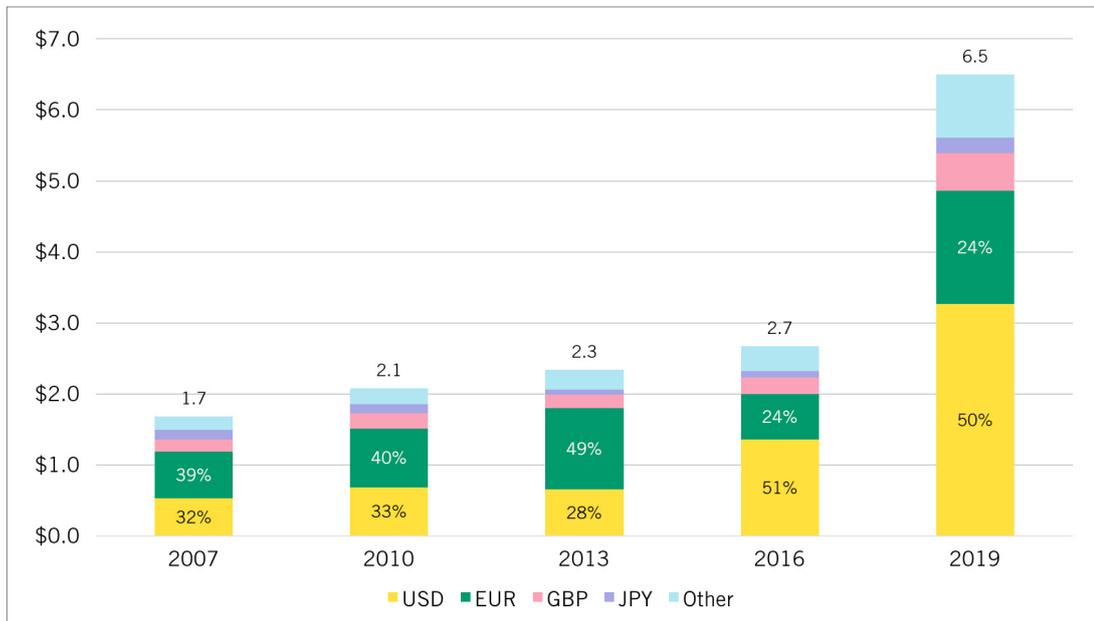
Source: BIS Triennial Surveys

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



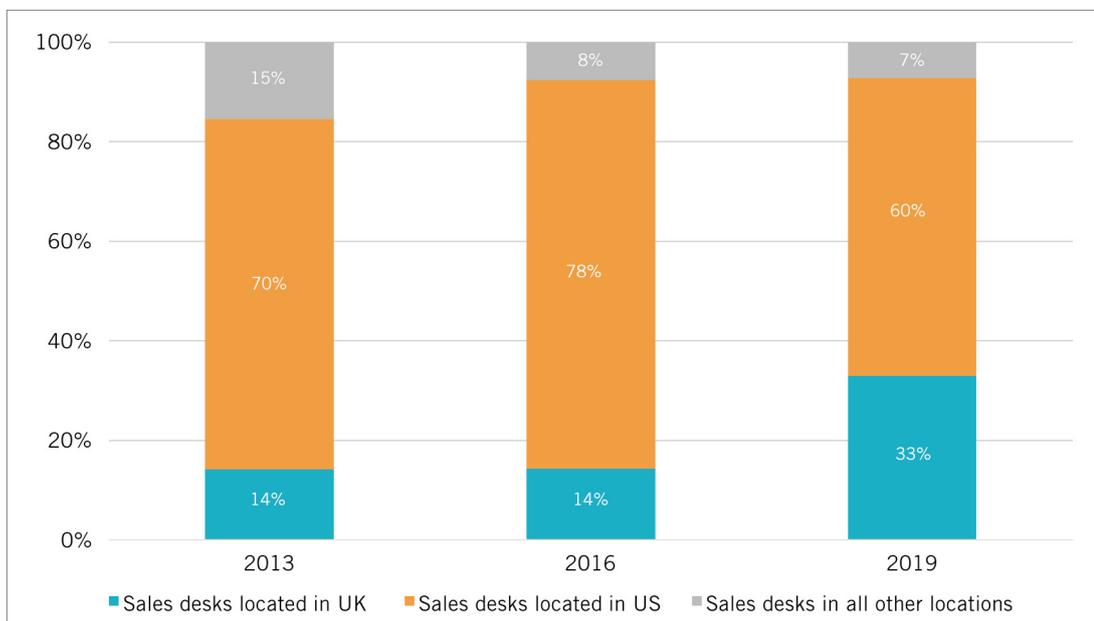
Source: BIS Triennial Surveys

Chart 3: Share of Average Daily IRD Turnover by Currency on a Net-net Basis (US\$ trillions)



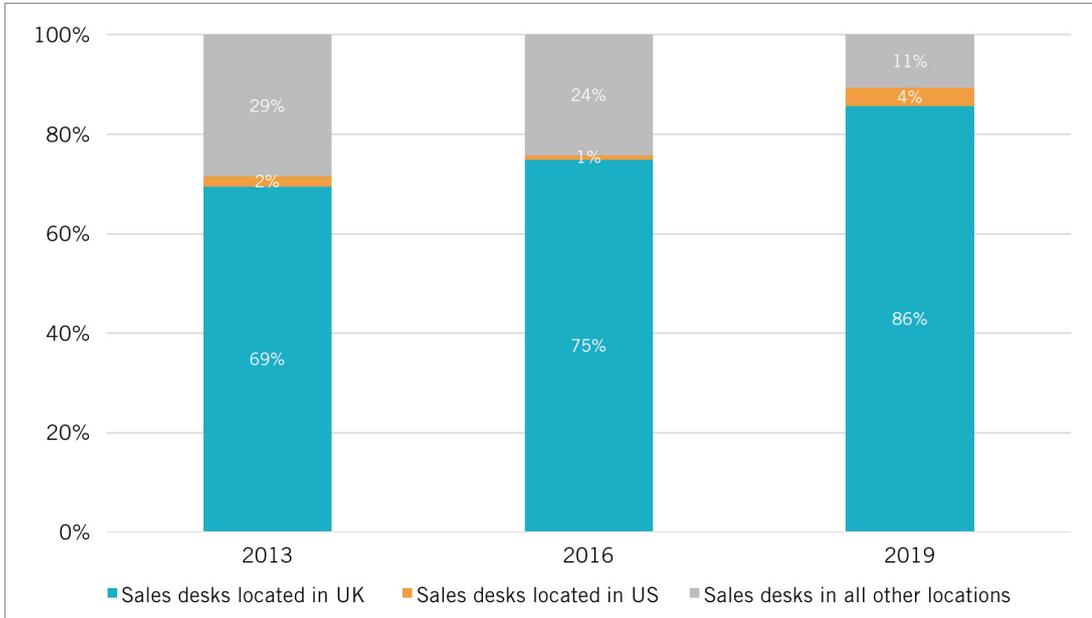
Source: BIS Triennial Surveys

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



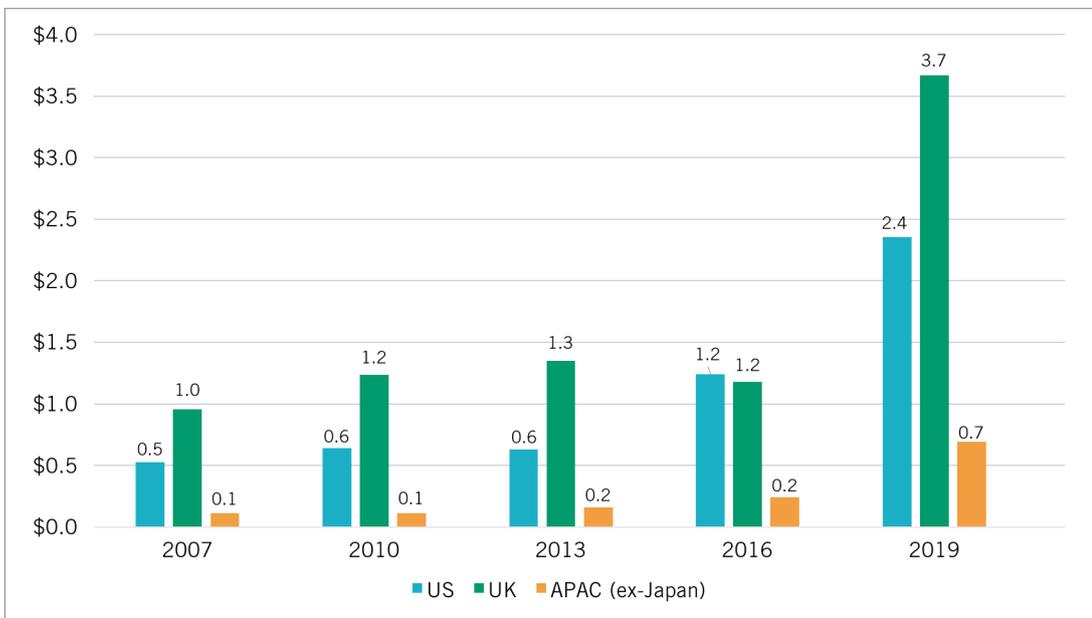
Source: BIS Triennial Surveys

Chart 5: Share of Average Daily Euro-denominated IRD Turnover by Location of Sales Desks on a Net-gross Basis



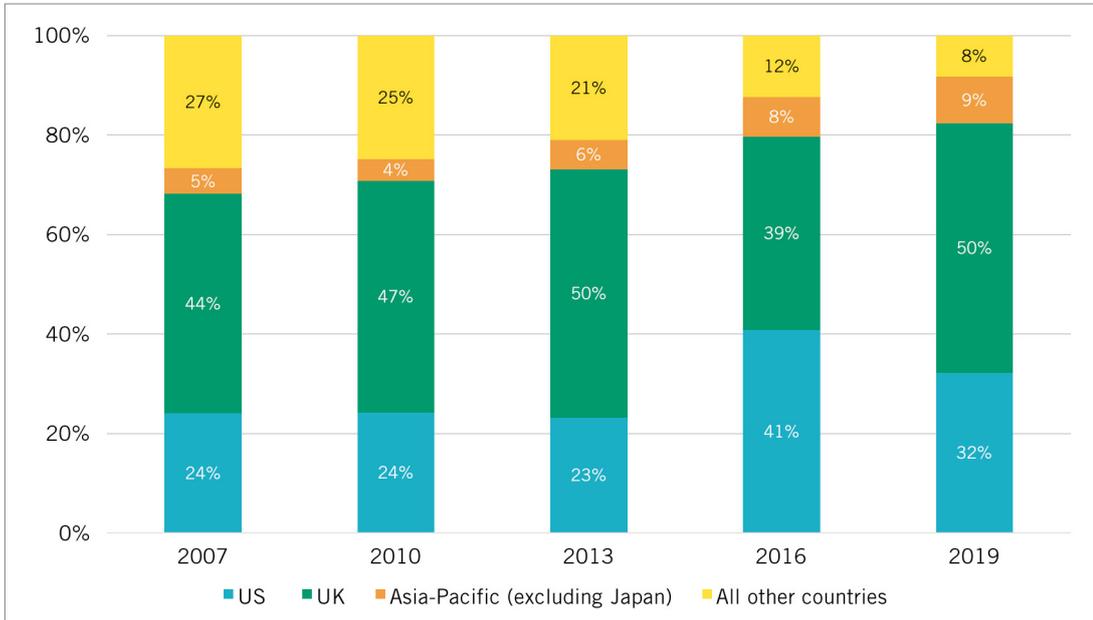
Source: BIS Triennial Surveys

Chart 6: Average Daily IRD Turnover by Location of Sales Desks on a Net-gross Basis (US\$ trillions)



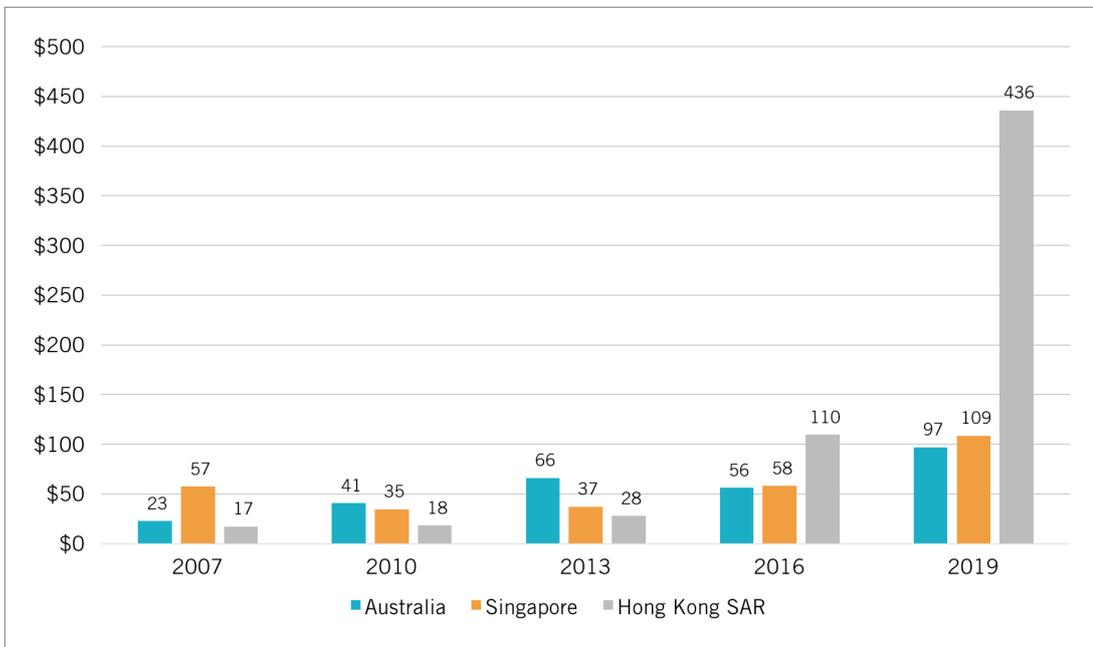
Source: BIS Triennial Surveys

Chart 7: Share of Average Daily IRD Turnover by Location of Sales Desks on a Net-gross Basis



Source: BIS Triennial Surveys

Chart 8: Average Daily IRD Turnover in Asia-Pacific by Location of Sales Desks on a Net-gross Basis (US\$ billions)



Source: BIS Triennial Surveys



ISDA has published other recent research papers:

- ***Global Credit Defaults Swaps Market Study, September 2019***
<https://www.isda.org/a/JUPTTE/Global-CDS-Market-Study.pdf>
- ***Interest Rate Benchmarks Review: Second Quarter of 2019 and First Half of 2019, July 2019***
<https://www.isda.org/a/J2qME/Interest-Rate-Benchmarks-Review-Q2-2019-and-1H-2019.pdf>
- ***Key Trends in the Size and Composition of OTC Derivatives Markets, May 2019***
<https://www.isda.org/a/9atME/Key-Trends-in-Size-and-Composition-of-OTC-Derivatives-Markets.pdf>

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