

Virtual Conference of the Working Group on Euro Risk-Free Rates

Thursday, 15 September 2022 (14:00-15:00 CET)

Summary

1. Introductory remarks, approval of the agenda and obligations of the working group members under competition law

Mr James von Moltke (Chair) opened the call. He welcomed all the members of the Working Group (WG) to the third WG meeting of 2022 and reminded WG members of the agenda scheduled for today's meeting:

1. *Introductory remarks, approval of the agenda and obligations of the working group members under competition law*
2. *Update on USD LIBOR Survey*
3. *ISDA market data presentation on the transition to RFR/€STR*
4. *Update by the €STR Task Force*
5. *AOB*

Mr von Moltke thanked all the WG members who replied to the USD LIBOR Survey that was circulated by the WG secretariat in July 2022, mentioning that the financial industry must continue to focus on the transition away from the USD LIBOR. He referred to the encouraging comments made at the meeting of the Alternative Reference Rates Committee¹ (ARRC) on 8 September 2022, where ARRC members noted that the transition from USD LIBOR to SOFR continues to progress strongly in 2022, showing continued momentum in transition of cash products and derivative markets towards SOFR.

Mr von Moltke also thanked ISDA for providing an updated presentation on market data regarding the transition to risk-free rates (agenda item 3) and for adding in such presentation new metrics concerning the use of €STR in derivative markets. He also expressed his gratitude to the WG members participating in the €STR Task Force for the preparation of a draft recommendation concerning the availability of derivative products referencing €STR (agenda item 4).

Finally, Mr von Moltke reminded the members of the WG of their obligations under EU competition law, as described in the guidelines on compliance with EU competition law published on the ESMA's website².

2. Update on USD LIBOR Survey

Mr von Moltke handed over to Mr Michele Mazzoni (ESMA) to deliver the presentation on the USD LIBOR Survey. Mr Mazzoni clarified that the intended objective of the USD LIBOR survey was to gather market intelligence from the members of the WG on their current and prospective level of exposures towards USD

¹ Website of the ARRC: <https://www.newyorkfed.org/arrc>

² https://www.esma.europa.eu/sites/default/files/library/eu_competition_law_guidelines_for_the_working_group_on_euro_risk-free_rates.pdf

LIBOR in the EU and collect opinions on the main issues of the transition away from USD LIBOR from an EU point of view. He added that this exercise also aims to provide relevant information to the European Commission to assess whether the use of the statutory replacement rate powers in relation to USD LIBOR is needed.

Mr Mazzoni reminded that the quantitative section of the survey focused only on contracts under the law of EU Member States and included breakdowns by: i) USD LIBOR tenors, ii) type of products (derivatives, mortgages and other consumer lending, bilateral and syndicated loans, bonds, other cash products), and iii) maturity of such products.

Several members of the WG highlighted in their responses that market participants are now familiar with the process of transitioning away from LIBOR rates and preparation for the discontinuation of USD LIBOR started well ahead of its end-date. However, respondents mentioned concerns in relation to specific types of products, such as syndicated and bilateral loans (representing almost 40% of total tough legacy exposures), and non-cleared derivatives whose counterparties have not adhered to the ISDA Fallbacks Protocol (representing around 30% of total tough legacy exposures, although more than 95% of the entire portfolio of derivative contracts are reported as non-tough legacy). The survey also showed that between June 2023 (cessation of USD LIBOR) and June 2025 the total value of outstanding tough legacy contracts in the EU will decrease by around 25%.

Most of the replies expressed support for a possible action by the UK FCA compelling the continued publication of USD LIBOR based on a synthetic methodology after the discontinuation of representative USD LIBOR. With respect to the possible use of the statutory replacement rate by the European Commission, views among respondents to the survey were divided. A first group argued that in case of the adoption of the synthetic USD LIBOR by the UK FCA, the exercise by the European Commission of the statutory replacement power vis-à-vis USD LIBOR was not needed. A second group of respondents would prefer the European Commission to act, independently from any possible decision by the UK FCA, to increase legal certainty. Finally, a key message shared by respondents was the importance to ensure consistency among the measures or actions, if any, implemented in different jurisdictions.

Following the presentation, Mr von Moltke thanked Mr Mazzoni and opened the floor to comments or questions. Mr. Rik Hansen (European Commission) took the floor to thank all WG members who participated in this USD LIBOR Survey and commented that the findings of the survey were in line with the expectation of the European Commission. He added that the future decisions of the European Commission concerning the use of the statutory replacement rate powers in relation to USD LIBOR are dependent on whether or not the UK FCA will decide to compel, after 30 June 2023, the continued publication of USD LIBOR with a synthetic methodology. In particular, should a synthetic rate be available, it is questionable whether there is any pressing need for the European Commission to use the statutory replacement power.

Before moving to the next agenda item, Mr Lelio Lapresa (ESMA) noted the possibility that other public authorities, including for instance the ECB SSM or UK FCA, might reach out to ESMA should they be interested in the outcome of the USD LIBOR Survey; he then asked WG members if they had any objection to share, in case of request by other authorities, the anonymised and aggregated results of the survey as shown in the presentation provided to the WG. The WG members did not object to this proposal.

3. ISDA market data presentation on the transition to RFR/€STR

Mr von Moltke (Chair) handed over to Mr Rick Sandilands (ISDA) to present the ISDA market data slides on the transition to risk-free rates including €STR (the full presentation is included in Annex I to this document). Mr Sandilands explained that ISDA has conducted the analysis of euro- and US dollar-denominated interest rate derivatives by underlying reference rates to show the adoption of €STR and SOFR in different regions from June 2021 to June 2022. The data included in the presentation reflected reported transactions in the EU, the UK and the US, and covered both cleared and non-cleared trades.

Mr Sandilands noted that the percentage of trading activity in €STR as total euro-denominated interest rate derivatives traded notional: a) in the EU, increased to 31.0% in June 2022 compared to 7.6% in June 2021; b) in the UK, increased to 40.5% from 0.6% over the same period; c) in the US, increased to 42.6% from 0.5% over the same period. He also provided the same type of data in relation to trading activity in US dollar denominated interest rate derivatives referencing SOFR in the EU, the UK and the US (see Annex I for more details).

Mr von Moltke thanked Mr Sandilands and opened the floor for questions. A member noted that, according to the presentation, in the EU the percentage of €STR trade notional vis-à-vis the total euro-denominated interest rate trade notional was higher in December 2021 compared to June 2022 (34.5% vs 31%, see slide 3 in Annex I) which was surprising and counterintuitive. Such member asked whether ISDA had any insight into this trend. Mr Sandilands replied noting that, although the percentages seemed to show a downward direction for the proportion of trading activity in €STR, on the other hand the notional values of transactions in interest rate derivatives referencing €STR almost double in June 2022 compared to December 2021 (USD 1,262.2 bn vs 692.4 bn see slide 8 in Annex I), showing an important increase in volumes of €STR denominated interest rates derivatives in the period December 2021 to June 2022. Helmut Wacket (ECB) asked ISDA whether it was possible to re-include in the next ISDA presentation the information as provided at the WG June meeting³ showing the breakdown of SOFR and USD Libor traded notional reported in the EU by tenors [see *Minutes of the June WG meeting, P24, ie Slides 16 and 17 of ISDA presentation*]. Mr Sandilands replied that he will confirm this with relevant ISDA staff.

4. Update by the €STR Task Force

Mr von Moltke (Chair) handed over to Mr Alex Wilson (Chair's Office and Chair of the €STR Taskforce) to update WG members on the outcome of the work of the €STR Task Force.

Firstly, Mr. Wilson presented a proposal on the areas of focus of the €STR Task Force work going forward, notably on promoting the use of €STR term rates in EURIBOR fallbacks and on monitoring market developments to identify possible actions or recommendations.

Then, Mr Wilson introduced the draft recommendation on the availability of derivative products referencing €STR prepared by the €STR Task Force that was shared with WG members ahead of this meeting.

In line with the work programme of the WG⁴, which includes fostering the use of €STR in a diverse range of financial products as an objective, Mr Wilson explained that the proposed recommendation invites all market makers to take all reasonable steps to make derivatives referencing the €STR benchmark available to customers. These may include (but are not limited to) the adoption of derivative products onto relevant platforms and market infrastructure and the provision of pricing referencing both €STR and EURIBOR when discussing product options with customers. He noted that further development of €STR in derivative products will contribute to a more robust forward looking term version of €STR, as the calculation of this latter rate is based on €STR derivative markets.

Mr von Moltke thanked Mr Wilson and opened the floor for questions. Mr Helmut Wacket (ECB) reminded WG members that compounded €STR average rates are already published by the ECB as Euribor fallbacks, in line with the WG recommendations in May 2021, and this should be taken into account when finalising the draft of recommendation. As no other comments were made, Mr von Moltke suggested to allow WG members to provide written comments on the draft recommendation on the availability of derivative products referencing €STR before Friday 23 September CoB.

³ Minutes of the June WG meeting, including ISDA slides, are available here:

https://www.esma.europa.eu/sites/default/files/library/esma81-459-65_eur_wg_rfr_-_17_june_meeting_minutes.pdf

⁴ Work programme of the WG is available here:

https://www.esma.europa.eu/sites/default/files/library/esma81-459-50_wg_on_euro_risk-free_rates_-_work_programme_2022-23.pdf



5. AOB.

No AOB was raised by WG members.

6. Closing remarks by the Chair

Mr von Moltke thanked everyone for their time and commitment to the work of the WG. He mentioned that the next WG meeting will be held on 5 December 2022. The Chair also suggested to members to reach out to Secretariat and Chair's Office if they see a need to raise topics for the next meeting's agenda.



List of participants

Participant's organisation

Name of participant

Chairperson

Deutsche Bank

Mr James von Moltke

Chair's office

Deutsche Bank

Mr Simon Goodwin

Deutsche Bank

Ms Queenie Choong

Deutsche Bank

Mr Alex Wilson

Voting members

Banco Sabadell

Ms Marta Riveira Cazorla

Bank of Ireland

Mr Barry Moran

Bank of Ireland

Mr David Tilson

Barclays

Mr Joseph McQuade

Barclays

Mr Michael Taylor

BBVA

Ms Ana Rubio

BBVA

Mr Ignacio Ollero

BME Clearing

Mr Emilio Gamarra Mompeán

BME Clearing

Ms Monica Blanco Vieito

BNP Paribas

Ms Dominique Le Masson

BNP Paribas

Mr David Gorans

BNP Paribas

Mr Xavier Aublin

BPCE/Natixis

Mr Olivier Hubert

BPCE/Natixis

Mr Grégoire de Clarens

CaixaBank, S.A.

Mr Francesc Xavier Combis

Crédit Agricole

Ms Florence Mariotti

Crédit Agricole

Mr Yann Marhic

Deutsche Bank

Mr Christian Gau

DZ Bank

Mr Michael Schneider

DZ Bank

Mr Philipp Nordloh

Erste Group

Mr Rene Brunner

Erste Group

Mr Neil Mcleod

Eurobank SA

Mr Dimitris Psychogios

Eurobank SA

Mr Theodoros Stamatiou

European Investment Bank

Mr Nikolaos Tzoldos

ICE Futures Europe

Mr Steven Hamilton

ICE Futures Europe

Mr Matthew Horton



ING Bank
ING Bank
Intesa Sanpaolo
KfW Bankengruppe
LCH Group
Santander
Santander
Société Générale
Société Générale

Ms Stephanie Broks
Mr Jaap Kes
Ms Maria Cristina Lege
Mr Markus Schmidtchen
Mr Davide Tortora
Mr Santiago Lobato Piñana
Mr Javier Pareja Marta
Mr Stephane Cuny
Ms Maryam Aazane

Non-voting members

European Money Markets Institute
European Money Markets Institute
International Capital Market Association
International Swaps and Derivatives Association
Loan Market Association
Loan Market Association

Mr Jakobus Feldkamp
Ms Petra de Deyne
Ms Katie Kelly
Mr Rick Sandilands
Mr Keith Taylor
Ms Kam Hessling

Observers

European Central Bank
European Central Bank
European Central Bank
European Commission
European Commission
European Securities and Markets Authority

Mr Helmut Wacket
Mr Pascal Nicoloso
Ms Anne-Lise Nguyen
Mr Rik Hansen
Mr Antoine Picot
Ms Iliana Lani

Secretariat

European Securities and Markets Authority
European Securities and Markets Authority
European Securities and Markets Authority
European Securities and Markets Authority

Mr Lelio Lapresa
Mr Michele Mazzoni
Mr Cristian Weststeijn
Mr Enos Barkas



Annex I – ISDA presentation under item 3 of the agenda

September 2022

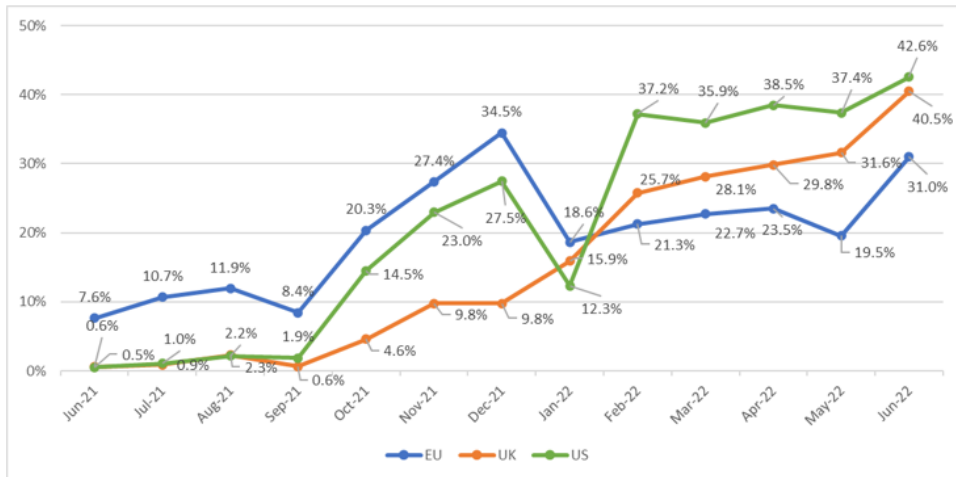
Analysis of IRD Trading Activity by Underlying Reference Rates and Tenors



Executive Summary

- ISDA has conducted the analysis of euro- and US dollar-denominated IRD by underlying reference rates to show the adoption of €STR and SOFR in different regions from June 2021 to June 2022.
- ISDA has analyzed three IRD data sets: transactions reported in the EU, transactions reported in the UK, and transactions reported in the US. All data sets include both cleared and non-cleared transactions.
- In the EU, the percentage of trading activity in €STR reached 31.0% of total euro-denominated IRD traded notional in June 2022 compared to 7.6% in June 2021. In the UK, €STR-linked traded notional increased to 40.5% from 0.6% over the same period. In the US, the percentage of trading activity in €STR increased to 42.6% of total euro-denominated IRD traded notional in June 2022 compared to 0.5% in June 2021.
- In the EU, the percentage of trading activity in SOFR reached 42.9% of total US dollar-denominated IRD traded notional in June 2022 compared to 1.6% in June 2021. In the UK, SOFR-linked traded notional increased to 32.8% from 1.0% over the same period. In the US, the percentage of trading activity in SOFR increased to 41.2% of total US dollar-denominated IRD traded notional in June 2022 compared to 3.1% in June 2021.

€STR Traded Notional as % of EUR-denominated IRD Traded Notional by Region



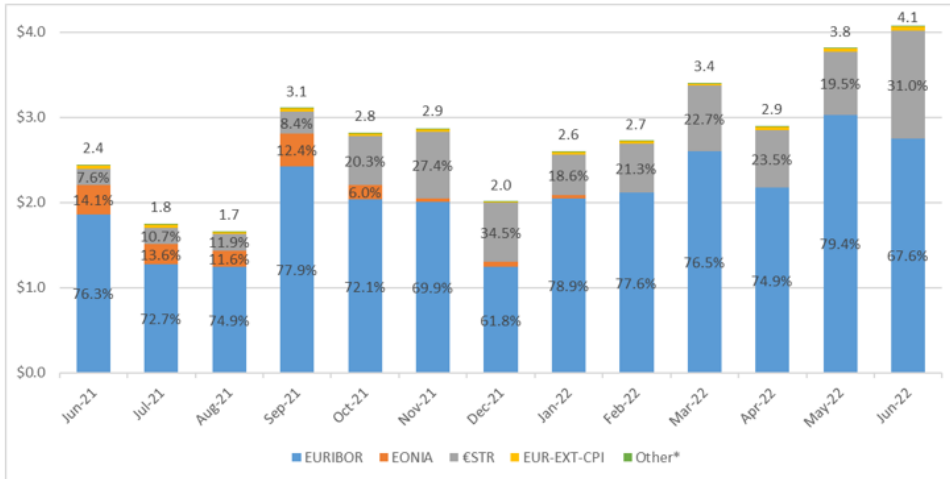
Source: DTCC SDR, European APAs and TVIs

€STR, EONIA and EURIBOR Traded Notional as % of EUR-denominated IRD Traded Notional by Region

	EU			UK			US		
	€STR	EONIA	EURIBOR	€STR	EONIA	EURIBOR	€STR	EONIA	EURIBOR
Jun-21	7.6%	14.1%	76.3%	0.6%	17.2%	72.0%	0.5%	9.1%	87.5%
Jul-21	10.7%	13.6%	72.7%	0.9%	11.9%	77.3%	1.0%	11.3%	84.2%
Aug-21	11.9%	11.6%	74.9%	2.3%	13.1%	78.4%	2.2%	14.2%	80.9%
Sep-21	8.4%	12.4%	77.9%	0.6%	17.5%	75.8%	1.9%	14.9%	81.1%
Oct-21	20.3%	6.0%	72.1%	4.6%	11.8%	75.0%	14.5%	12.6%	70.8%
Nov-21	27.4%	1.4%	69.9%	9.8%	0.4%	80.8%	23.0%	0.0%	75.6%
Dec-21	34.5%	3.0%	61.8%	9.8%	0.5%	79.4%	27.5%	0.0%	67.9%
Jan-22	18.6%	1.2%	78.9%	15.9%	0.5%	76.6%	12.3%	0.0%	65.4%
Feb-22	21.3%	0.0%	77.6%	25.7%	0.0%	67.0%	37.2%	0.0%	61.2%
Mar-22	22.7%	0.0%	76.5%	28.1%	0.0%	65.8%	35.9%	0.0%	62.7%
Apr-22	23.5%	0.0%	74.9%	29.8%	0.0%	64.1%	38.5%	0.0%	60.1%
May-22	19.5%	0.0%	79.4%	31.6%	0.0%	61.9%	37.4%	0.0%	61.2%
Jun-22	31.0%	0.0%	67.6%	40.5%	0.0%	54.5%	42.6%	0.0%	55.7%

Source: DTCC SDR, European APAs and TVs

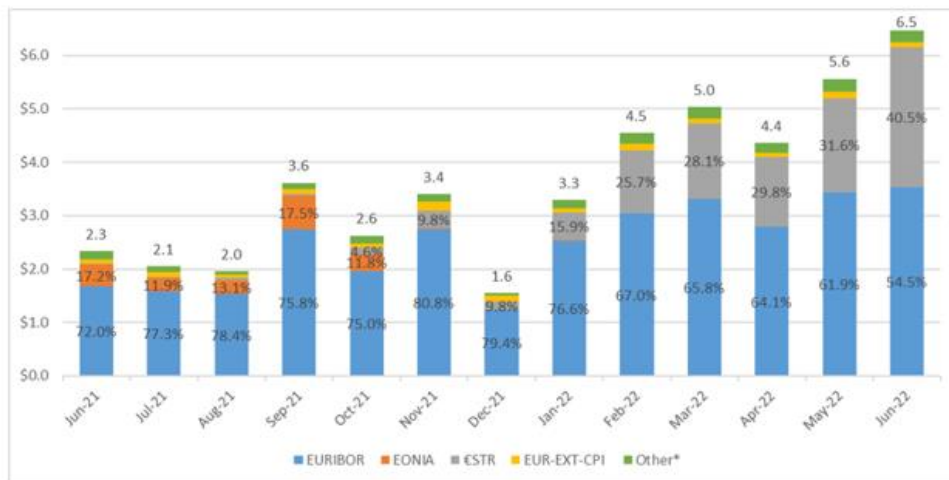
Euro-denominated IRD Transactions Reported in the EU Traded Notional (US\$ trillions)



Source: European APAs and TVs

*Other includes EURIBOR/€STR, EURIBOR/EONIA and other underlying reference rates

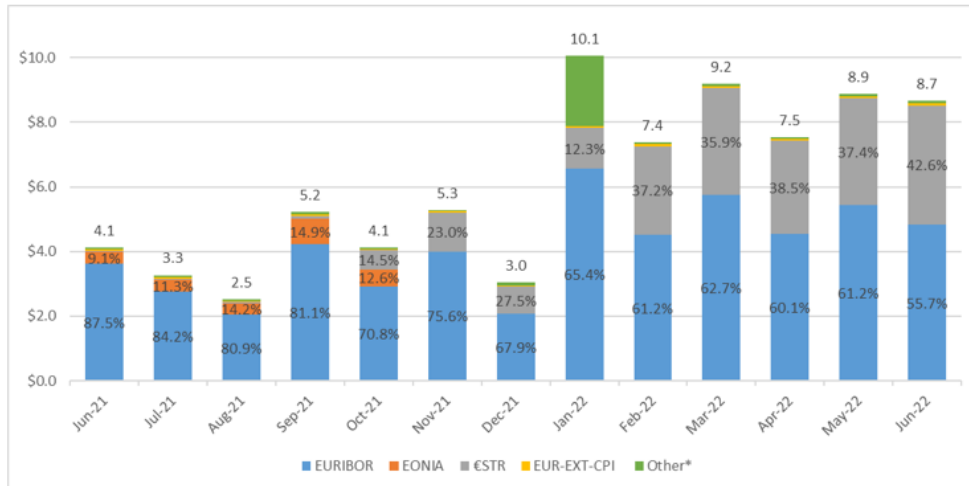
Euro-denominated IRD Transactions Reported in the UK Traded Notional (US\$ trillions)



Source: European APAs and TVs

*Other includes EURIBOR/€STR, EURIBOR/EONIA and other underlying reference rates

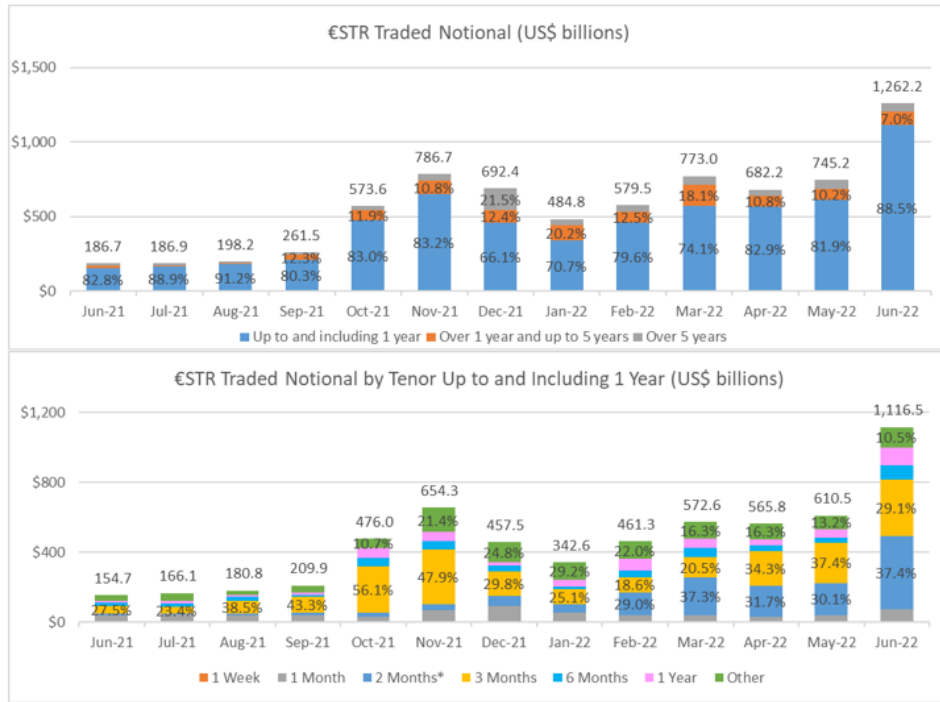
Euro-denominated IRD Transactions Reported in the US Traded Notional (US\$ trillions)



Source: DTCC SDR

*Other includes EURIBOR/€STR, EURIBOR/EONIA, EURIBOR/EUR-EXT-CPI and other underlying reference rates

€STR Traded Notional Reported in the EU by Tenors



Source: European APAs and TVs

*2 months tenor also includes 6 weeks and 7 weeks tenors

Percentage of €STR Traded Notional Reported in the EU by Tenors

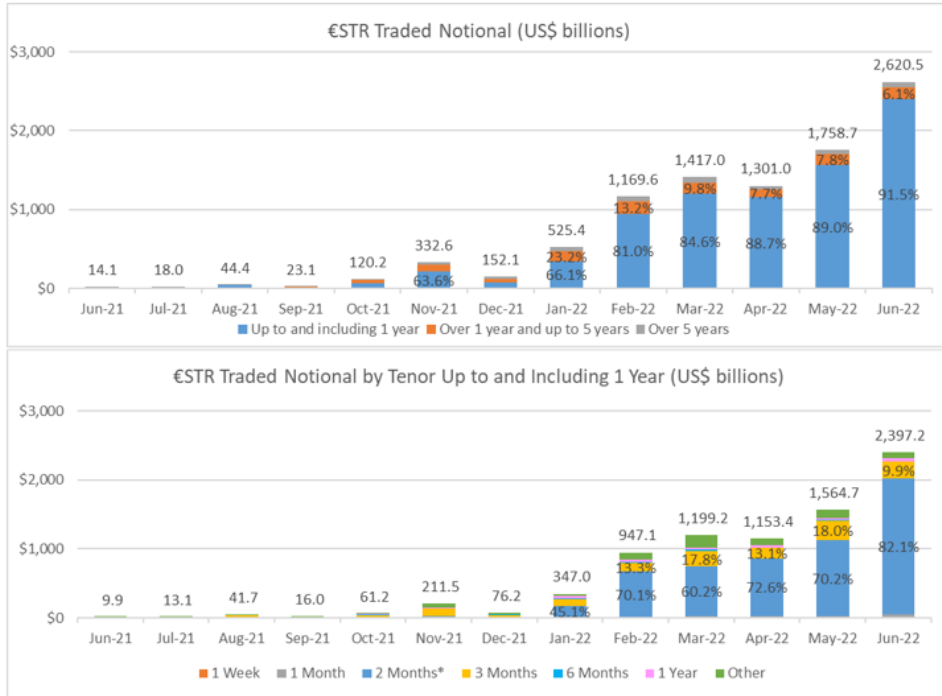
	€STR								
	Tenor ≤ 1 Year							1 Year < Tenor ≤ 5 Years	Tenor > 5 Years
	1 Week	1 Month	2 Months*	3 Months	6 Months	1 Year	Other		
Jun-21	0.0%	21.9%	4.9%	22.7%	9.6%	4.3%	19.3%	8.7%	8.4%
Jul-21	3.2%	19.8%	2.7%	20.8%	9.8%	8.3%	24.4%	4.2%	6.9%
Aug-21	0.0%	18.6%	6.4%	35.1%	12.5%	6.3%	12.3%	5.0%	3.8%
Sep-21	0.0%	15.4%	4.5%	34.7%	4.0%	6.6%	14.9%	12.3%	7.4%
Oct-21	0.0%	5.1%	4.1%	46.6%	8.2%	10.2%	8.9%	11.9%	5.1%
Nov-21	0.9%	7.4%	4.8%	39.9%	6.1%	6.3%	17.8%	10.8%	6.0%
Dec-21	0.9%	12.6%	8.3%	19.7%	5.2%	3.0%	16.4%	12.4%	21.5%
Jan-22	0.0%	10.6%	10.3%	17.8%	3.6%	7.8%	20.6%	20.2%	9.1%
Feb-22	0.0%	6.3%	23.1%	14.8%	6.7%	11.2%	17.5%	12.5%	7.9%
Mar-22	0.0%	5.3%	27.7%	15.2%	7.0%	6.8%	12.1%	18.1%	7.8%
Apr-22	0.0%	4.4%	26.3%	28.5%	5.2%	5.0%	13.5%	10.8%	6.2%
May-22	0.0%	5.4%	24.7%	30.7%	4.2%	6.2%	10.8%	10.2%	7.8%
Jun-22	0.0%	5.9%	33.1%	25.8%	6.6%	7.9%	9.3%	7.0%	4.5%

Source: European APAs and TVs

*2 months tenor also includes 6 weeks and 7 weeks tenors

Tenor is calculated based on ISIN Term of contract data

€STR Traded Notional Reported in the UK by Tenors



Source: European APAs and TVs

*2 months tenor also includes 6 weeks and 7 weeks tenors

Percentage of €STR Traded Notional Reported in the UK by Tenors

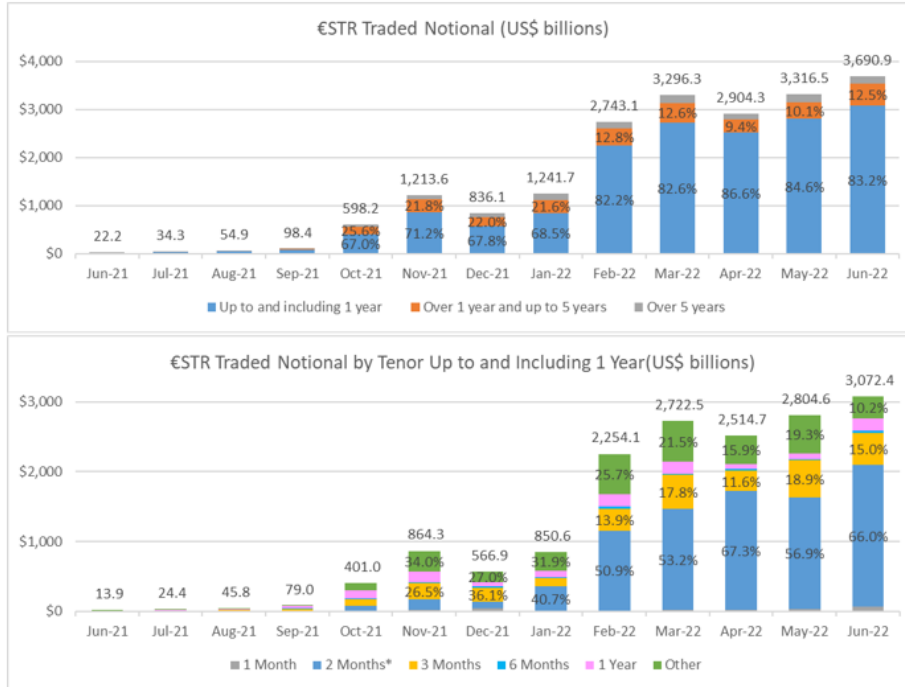
	€STR								
	Tenor ≤ 1 Year							1 Year < Tenor ≤ 5 Years	Tenor > 5 Years
	1 Week	1 Month	2 Months*	3 Months	6 Months	1 Year	Other		
Jun-21	0.0%	0.0%	0.0%	22.7%	28.0%	0.3%	19.8%	24.7%	4.6%
Jul-21	0.0%	5.0%	0.0%	27.8%	22.2%	8.2%	9.5%	16.6%	10.7%
Aug-21	0.0%	1.8%	0.0%	68.4%	2.0%	5.1%	16.6%	2.4%	3.6%
Sep-21	0.0%	3.9%	0.0%	37.6%	0.8%	13.4%	13.8%	18.7%	11.8%
Oct-21	0.0%	1.5%	0.7%	31.9%	4.9%	9.7%	2.1%	36.8%	12.3%
Nov-21	0.1%	1.0%	7.1%	31.4%	0.5%	4.4%	19.1%	27.9%	8.6%
Dec-21	0.0%	3.0%	3.0%	20.2%	2.1%	5.8%	16.0%	28.5%	21.5%
Jan-22	0.0%	1.7%	29.8%	20.4%	2.5%	6.5%	5.1%	23.2%	10.8%
Feb-22	0.0%	0.7%	56.8%	10.7%	1.2%	2.8%	8.8%	13.2%	5.8%
Mar-22	0.0%	2.1%	50.9%	15.0%	1.8%	2.3%	12.5%	9.8%	5.5%
Apr-22	0.0%	2.0%	64.3%	11.6%	0.1%	3.3%	7.3%	7.7%	3.6%
May-22	0.0%	1.5%	62.4%	16.0%	0.8%	1.1%	7.0%	7.8%	3.2%
Jun-22	0.0%	2.1%	75.1%	9.1%	0.3%	1.5%	3.4%	6.1%	2.4%

Source: European APAs and TVs

*2 months tenor also includes 6 weeks and 7 weeks tenors

Tenor is calculated based on ISIN term of contract data

€STR Traded Notional Reported in the US by Tenors



Source: DTCC SDR

*2 months tenor also includes 6 weeks and 7 weeks tenors

Percentage of €STR Traded Notional Reported in the US by Tenors

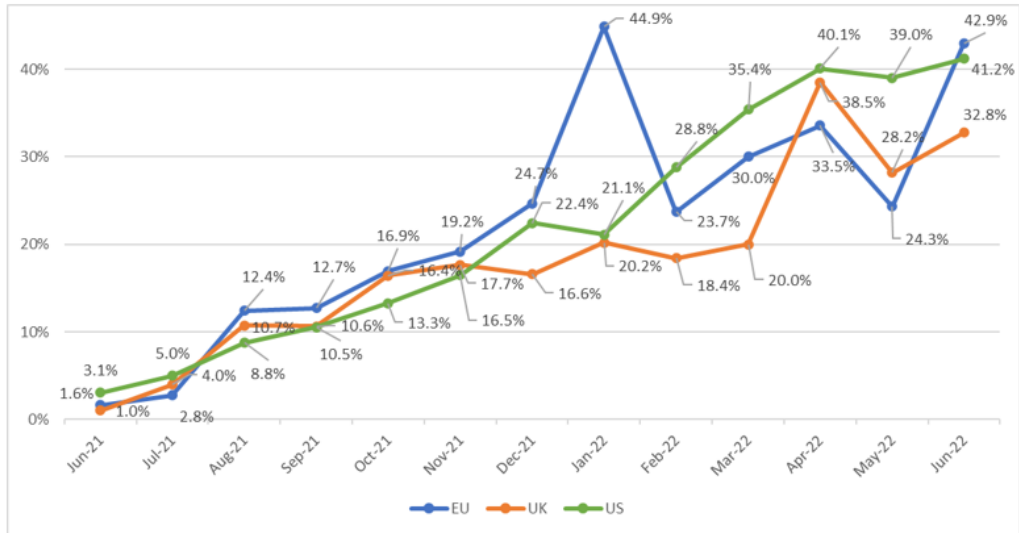
	€STR							
	Tenor ≤ 1 Year						1 Year < Tenor ≤ 5 Years	Tenor > 5 Years
	1 Month	2 Months*	3 Months	6 Months	1 Year	Other		
Jun-21	2.7%	0.0%	13.2%	11.0%	10.4%	25.2%	23.2%	14.2%
Jul-21	13.9%	0.0%	19.9%	0.0%	14.2%	23.2%	18.8%	10.0%
Aug-21	11.4%	0.0%	28.9%	4.3%	15.4%	23.4%	9.9%	6.7%
Sep-21	9.3%	1.5%	24.6%	3.3%	39.3%	2.2%	14.2%	5.6%
Oct-21	0.7%	11.6%	17.2%	1.3%	19.3%	17.0%	25.6%	7.3%
Nov-21	1.5%	12.8%	18.9%	1.7%	12.2%	24.2%	21.8%	7.0%
Dec-21	5.5%	10.8%	24.5%	1.6%	7.1%	18.3%	22.0%	10.2%
Jan-22	0.8%	27.9%	9.3%	1.0%	7.6%	21.8%	21.6%	9.9%
Feb-22	0.3%	41.8%	11.4%	1.0%	6.4%	21.1%	12.8%	5.1%
Mar-22	0.6%	43.9%	14.7%	0.6%	5.1%	17.7%	12.6%	4.9%
Apr-22	0.9%	58.3%	10.0%	0.9%	2.8%	13.8%	9.4%	4.0%
May-22	1.1%	48.1%	16.0%	0.3%	2.7%	16.3%	10.1%	5.3%
Jun-22	1.9%	54.9%	12.5%	0.9%	4.6%	8.5%	12.5%	4.2%

Source: DTCC SDR

*2 months tenor also includes 6 weeks and 7 weeks tenors

Tenor is calculated as the difference between the effective date and the maturity date

SOFR Traded Notional as % of USD-denominated IRD Traded Notional by Region



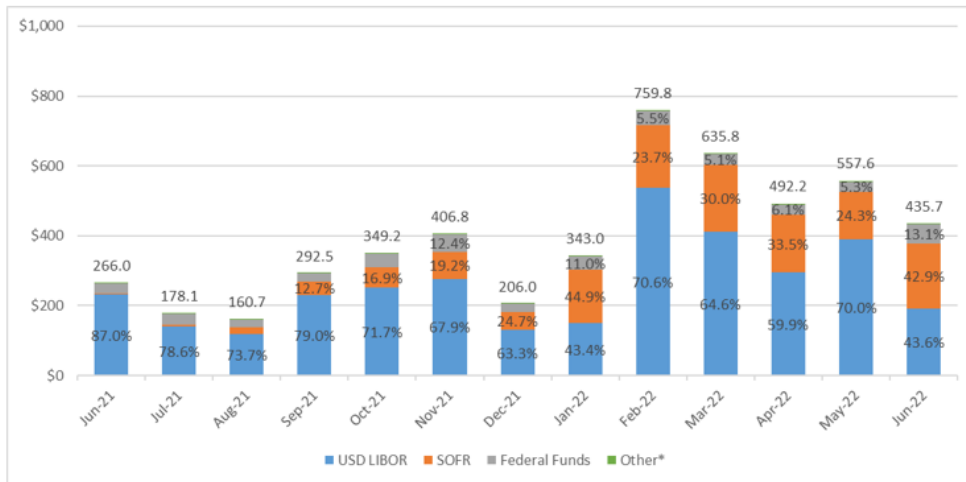
Source: DTCC SDR, European APAs and TV's

SOFR and USD LIBOR Traded Notional as % of USD-denominated IRD Traded Notional by Region

	EU		UK		US	
	SOFR	USD LIBOR	SOFR	USD LIBOR	SOFR	USD LIBOR
Jun-21	1.6%	87.0%	1.0%	72.5%	3.1%	83.1%
Jul-21	2.8%	78.6%	4.0%	62.5%	5.0%	77.0%
Aug-21	12.4%	73.7%	10.7%	62.7%	8.8%	74.9%
Sep-21	12.7%	79.0%	10.6%	59.5%	10.5%	73.0%
Oct-21	16.9%	71.7%	16.4%	43.1%	13.3%	63.6%
Nov-21	19.2%	67.9%	17.7%	34.8%	16.5%	57.8%
Dec-21	24.7%	63.3%	16.6%	44.4%	22.4%	52.2%
Jan-22	44.9%	43.4%	20.2%	16.5%	21.1%	50.5%
Feb-22	23.7%	70.6%	18.4%	26.0%	28.8%	45.1%
Mar-22	30.0%	64.6%	20.0%	21.8%	35.4%	39.0%
Apr-22	33.5%	59.9%	38.5%	18.8%	40.1%	40.7%
May-22	24.3%	70.0%	28.2%	27.0%	39.0%	41.4%
Jun-22	42.9%	43.6%	32.8%	15.7%	41.2%	35.5%

Source: DTCC SDR, European APAs and TVIs

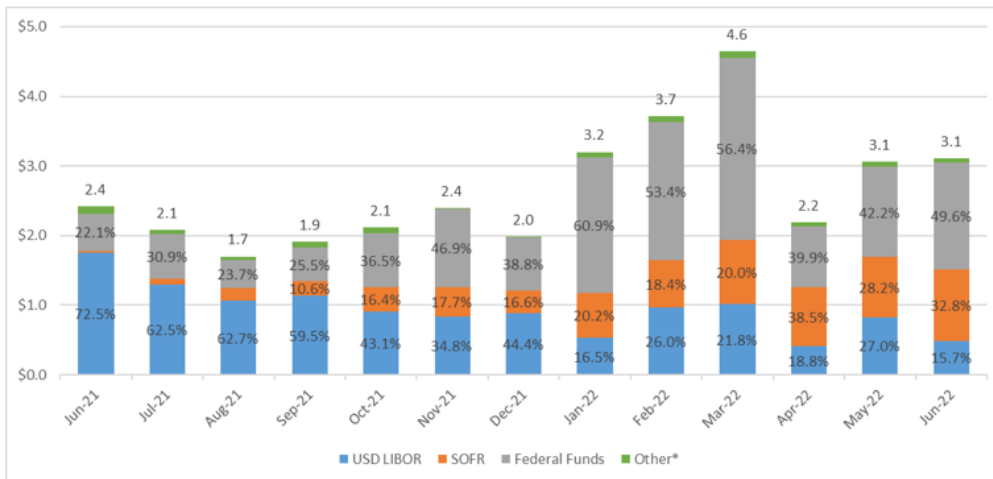
USD-denominated IRD Transactions Reported in the EU Traded Notional (US\$ billions)



Source: European APAs and TVs

*Other includes other underlying reference rates. SOFR/USD LIBOR and SOFR/Fed Funds swaps are included under SOFR

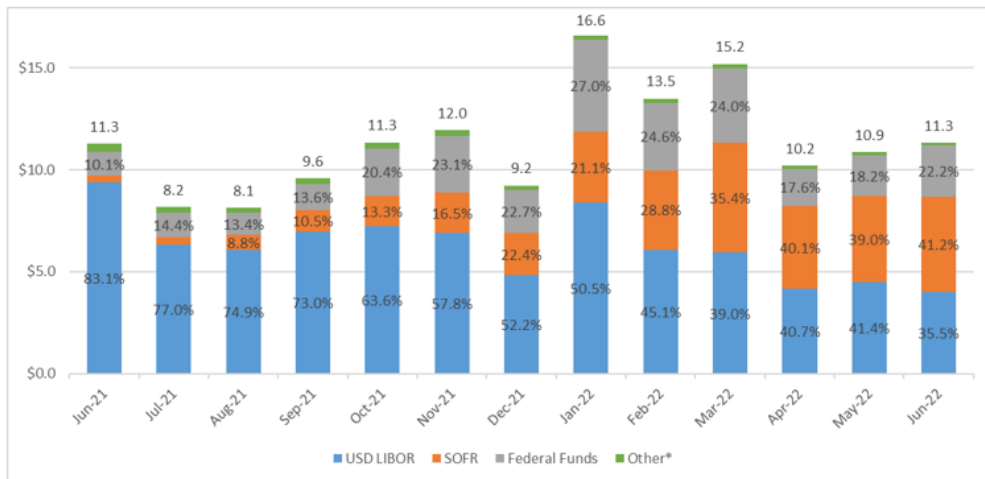
USD-denominated IRD Transactions Reported in the UK Traded Notional (US\$ trillions)



Source: European APAs and TVs

*Other includes other underlying reference rates. SOFR/USD LIBOR and SOFR/Fed Funds swaps are included under SOFR

USD-denominated IRD Transactions Reported in the US Traded Notional (US\$ trillions)



Source: DTCC SDR

*Other includes other underlying reference rates. SOFR/USD LIBOR and SOFR/Fed Funds swaps are included under SOFR

European Data

- EU and UK IRD trading data is based on transactions publicly reported by 30 European approved publication arrangements (APAs) and trading venues (TVs).
- EU IRD trading activity is measured by IRD traded notional reported by APAs and TVs located in the EU, while UK IRD trading activity is measured by IRD traded notional reported by APAs and TVs located in the UK.
- Data set includes only new transactions. All cancelled transactions are removed and amended trades are updated using the dissemination ID field. Transactions reported with a four-week aggregation flag and volume omission flag are also removed from the data set.
- Reported notional is converted to US dollars based on daily FX rates.
- All reported transactions are aggregated on a daily basis. Monthly traded notional referenced in this report represents the sum of converted traded notional of all transactions executed during the month.

US Data

- Analysis of US IRD is based on data from the Depository Trust & Clearing Corporation (DTCC) swap data repository (SDR) that only covers transactions required to be disclosed under Commodity Futures Trading Commission regulations.
- Data set includes only new transactions. All cancelled transactions are removed and amended trades are updated using the dissemination ID field.
- Reported notional is converted to US dollars based on daily FX rates.
- All reported transactions are aggregated on a daily basis. Monthly traded notional referenced in this report represents the sum of converted traded notional of all transactions executed during the month.

Data Limitations

- While ISDA believes this data covers the majority of OTC IRD transactions in Europe, it doesn't capture 100% of the market.
- In Europe, transparency reporting requirements apply to instruments that are admitted to trading on regulated markets (RMs), as well as those that are traded on other TVs, including MTFs and OTFs. The transparency requirements also apply to investment firms not trading on TVs if the underlying financial instrument is 'traded on a trading venue' (TOTV) or is an index or basket composed of financial instruments that are traded on a TV. Financial instruments that are solely traded outside of TVs are not subject to the requirements and, therefore, are not included in this analysis.
- When European counterparties face US entities on a swap execution facility (SEF), ESMA does not require EU firms to systematically republish information in the EU about transactions executed on TVs outside the EU that are subject to transparency provisions similar to those applicable to EU TVs. Under US rules, SEFs are required to send relevant trade details to an SDR for real-time public dissemination. Therefore, these trades will be captured in US trading activity only, resulting in a potential understatement of European traded notional.
- Trades executed on MTFs and OTFs between EU and US counterparties may be disseminated to the public twice. Since EU and US reporting rules have not been determined equivalent, trades executed on MTFs and OTFs are viewed as off-facility transactions for US real-time reporting purposes and are subject to the CFTC reporting rules. At the same time, MTFs and OTFs have an obligation to send trade details for public dissemination. Therefore, these trades may be double counted in European and US combined trading activity analysis.

For questions on this analysis, please contact:

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ABOUT ISDA

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