A view from the trenches

Federal Reserve Bank of Chicago
19th Annual Capital Markets Conference, December 10th 2013
Who we are

We are a global, diversified financial information services company

We help our customers reduce risk, improve operational efficiency and benefit from enhanced transparency

Our customers include investment banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies

2003
Founded

3,000+
Employees

3,000+
 Customers

20+
Offices
How we are organised

We have over 40 products and services organised into three divisions

<table>
<thead>
<tr>
<th>Information</th>
<th>Processing</th>
<th>Solutions</th>
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<tbody>
<tr>
<td>Indices, pricing and reference data across asset classes, enabling our customers to price instruments, value portfolios and manage risk</td>
<td>Processing services for fx, loans and otc derivatives, streamlining workflow and improving connectivity</td>
<td>Versatile and scalable software platforms and services allowing institutions to manage information, reduce risk and improve operational efficiency</td>
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OTC activity trends
Challenges of analyzing OTC activity data

— Sides versus trades
— Blocks vs splits
— Prime brokerage/back to back
— Novations
— Cleared alpha/beta/gamma
— Termination vs compression
— Notional vs tickets
Volume trends

Credit derivatives deal volumes (monthly, per reporting dealer)

Source: Markit Metrics

Monthly Deal Volumes

Average Total Deal Volume  Median Total Deal Volume
Volume trends

Equity derivatives deal volumes (monthly, per reporting dealer)

Source: Markit Metrics
Interest rate derivatives deal volumes (monthly, per reporting dealer)

Source: Markit Metrics
Notional vs Tickets – Interest Rates Swaps

Relative to Q1 2009 = 1

*Source: trades processed by Markit derivatives processing*
Rates clearing
Central clearing – OTC timeline
Central clearing
Central clearing

Percentage of Dealer to Dealer (D2D) volume cleared, compared to % of Dealer to Client (D2C) volume cleared during last two years, for USD Interest Rate Swaps (notional amount)
Central clearing

Percentage of Dealer to Dealer (D2D) volume cleared, compared to % of Dealer to Client (D2C) volume cleared during last two years, for EUR Interest Rate Swaps (notional amount)
Central clearing

Number of participants (group level) which cleared OTC rates trades per month
Central clearing

Percentage of new activity cleared ≤T+10 - OIS

- USD OIS
- EUR OIS
- GBP OIS

Pie chart showing distribution of activity:
- EUR: 72%
- USD: 13%
- GBP: 15%
- JPY: 0%
Central clearing
Central clearing

- Clearing charts show percentage of notional amount (local currency) where trades are cleared within 10 days of recorded trade date, based on trades processed by Markit derivatives processing (MarkitWire)

- Generally will exclude backloading, novations, compression activity
Cross border effects
Cross border effects

Interest rates products – USD – Percentage of trades booked with either side entity type being one of four types

(source: trades processed by Markit derivatives processing)
Cross border effects

Interest rates products – EUR – Percentage of trades booked with either side entity type being...
Cross border effects

Interest rates products – JPY – Percentage of trades booked with either side entity type being…
Cross border effects

Interest rates products – Percentage of trades being booked with neither side US entity or US guaranteed sub – by currency
SEF activity
Percentage of new IRS trades booked on SEF vs. off-facility

Source: Interest rates swaps transacted week of December 2nd 2013, processed via Markit
Percentage of SEF trades (processed by Markit) where one, both or neither party is a US entity

![Chart showing SEF Activity percentages for different currencies]

- Both US
- One US
- Neither US
Fragmentation challenges
The Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO) have published their final report on the OTC derivatives data that should be collected, stored and disseminated by trade repositories (TRs)

— By outlining a global framework for access and storage of data the intent is to allow efficient aggregation of global OTC derivatives data reported to TRs.

— However, difficulties remain…
Each regime has adopted differing rules causing data fragmentation

- The same trades are reported multiple times due to overlapping regulations, these are reported to
  - Multiple TRs
  - With differing identifiers (Unique Trade Identifier)
  - Containing differing data fields
  - And are reported at different levels (entity versus branch)
Different regimes have different TRs but also some regimes have approved multiple TRs, each with their own rulebooks and formats.

<table>
<thead>
<tr>
<th>Regime</th>
<th>ASIC</th>
<th>CFTC</th>
<th>ESMA</th>
<th>HKMA</th>
<th>JFSA</th>
<th>MAS</th>
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* Firms can also report direct to JFSA
** Separate infrastructure to the main GTR
Different trade identifiers are used across the various regimes

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<tr>
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<th>Dodd Frank USI</th>
<th>Bilaterally Agreed UTI</th>
<th>Internal Trade Reference</th>
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<td>ASIC</td>
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✓ If applicable
✓ required
Each regime requires a different data set rather than following the CPSS-IOSCO guidelines

- CFTC requires “all the terms of the trade”
- ESMA follows CPSS-IOSCO guidelines more closely

Each regime requires a different level of reporting

- CFTC, ASIC, MAS, HKMA require entity level reporting
- ESMA and JFSA require branch level reporting, albeit using different branch identifiers BIC (JFSA) and Country Code (ESMA)
mines data
pools intelligence
surfaces information
enables transparency
builds platforms
provides access
scales volume
extends networks
& transforms business.
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