

## **ISDA Launches New Report Setting out the Uses and Value of Derivatives**

**NEW YORK, March 17, 2025** – The International Swaps and Derivatives Association, Inc. (ISDA) has published a new report that explores how and why different types of firms use derivatives, the value these instruments bring to their business and the benefits to the broader economy.

The report, produced in conjunction with Boston Consulting Group (BCG), found there is broad take-up of derivatives across all company types and jurisdictions. These companies use derivatives for a variety of reasons, including risk transfer, liquidity management and to enhance returns. This helps firms mitigate risk, lock in financing terms, reduce costs, dampen the impact of market volatility and enhance financial performance and company value. The resulting stability and predictability enable companies to plan confidently and make strategic investments, contributing to business expansion and economic growth.

According to analysis of 1,187 companies listed on seven major equity indices<sup>1</sup>, conducted for the report by Expand Research, a BCG company, the vast majority – 87.1%, or 1,034 companies – use derivatives to manage their business. Adoption is similar for both non-financial and financial companies, with 86.6% of non-financial entities (872 out of 1,007) and 90% of financial institutions (162 out of 180) using derivatives.

The report aggregates published academic research that illustrates the impact of using derivatives. Highlights include:

- Analysis of almost 6,888 firms in 47 countries found those using derivatives had lower cashflow volatility and could benefit from reduced financing costs, higher returns and greater investment capacity.
- A study of over 80,000 financial statements from more than 14,000 companies showed those using derivatives to manage interest rate risk on their variable-rate debt experienced smaller declines in equity value after a 100-basis-point hike in rates (a 2% decline in equity value versus a 6% decline for unhedged firms).
- According to a survey of more than 2,339 companies in Asia Pacific, firms that used derivatives cut losses due to currency volatility by 75%, creating certainty and stability in their earnings.

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<sup>1</sup> The S&P 500 (US), Nikkei 225 (Japan), ASX 200 (Australia), Hang Seng Index (Hong Kong), STI (Singapore), FTSE 100 (UK) and Eurostoxx 50 (Europe)

- Based on a study of 2,718 loan contracts from 1,185 firms, the companies using derivatives were able to boost investment spending by about 13% of the sample's average investment level and pay lower interest rate loan spreads by around 29%.

“To mark ISDA’s 40<sup>th</sup> anniversary, this comprehensive report shows how different types of companies around the world use derivatives, from blue-chip multinational corporations to pension funds and insurance companies. Derivatives play a very strategic role in managing risk and in the creation and preservation of wealth. The overwhelming proportion of companies in seven leading stock indices use derivatives because they find them useful and they derive value from them,” said Scott O’Malia, ISDA’s Chief Executive.

“Derivatives can be valuable instruments because they allow companies to transfer market risks – like exposure to currency or interest rates moves – and focus on issues that are core to their business. By helping firms reduce risk, access cheaper funding and improve financial performance, companies can plan for the future with greater confidence, encouraging investment and contributing to economic growth,” said Jeroen Krens, Chair of ISDA.

The report provides examples of different types of companies that use derivatives for a variety of reasons, including:

- Manufacturers that use interest rate swaps to lock in predictable debt costs, protecting them against the cost of interest rate hikes.
- Exporters that use derivatives to manage swings in currency levels and secure stable conversion rates when receiving overseas revenues, enabling them to preserve value even during unpredictable FX markets.
- Pension funds that employ swaps and other derivatives to shield retirement assets from shifts in interest rates, inflation and equity markets and to bolster returns, bringing value to retirees by preserving long-term pension payouts.
- Energy producers and distributors that hedge oil, gas or electricity price risks to help protect consumers from severe price spikes and stabilize operating budgets.
- Insurance companies that use a variety of derivatives to mitigate interest rate, inflation and equity risks, and adjust and optimize their risk profile, ensuring sufficient reserves to pay out future claims and maintain solvency.
- Mortgage providers that use derivatives to manage interest rate and prepayment risks to keep home financing widely accessible, supporting efficient and stable housing markets and allowing individuals to borrow cost-effectively.
- Banks that hedge interest rate mismatches between deposits and loans to maintain lending capacity and strengthen balance sheets, enabling them to continue lending.
- Asset managers that use swaps, options and other derivatives to balance portfolio exposures, enhance returns and protect against market downturns, creating value for investors by preserving and creating wealth.

Read the full report [here](#).

Read a [factsheet](#) and watch an [animation](#) on how and why different types of firms use derivatives.

Watch a short [animation](#) on how derivatives create value for companies and can benefit the global economy.

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**About ISDA**

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 76 countries. These members comprise a broad range of 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, such as exchanges, intermediaries, clearing houses 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 website: [www.isda.org](http://www.isda.org). Follow us on [LinkedIn](#) and [YouTube](#).