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## **ISDA Insight Survey: Derivatives Vital to End-Users, but Fragmentation a Concern**

**NEW YORK, September 9, 2014** – Over-the-counter (OTC) derivatives continue to be an integral part of end-user risk management strategies, according to a survey published today by the International Swaps and Derivatives Association, Inc. (ISDA) at its 2014 ISDA Annual North America Conference in New York.

An overwhelming majority of end-users intend to keep their use of derivatives at similar or higher to current levels over the last three months of the year. However, the survey shows that end-users are concerned about the impact of a lack of regulatory coordination, market fragmentation and increased costs of hedging.

Similar to the findings of [ISDA's inaugural end-user survey in April](#), the results show that support for OTC derivatives by end-users remains very strong. Almost 86% of respondents believe that OTC derivatives are very important or important to their risk management strategies. Eighty-one percent expect to increase or maintain their current levels of derivatives activity during the fourth quarter of 2014. Only a small fraction said they expect their use of OTC derivatives to decrease.

End-users employ derivatives for a variety of key risk management purposes (as noted in a recent [ISDA research paper](#)). According to the survey, sixty-five percent believe that derivatives are important for managing exposures so their firms can maintain and improve pricing, operating expenses and returns. Reducing financing costs and managing the cost of capital (47%) and hedging exposures in international markets to maintain and enhance competitiveness (45%) are also rated highly.

However, more than half (54%) of the end-user respondents agree that market fragmentation is occurring along geographic lines as a result of new regulatory requirements, with most believing it is increasing the costs of OTC derivatives. More than half of survey respondents prefer to trade with dealers from their own jurisdiction.

“It is clear that end-users around the globe see OTC derivatives as vital risk management tools and expect to continue using them to hedge their risk,” said Scott O’Malia, ISDA Chief Executive Officer. “End-users realize the benefits of the regulatory reforms that are currently being put in place, but they’re worried about the effects of market fragmentation on liquidity and cost.”

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The survey also highlights that the top three concerns for end-users regarding their ability to use derivatives include: increased costs of hedging (60%), the scope of cross-border derivatives regulations (44%) and uncertainty about regulations in their firm's principal business regions (38%).

In addition, the majority of respondents (58%) think new electronic trade execution requirements for OTC derivatives will have a positive impact on transparency, but end-users are less optimistic about the impact on liquidity (22%) and pricing (25%).

Of the 125 firms responding to the survey, 28% were non-financial corporates and 55% were financial institutions (insurers, finance companies, asset managers and bank end-users). Forty-three percent of the participants were headquartered in Europe and 49% were headquartered in the US.

The findings are part of the latest ISDA Insight survey, an ongoing initiative to research and assess the views of global OTC derivatives end-users. The complete survey results are available on [ISDA website's Research section under Surveys](#).

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**About ISDA**

Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA has over 800 member institutions from 64 countries. These members include a broad range of OTC derivatives market participants including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure including exchanges, clearinghouses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's web site: [www.isda.org](http://www.isda.org).

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