

ISDA Insight

A survey of issues and trends for the derivatives end-user community.

August 2014
Closed September 5 – 125 respondents

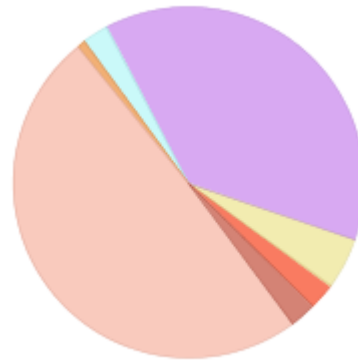
2. How would you describe the organization for which you work:



■ Non-financial corporate	28% (35)	■ Financial institution (bank end-user, insurer, finance company)	24.8% (31)
■ Asset manager (institutional investment or mutual fund or alternative investment manager)	30.4% (38)	■ Government/sovereign/supranational	1.6% (2)
■ Energy/commodity	8.8% (11)	■ Other	6.4% (8)

Response: 125

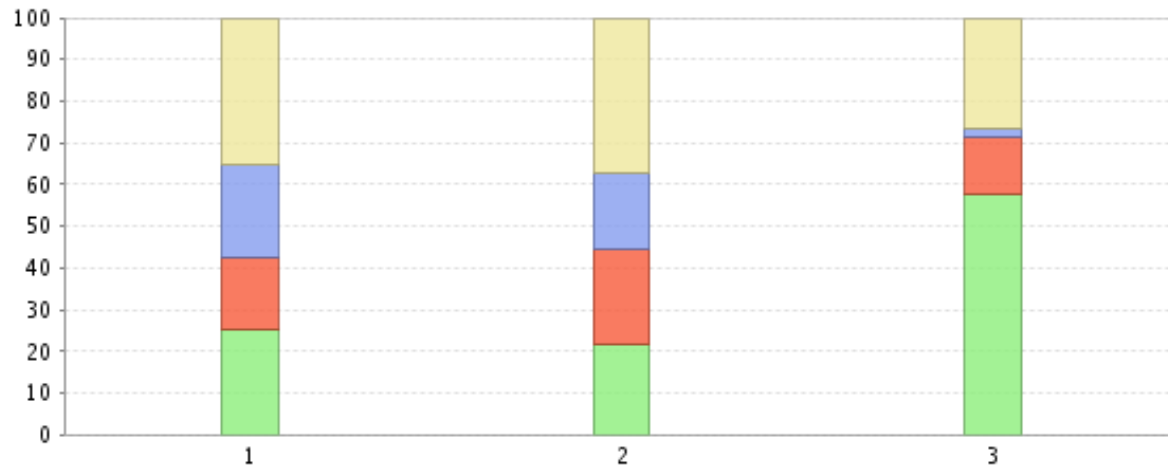
3. The organization for which I work is headquartered in:



■ Africa	0% (0)	■ Asia Pacific	2.42% (3)
■ Australia	0% (0)	■ Eastern Europe	4.84% (6)
■ Western Europe	37.9% (47)	■ Japan	2.42% (3)
■ Middle East	0.81% (1)	■ North America	49.19% (61)
■ Latin America	2.42% (3)		

Response: 124

4. What impact will the new electronic trade execution requirements for OTC derivatives in the US and Europe have on the following areas:



	Positive	No Impact	Negative	No opinion/Not sure
Price	25.45% (28)	17.27% (19)	21.82% (24)	35.45% (39)
Liquidity	21.82% (24)	22.73% (25)	18.18% (20)	37.27% (41)
Transparency	57.8% (63)	13.76% (15)	1.83% (2)	26.61% (29)

Response: 110

5. What percentage of your OTC derivatives trades are currently executed electronically through swap execution facilities (SEFs) or multilateral trading facilities (MTFs)?



0-10%	49.04% (51)	11-25%	4.81% (5)
26-50%	6.73% (7)	51-75%	3.85% (4)
More than 75%	9.62% (10)	No opinion/Not sure	25.96% (27)

Response: 104

6. How many user agreements have you signed with US-based swap execution facilities (SEFs) to date?



1 to 2	22.12% (23)	3 to 4	4.81% (5)
More than 4	7.69% (8)	I currently do not have SEF user agreements in place but intend to do so	9.62% (10)
I currently do not have SEF user agreements in place and do NOT plan to do so	40.38% (42)	No opinion/Not sure	15.38% (16)

Response: 104

7. Do you agree or disagree that market fragmentation is occurring along geographic lines as a result of the regulatory framework that is being put into place in key jurisdictions?



<input type="checkbox"/> Yes, the market is fragmenting	54.46% (55)	<input type="checkbox"/> No, the market is not fragmenting	5.94% (6)
<input type="checkbox"/> No opinion/Not sure	39.6% (40)		

Response: 101

Only asked if response to Q7 was “Yes, the market is fragmenting.”

8. If you believe that market fragmentation is occurring, then what impact, if any, is it having on your firm’s ability to manage risk?

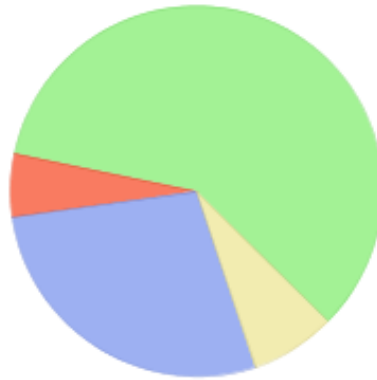


Strong negative impact	1.82% (1)	Negative impact	45.45% (25)
No impact	32.73% (18)	Positive impact	10.91% (6)
Strong positive impact	0% (0)	No opinion/Not sure	9.09% (5)

Response: 55

Only asked if response to Q7 was “Yes, the market is fragmenting.”

9. If you believe that market fragmentation is occurring, then what impact, if any, is it having on the cost of OTC derivatives?



<input type="checkbox"/> Market fragmentation is increasing costs	59.26% (32)	<input type="checkbox"/> Market fragmentation is decreasing costs	5.56% (3)
<input type="checkbox"/> Market fragmentation is having little impact on costs	27.78% (15)	<input type="checkbox"/> No opinion/Not sure	7.41% (4)

Response: 54

10. Do you prefer trading with dealers from your own jurisdiction to avoid the extraterritorial impact of foreign rules?



<input type="checkbox"/> Yes, I now trade with dealers from my own jurisdiction wherever possible	25.77% (25)	<input type="checkbox"/> Yes, but I've always traded with dealers from my own jurisdiction wherever possible	27.84% (27)
<input type="checkbox"/> No, I have no preference	30.93% (30)	<input type="checkbox"/> No opinion/Not sure	15.46% (15)

Response: 97

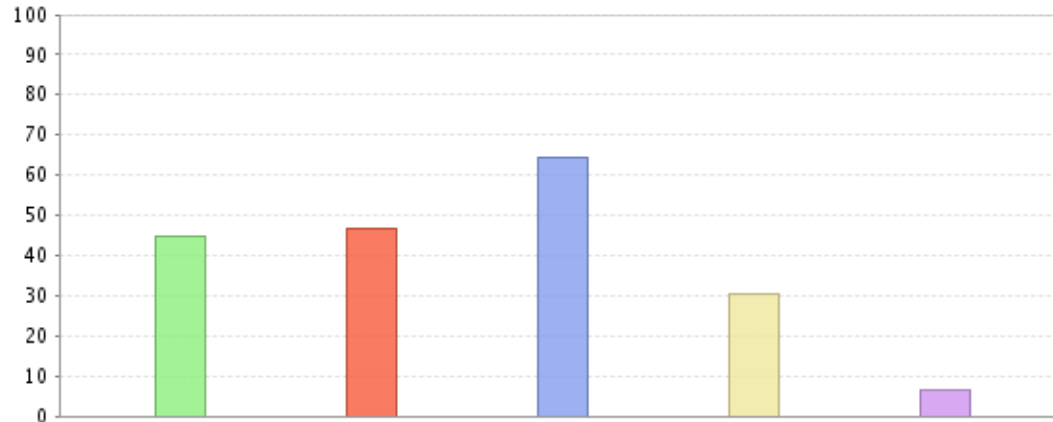
11. How important are OTC derivatives (whether cleared or non-cleared) to your firm's risk management strategy?



Very important	58.16% (57)	Important	27.55% (27)
Not important	8.16% (8)	No opinion/Not sure	6.12% (6)

Response: 98

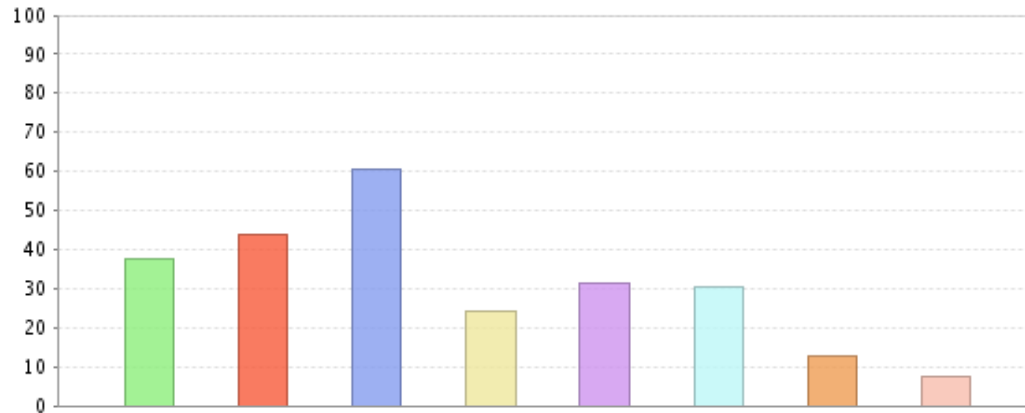
12. In what ways are derivatives important to your firm's business and investment decision-making? (Please check all that apply)



<input type="checkbox"/> Hedging exposures in international markets to maintain and enhance our competitiveness	44.79% (43)	<input type="checkbox"/> Reducing financing costs and managing the cost of capital that my firm borrows to invest in our business	46.88% (45)
<input type="checkbox"/> Managing exposures (to currencies, commodities, credit, etc.) so that my firm can maintain and improve pricing, operating expenses and returns	64.58% (62)	<input type="checkbox"/> Hedging risks of new activities and investments so my firm can effectively invest for growth	30.21% (29)
<input type="checkbox"/> No opinion/Not sure	6.25% (6)		

Response: 96

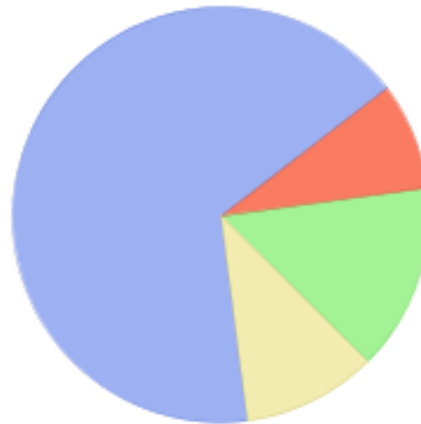
13. What are your biggest concerns regarding your ability to use derivatives to manage risk? (Please check all that apply)



<input type="checkbox"/> Uncertainty about regulations in my firm's principal business regions	37.5% (36)	<input type="checkbox"/> Concerns about scope of cross-border derivatives regulations	43.75% (42)
<input type="checkbox"/> Increased costs of hedging	60.42% (58)	<input type="checkbox"/> Reduced availability of hedging products	23.96% (23)
<input type="checkbox"/> Fewer dealers to transact with	31.25% (30)	<input type="checkbox"/> Not ready or able to handle clearing and/or margining of derivatives trades	30.21% (29)
<input type="checkbox"/> No opinion/Not sure	12.5% (12)	<input type="checkbox"/> Other	7.29% (7)

Response: 96

14. Looking at the fourth quarter of 2014, do you expect that your firm's use of OTC derivatives will increase, decrease or stay the same compared to the previous quarter?



<input type="checkbox"/> Increase	14.58% (14)	<input type="checkbox"/> Decrease	8.33% (8)
<input type="checkbox"/> Stay the same	66.67% (64)	<input type="checkbox"/> No opinion/Not sure	10.42% (10)

Response: 96

15. What percentage of your OTC derivatives trades are currently cleared through clearinghouses?



0-10%	55.32% (52)	11-25%	6.38% (6)
26-50%	3.19% (3)	51-75%	4.26% (4)
More than 75%	10.64% (10)	No opinion/Not sure	20.21% (19)

Response: 94

16. How many clearing members/futures commission merchants (FCMs) do you currently use to clear your OTC derivatives?



0	41.49% (39)	1	12.77% (12)
2	22.34% (21)	More than 2	7.45% (7)
No opinion/Not sure	15.96% (15)		

Response: 94

17. Do you intend to increase the number of clearing members/FCMs you use over the next 12 months?



Yes

19.35% (18)

No

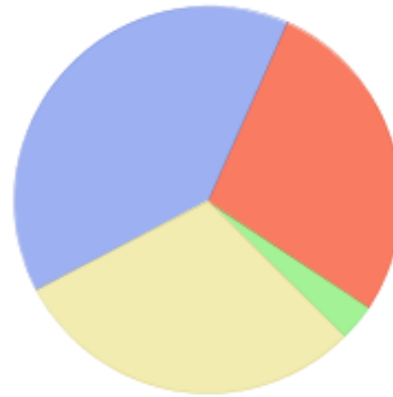
48.39% (45)

No opinion/Not sure

32.26% (30)

Response: 93

18. Have you noticed any change in market liquidity over the past year (i.e. number of dealers willing to offer a price, change in bid/offer spreads, or availability of certain products)?



1 - Yes – liquidity improved	3.19% (3)	2 - Yes – liquidity deteriorated	27.66% (26)
3 - No – liquidity seems unchanged	39.36% (37)	4 - No opinion/Not sure	29.79% (28)

Response: 94