

ISDA Insight

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

Initial Survey – February 2014
Closed March 3 – 245 respondents

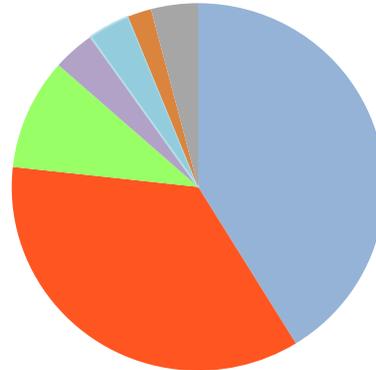
2. How would you describe the organization for whom you work:



1 - Non-financial corporate	42.04% (103)	2 - Financial institution (bank end-user, insurer, finance company)	29.39% (72)
3 - Asset manager (institutional investment or mutual fund or alternative investment manager)	20.41% (50)	4 - Government / sovereign	3.27% (8)
5 - Other (please specify)	4.9% (12)		

Response: 245

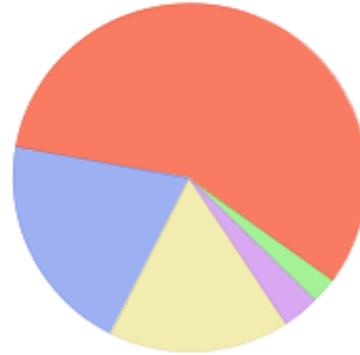
3. The organization for whom I work is headquartered in:



1 - United States of America	41.2% (101)
2 - Continental Europe	35.5% (87)
3 - United Kingdom	9.8% (24)
4 - Japan	3.7% (9)
5- Other APAC	3.7% (9)
6 - Canada	2.0% (5)
7- Other	4.1% (10)

Response: 245

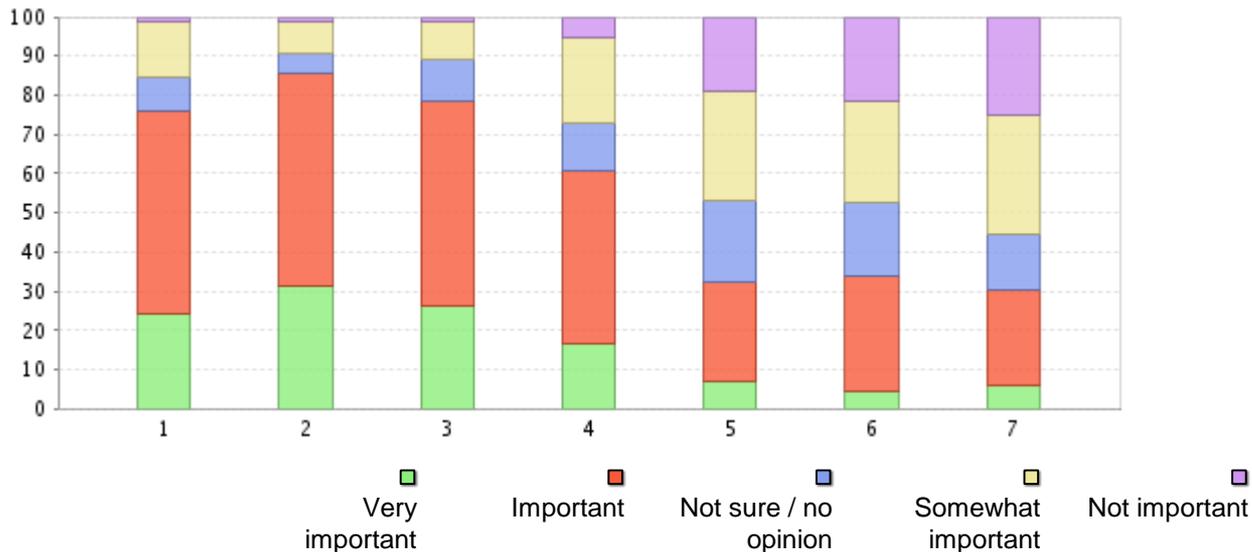
4. Do you agree or disagree that the financial system today is on a sounder footing than before the financial crisis?



1 - Strongly agree	2.49% (6)	2 - Agree	57.26% (138)
3 - Not sure / no opinion	20.33% (49)	4 - Disagree	16.6% (40)
5 - Strongly disagree	3.32% (8)		

Response: 241

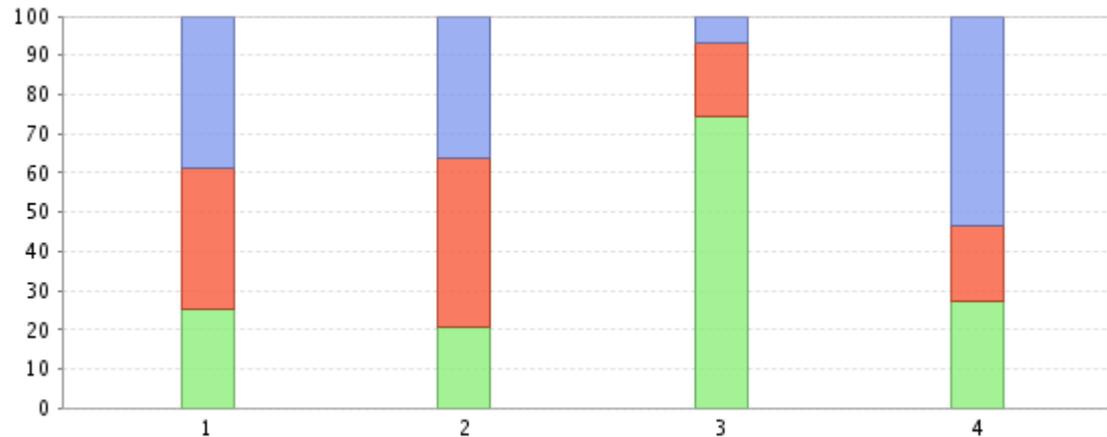
5. How important are each of the following factors in enhancing the safety of the financial system:



	Very important	Important	Not sure / no opinion	Somewhat important	Not important
1 Reduction of leverage	24.32% (54)	51.8% (115)	8.56% (19)	13.96% (31)	1.35% (3)
2 Tighter credit risk management	31.39% (70)	54.26% (121)	4.93% (11)	8.07% (18)	1.35% (3)
3 Capital requirements	26.03% (57)	52.51% (115)	10.5% (23)	9.59% (21)	1.37% (3)
4 Margin / collateral requirements	16.74% (37)	43.89% (97)	12.22% (27)	21.72% (48)	5.43% (12)
5 Central clearing mandates	7.14% (16)	25% (56)	20.98% (47)	28.12% (63)	18.75% (42)
6 Trade execution requirements	4.46% (10)	29.46% (66)	18.75% (42)	25.89% (58)	21.43% (48)
7 Transaction reporting requirements	5.8% (13)	24.55% (55)	14.29% (32)	30.36% (68)	25% (56)

Response: 224

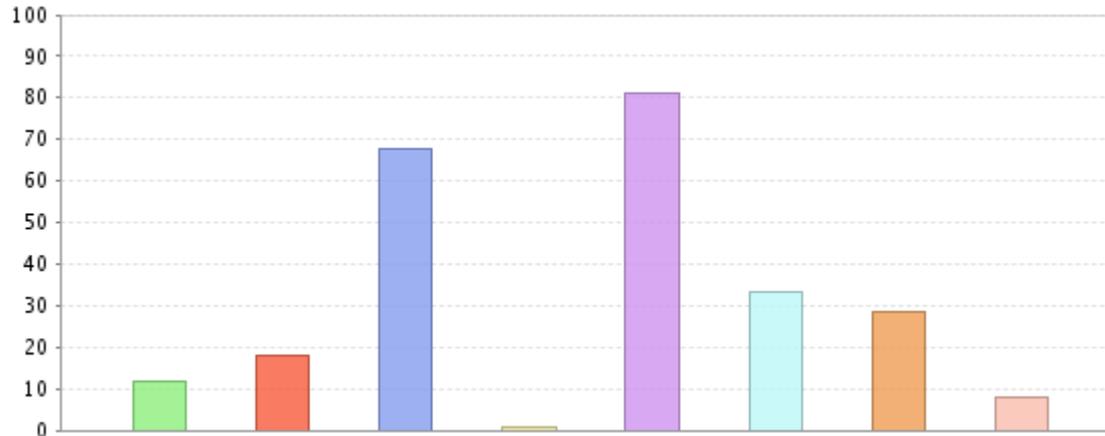
6. What kind of impact will the new electronic trade execution requirements for OTC derivatives in the US and Europe have on the following areas:



	Positive impact	No impact	Negative impact
1 Price	25.35% (55)	35.94% (78)	38.71% (84)
2 Liquidity	20.83% (45)	43.06% (93)	36.11% (78)
3 Transparency	74.19% (161)	18.89% (41)	6.91% (15)
4 Ease of use	27.19% (59)	19.35% (42)	53.46% (116)

Response: 217

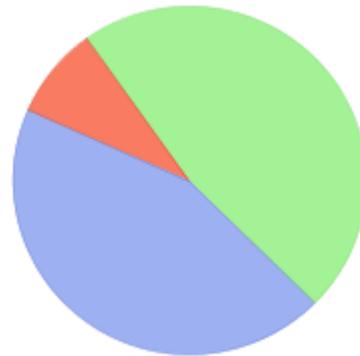
7. How is the new financial landscape changing how your firm hedges risk (please select all that apply)?



1 - Greater transparency makes hedging easier	11.85% (25)	2 - Increased use of clearinghouses reduces credit risk and facilitates hedging	18.01% (38)
3 - The costs related to hedging are increasing	67.77% (143)	4 - The costs related to hedging are decreasing	0.95% (2)
5 - Administrative burdens related to hedging have increased	81.04% (171)	6 - Collateral demands related to hedging are too high	33.18% (70)
7 - The new financial landscape is not changing how my firm hedges risk	28.44% (60)	8 - Other (please specify)	8.06% (17)

Response: 211

8. 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?

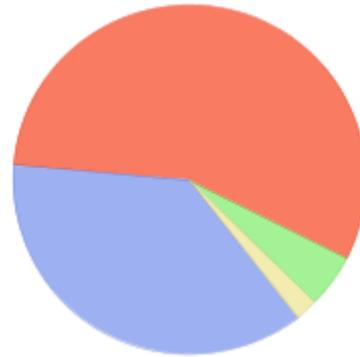


1 - Yes, the market is fragmenting	47.39% (100)	2 - No, the market is not fragmenting	8.53% (18)
3 - No opinion / not sure	44.08% (93)		

Response: 211

Only asked if response to Q8 was “1 – Yes, the market is fragmenting.”

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

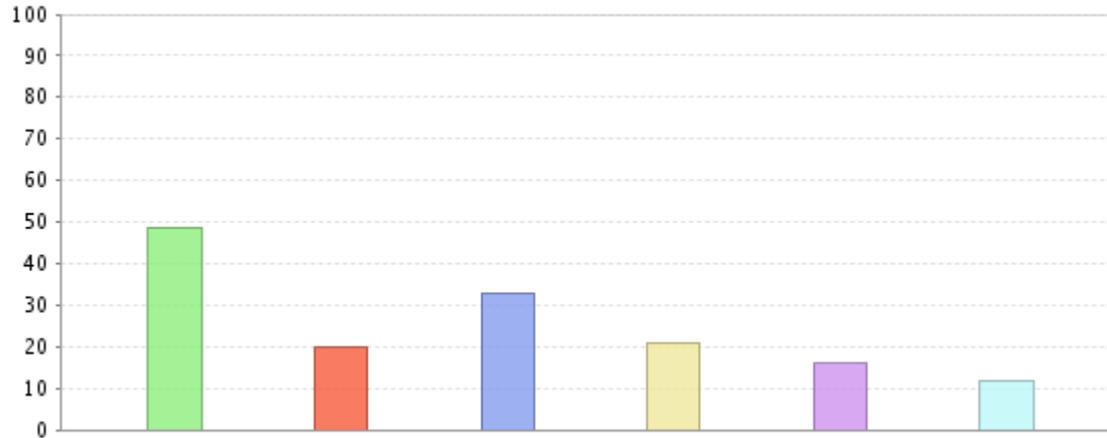


1 - Strong negative impact	5.1% (5)	2 - Negative impact	56.12% (55)
3 - No impact	36.73% (36)	4 - Positive impact	2.04% (2)
5 - Strong positive impact	0% (0)		

Response: 98

Only asked if response to Q8 was “1 – Yes, the market is fragmenting.”

10. If you believe that market fragmentation is occurring, then what impact, if any, is it having on how and with whom you will trade (please select all that apply)?

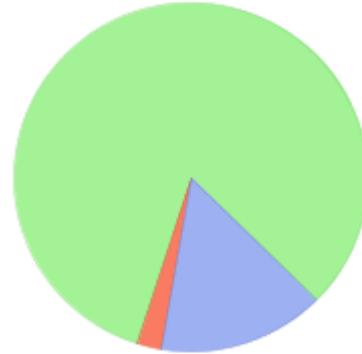


<p>■ 1 - As a non-US company/subsidiary, I want to avoid trading with US counterparties</p>	<p>48.68% (37)</p>	<p>■ 2 - As a non-US company/subsidiary, the location of my US counterparty makes no difference</p>	<p>19.74% (15)</p>
<p>■ 3 - As a non-European company/subsidiary, I want to avoid trading with European counterparties</p>	<p>32.89% (25)</p>	<p>■ 4 - As a non-European company/subsidiary, the location of my European counterparty makes no difference</p>	<p>21.05% (16)</p>
<p>■ 5 - As a non-Asian company/subsidiary, I want to avoid trading with Asian counterparties</p>	<p>15.79% (12)</p>	<p>■ 6 - As a non-Asian company/subsidiary, the location of my Asian counterparty makes no difference</p>	<p>11.84% (9)</p>

Response: 76

Only asked if response to Q8 was “1 – Yes, the market is fragmenting.”

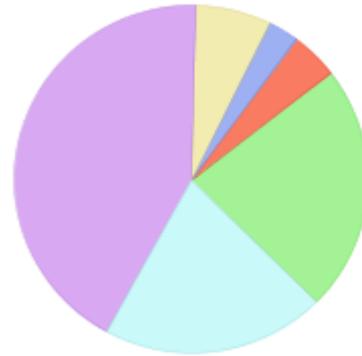
11. If you believe that market fragmentation is occurring, then what impact, if any, is it having on the cost of OTC derivatives?



1 - Market fragmentation is increasing costs	82.61% (76)	2 - Market fragmentation is decreasing costs	2.17% (2)
3 - Market fragmentation is having little impact on costs	15.22% (14)		

Response: 92

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



1 - 1 to 2	22.93% (47)	2 - 3 to 4	4.39% (9)
3 - More than 4	2.93% (6)	4 - I currently do not have SEF user agreements in place but intend to do so in 2014	6.83% (14)
5 - I currently do not have SEF user agreements in place and do NOT plan to do so in 2014	42.44% (87)	6 - Do not know/unsure	20.49% (42)

Response: 205

Only asked if response to Q12 was affirmative about signing a SEF user agreement (responses 1, 2, 3, 4)

13. How many of the SEFs that you currently have or plan to sign agreements with have you previously been doing business with?

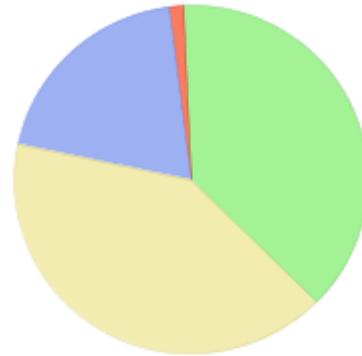


1 - All of them	52.63% (40)	2 - Some of them	34.21% (26)
3 - None of them	13.16% (10)		

Response: 76

Only asked if response to Q12 was affirmative about signing a SEF user agreement (responses 1, 2, 3, 4)

14. When you trade on a SEF, will you prefer to use the Request for Quote (RFQ) or Central Limit Order Book (CLOB) functionality?

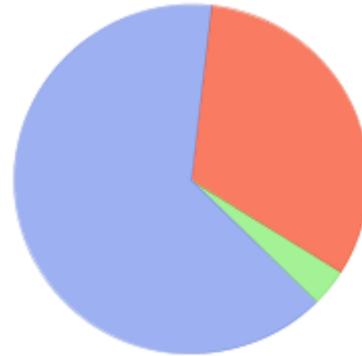


1 - Request for Quote (RFQ)	38.16% (29)	2 - Central Limit Order Book (CLOB)	1.32% (1)
3 - Both	19.74% (15)	4 - Do not know/unsure	40.79% (31)

Response: 76

Only asked if response to Q14 was "1 – Request For Quote (RFQ)"

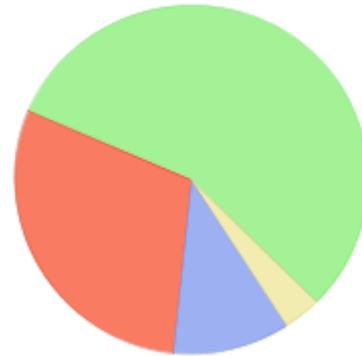
15. If you have been trading on a SEF exclusively via RFQ, are you also planning to integrate the CLOB in 2014?



1 - Yes	3.57% (1)	2 - No	32.14% (9)
3 - Do not know/unsure	64.29% (18)		

Response: 28

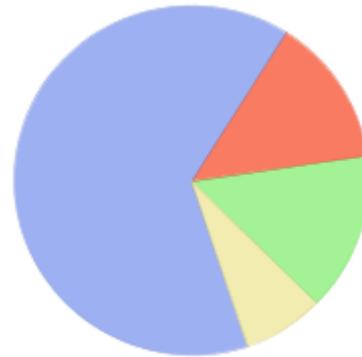
16. How important are OTC derivatives (whether cleared or non-cleared) to your firm's risk management strategy?



1 - Very important	56.1% (115)	2 - Important	29.76% (61)
3 - Not important	10.73% (22)	4 - No opinion / not sure	3.41% (7)

Response: 205

17. Looking out over the second quarter of 2014, do you expect that your firm's use of OTC derivatives (whether cleared or non-cleared) will increase, decrease or stay the same compared to the previous three months?

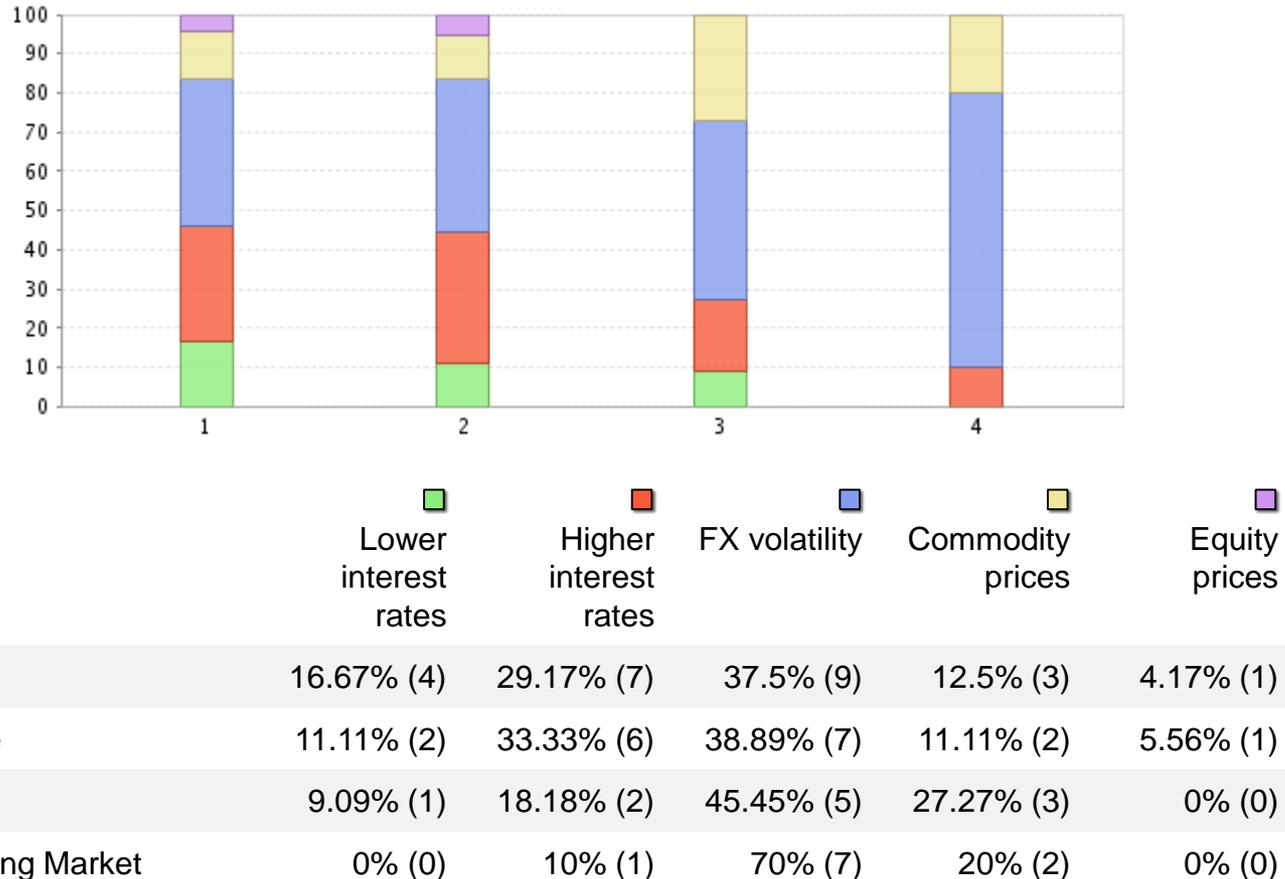


1 - Increase	14.78% (30)	2 - Decrease	13.79% (28)
3 - Stay the same	64.04% (130)	4 - No opinion / not sure	7.39% (15)

Response: 203

Only asked if response to Q17 was "1 – Increase"

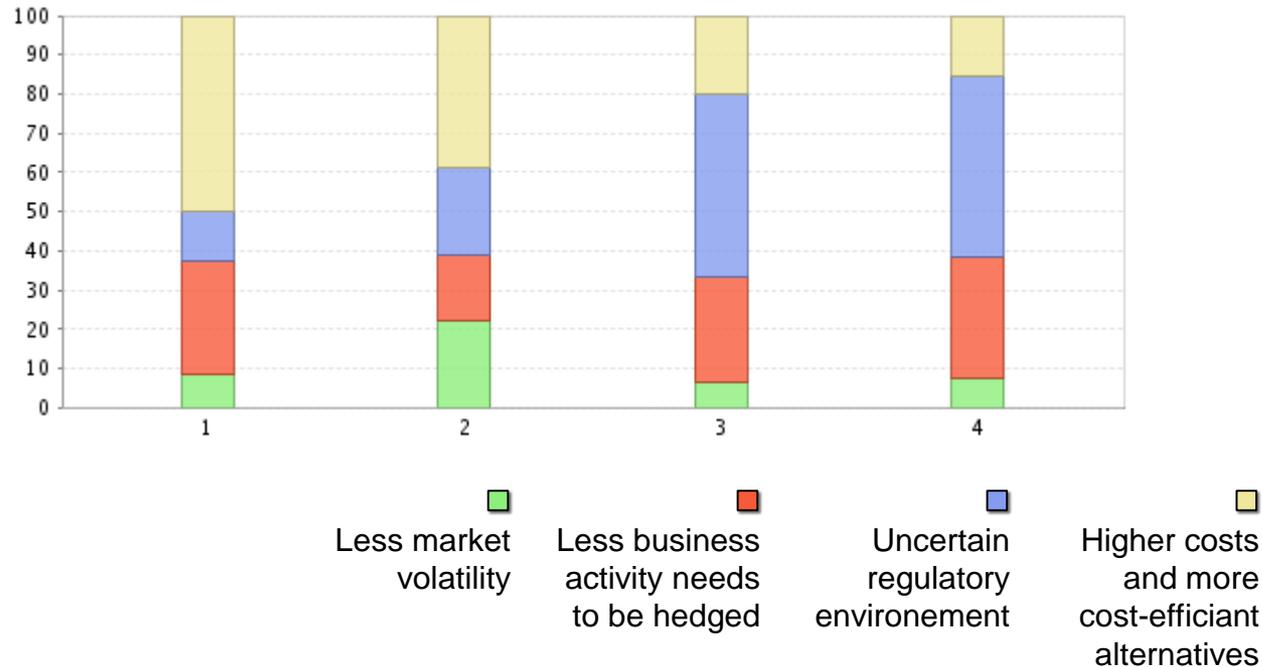
18. What is the main regional factor you expect will increase your firm's usage of OTC derivatives over the second quarter of 2014?



Response: 27

Only asked if response to Q17 was "1 – Increase"

19. What is the main regional factor you expect will decrease your firm's usage of OTC derivatives over the second quarter of 2014?



Region	Less market volatility	Less business activity needs to be hedged	Uncertain regulatory environment	Higher costs and more cost-efficient alternatives
1 US	8.33% (2)	29.17% (7)	12.5% (3)	50% (12)
2 Europe	22.22% (4)	16.67% (3)	22.22% (4)	38.89% (7)
3 Asia	6.67% (1)	26.67% (4)	46.67% (7)	20% (3)
4 Emerging Market	7.69% (1)	30.77% (4)	46.15% (6)	15.38% (2)

Response: 28