

# OTC Derivatives Markets after Financial Reforms

**Stephen O'Connor**  
Chairman, ISDA

# G-20 Commitments

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## Pittsburgh, 2009

“All standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties...OTC derivatives contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.

## Cannes, 2011

“We call on the BCBS, IOSCO, together with other relevant organizations to develop for consultation standards on margining for non-centrally cleared OTC derivatives...”

# Progress on Key G20 Commitments

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Significant progress on key systemic risk issues:

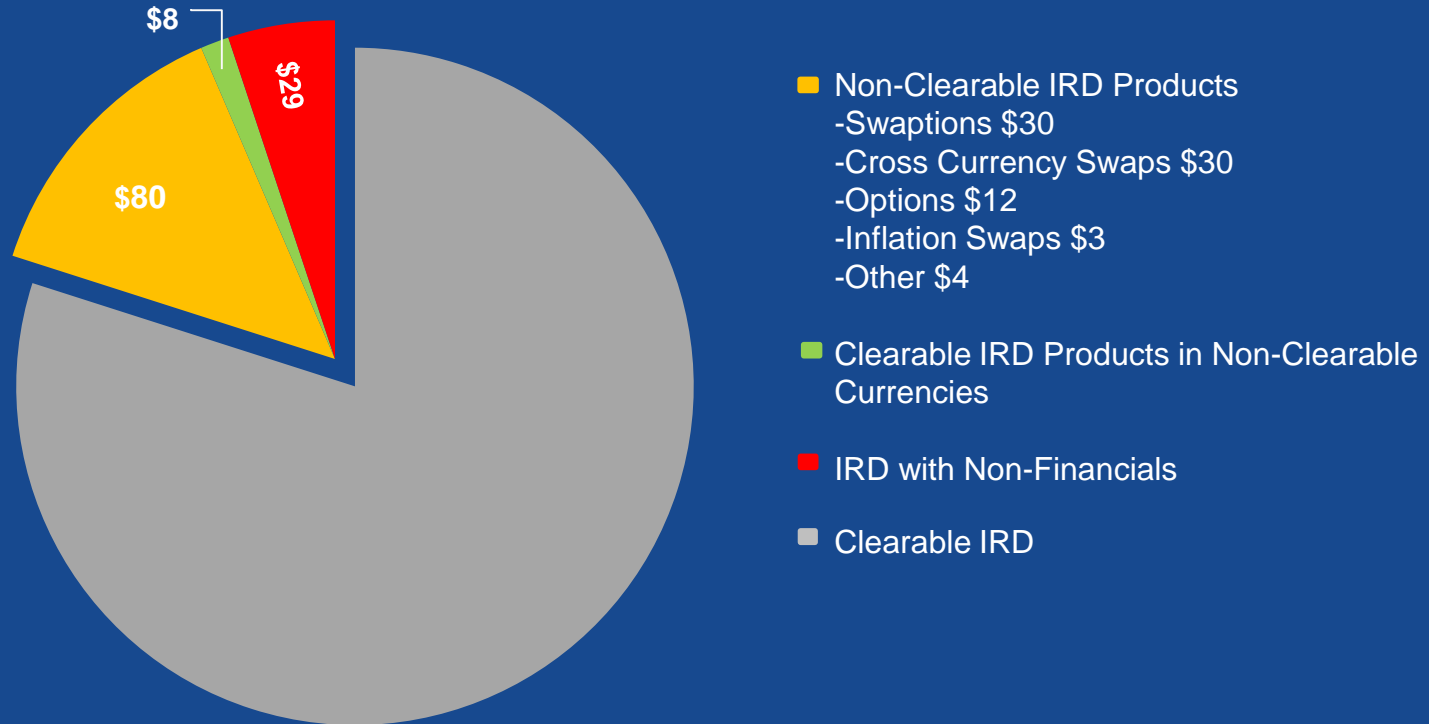
- Reducing counterparty credit risk through clearing and compression
- Increasing regulatory transparency through trade reporting

Less progress on non-systemic trade execution issues

Margin requirements for non-cleared swaps is perhaps the industry's main concern

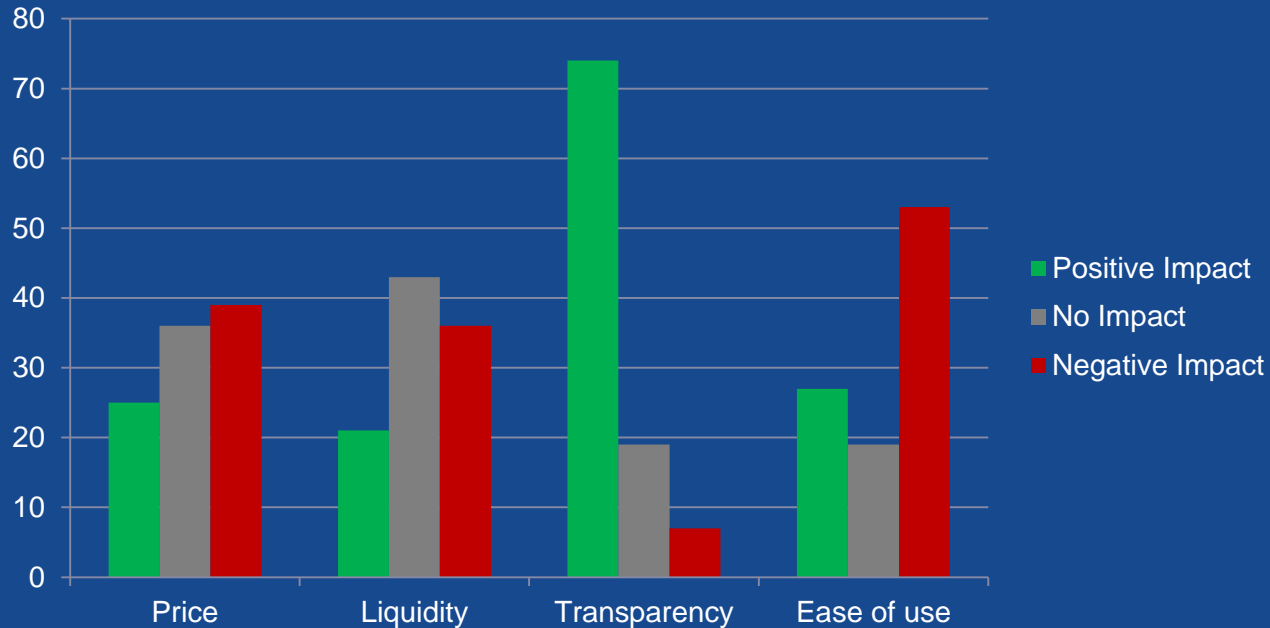
# Margin for Non-Cleared Derivatives

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# Trade Execution

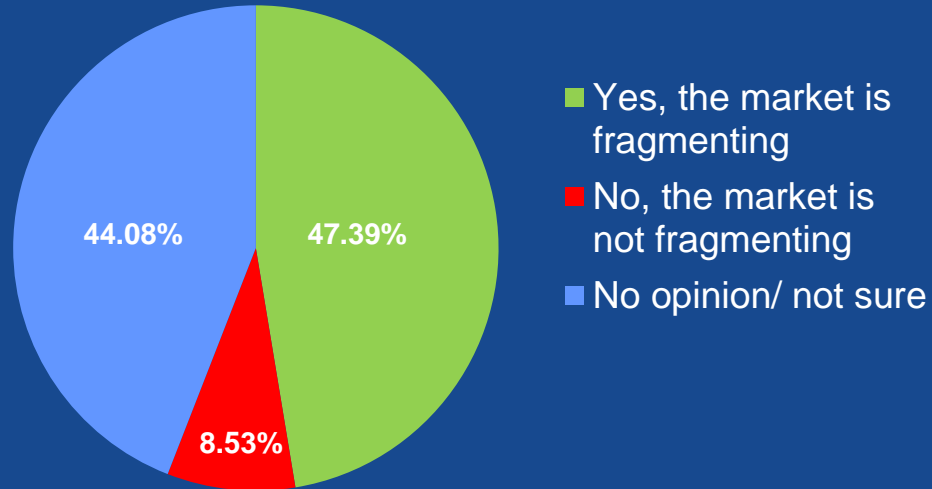
What kind of impact will the new electronic trade execution requirements for OTC derivatives in the US and Europe have on the following areas?



# Market Fragmentation

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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?



Mean: 1.97  
Response: 211

# Strong End-User Demand

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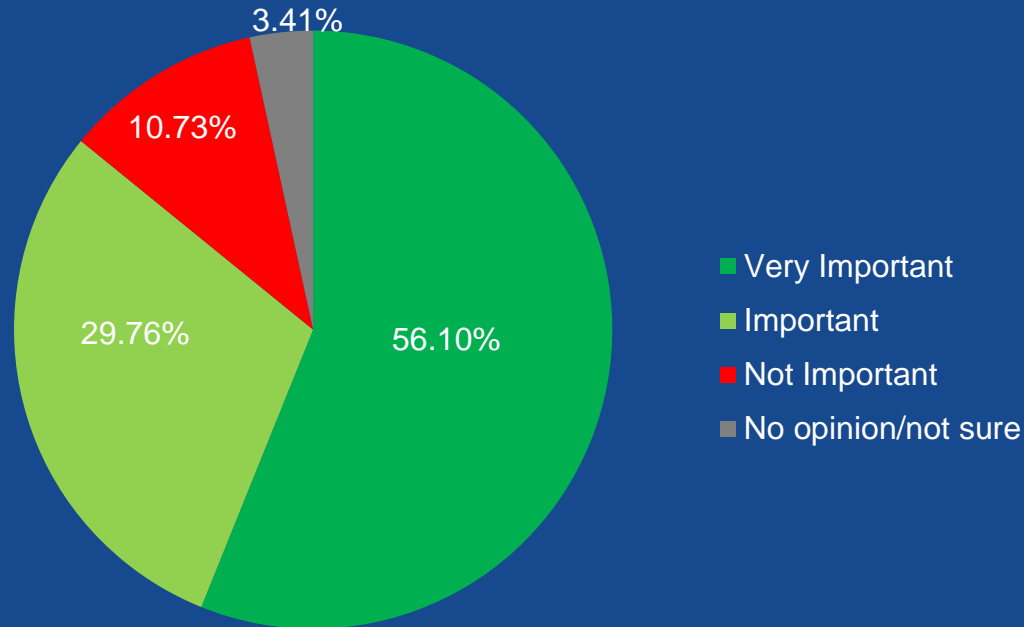
End-user demand continues to drive the markets forward

According to the BIS Triennial Survey:

- Average daily trading activity between non-dealers and dealers represents 65% of total interest rate derivatives market activity
- Interdealer activity is 35% of average daily trading, and reflects market-making activity

# Strong End-User Demand

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





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