



Research Note

Interest Rate Derivatives Trading Activity Reported in EU, UK and US Markets: Third Quarter of 2022

This report analyzes interest rate derivatives (IRD) trading activity reported in Europe. The analysis shows European IRD transactions based on the location of reporting venues (EU versus UK), currency, product taxonomy and execution venue. The report also compares European-reported IRD trading activity to what is reported in the US.

The analysis is based on transactions publicly reported by 30 European approved publication arrangements (APAs) and trading venues (TVs). US trading activity analysis is based on information from the Depository Trust & Clearing Corporation's (DTCC) swap data repository (SDR), which only includes trades that are required to be disclosed under US Commodity Futures Trading Commission (CFTC) regulations.

EXECUTIVE SUMMARY

Total European IRD Trading Activity¹

- Total European IRD trading activity reported by APAs and TVs in the EU and UK was \$43.8 trillion in the third quarter of 2022, up by 27.3% from \$34.4 trillion in the third quarter of 2021.
- Euro-denominated IRD traded notional climbed by 67.0% to \$23.3 trillion in the third quarter of 2022 from \$14.0 trillion in the third quarter of 2021 and accounted for 53.3% of total European IRD traded notional. Sterling-denominated transactions fell by 15.5% to \$8.9 trillion from \$10.6 trillion over the same period and comprised 20.4% of the European total. Contracts denominated in US dollars rose by 10.6% to \$6.5 trillion from \$5.9 trillion, equating to 14.9% of total European traded notional. Other currencies accounted for 11.5% of total European IRD traded notional².
- Overnight index swaps (OIS) traded notional increased by 88.9% to \$24.2 trillion in the third quarter of 2022 (55.3% of total European IRD traded notional) from \$12.8 trillion in the third quarter of 2021. Fixed-for-floating interest rate swaps (IRS) traded notional declined by 16.8% to \$12.4 trillion from \$14.9 trillion and accounted for 28.3% of the European total. Forward rate agreement (FRA) traded notional grew by 14.9% to \$5.2 trillion from \$4.5 trillion and represented 11.9% of total European IRD traded notional.
- 44.8% of total European IRD traded notional took place on TVs and 42.9% was executed by systemic internalizers (SIs)³. The remaining 12.4% of IRD traded notional was reported as XOFF⁴.

UK IRD Trading Activity

- Total IRD traded notional reported by APAs and TVs in the UK grew by 18.0% to \$31.3 trillion in the third quarter of 2022 from \$26.5 trillion in the third quarter of 2021, representing 71.4% of total European IRD traded notional.
- Euro-denominated IRD traded notional increased by 78.1% to \$13.4 trillion in the third quarter of 2022 from \$7.5 trillion in the third quarter of 2021. US dollar-denominated IRD dropped by 0.5% to \$5.3 trillion from \$5.4 trillion over the same period. Sterling-denominated IRD traded notional fell by 16.7% to \$8.7 trillion from \$10.4 trillion the third quarter of 2021. Euro- and sterling-denominated transactions accounted for 42.7% and 27.7% of total UK IRD traded notional, respectively, while US dollar-denominated transactions comprised 17.0%. Other currencies accounted for 12.5% of total UK IRD traded notional.
- OIS traded notional climbed by 69.6% to \$18.9 trillion in the third quarter of 2022 from \$11.1 trillion in the third quarter of 2021. Fixed-for-floating IRS traded notional decreased by 25.7% to \$7.5 trillion from \$10.1 trillion, while FRA transactions fell by 6.0% to \$3.2 trillion from \$3.4 trillion over the same period. OIS accounted for 60.3% of total UK IRD traded notional, fixed-for-floating IRS comprised 24.0% and FRAs represented 10.1%.
- 43.3% of total UK IRD traded notional occurred on TVs, 41.8% was executed by SIs and 14.9% was reported as XOFF.

¹ European IRD trading activity is measured by interest rate derivatives (IRD) traded notional and trade count reported by approved publication arrangements (APAs) and trading venues (TVs) in the EU and UK. The list of APAs and TVs is included in Appendix 1

² Other currencies include Czech koruna, Japanese yen, Norwegian krone, Polish zloty, South African rand, Swedish krona and 'other'. Cross-currency swaps are also included in other currencies

³ This includes financial instruments admitted to trading or traded on a trading venue, where a transaction on that financial instrument is executed by a systematic internalizer (SI). SIs are investment firms that deal on their own account by executing client orders outside a regulated market (RM) or TV

⁴ The XOFF market identifier code is used for financial instruments admitted to trading or traded on a trading venue or for which a request for admission was made, where the transaction on that financial instrument is not executed on a trading venue, SI or organized trading platform outside of the EU and UK, or where an investment firm does not know it is trading with another investment firm acting as an SI

EU IRD Trading Activity

- Total IRD traded notional reported by APAs and TVs in the EU grew by 58.3% to \$12.5 trillion in the third quarter of 2022 versus \$7.9 trillion in the third quarter of 2021, accounting for 28.6% of total European IRD traded notional.
- Euro-denominated IRD traded notional rose by 54.2% to \$10.0 trillion in the third quarter of 2022 from \$6.5 trillion in the third quarter of 2021 and accounted for 79.6% of total EU IRD traded notional. US dollar-denominated IRD increased by 117.8% to \$1.2 trillion from \$553.8 billion and represented 9.6% of total EU IRD traded notional. Sterling-denominated IRD comprised 1.9% of total EU traded notional, while other currencies accounted for 8.8%.
- OIS traded notional grew by 214.4% to \$5.4 trillion in the third quarter of 2022 from \$1.7 trillion in the third quarter of 2021, while FRA traded notional increased by 75.8% to \$2.0 trillion from \$1.2 trillion over the same period. Fixed-for-floating IRS traded notional rose by 1.8% to \$4.9 trillion from \$4.8 trillion in the third quarter of 2021. OIS and FRAs comprised 42.8% and 16.2% of total EU IRD traded notional, respectively, while fixed-for-floating IRS accounted for 39.2%.
- 48.5% of total EU IRD traded notional took place on TVs, 45.5% was executed by SIs and 6.0% was reported as XOFF.

European and US IRD Trading Activity

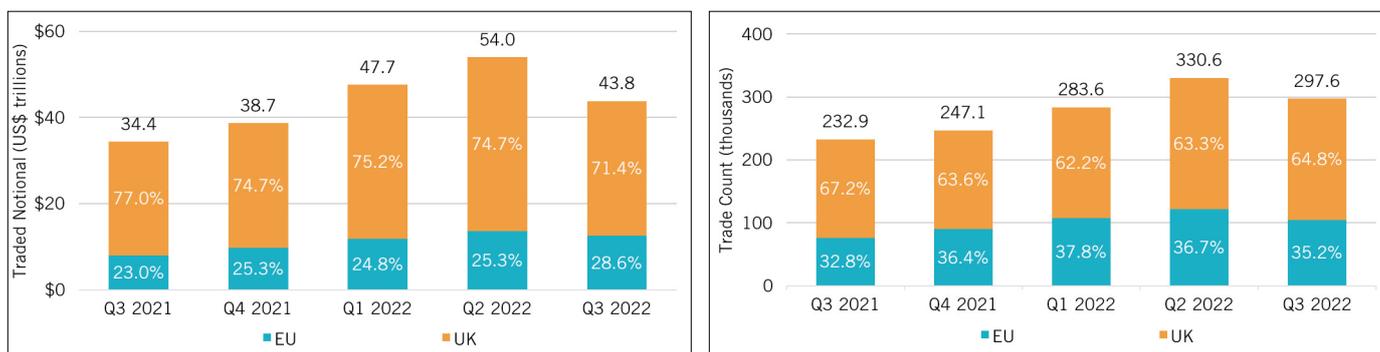
- IRD traded notional reported in the US grew by 38.1% to \$68.5 trillion in the third quarter of 2022 compared to \$49.6 trillion in the third quarter of 2021⁵. Combined EU, UK and US traded notional increased by 33.7% to \$112.3 trillion from \$84.0 trillion over the same period. US-reported traded notional accounted for 61.0% of the combined total, while the EU and UK made up 11.2% and 27.8%, respectively.
- Of the combined \$112.3 trillion in EU, UK and US IRD traded notional, 34.4% was denominated in US dollars, 39.9% was in euros and 13.1% was in sterling. Other currencies accounted for 12.5% of the total, with Australian dollar, Canadian dollar and Swedish krona representing the largest share.
- Total US dollar-denominated IRD traded notional rose by 24.8% to \$38.7 trillion in the third quarter of 2022 from \$31.0 trillion in the third quarter of 2021. 83.1% of total US dollar-denominated IRD traded notional was reported in the US, 13.8% was reported in the UK and 3.1% was reported in the EU.
- Total euro-denominated IRD traded notional grew by 81.5% to \$44.8 trillion in the third quarter of 2022 from \$24.7 trillion in the third quarter of 2021. Reporting of euro-denominated transactions was split between the three jurisdictions, with 22.2% in the EU, 29.8% in the UK and 48.0% in the US.
- Total sterling-denominated IRD traded notional declined by 13.9% to \$14.7 trillion in the third quarter of 2022 from \$17.1 trillion in the third quarter of 2021. 58.8% of sterling-denominated IRD traded notional was reported in the UK, 39.5% was reported in the US and 1.6% was in the EU.
- OIS accounted for 51.6% of total EU, UK and US IRD traded notional in the third quarter of 2022, while single currency fixed-for-floating IRS and FRAs made up 27.7% and 12.5%, respectively.

⁵ Based on data from the Depository Trust & Clearing Corporation (DTCC) swap data repository (SDR). This data covers only transactions required to be disclosed under US Commodity Futures Trading Commission (CFTC) regulations. Most recent data on US trading activity is available on the ISDA SwapsInfo website <http://swapsinfo.org>

EUROPEAN IRD TRADING ACTIVITY

Total European IRD trading activity reported by APAs and TVs in the EU and UK grew by 27.3% to \$43.8 trillion in the third quarter of 2022 from \$34.4 trillion in the third quarter of 2021. Total trade count increased by 27.7% to 297.6 thousand versus 232.9 thousand over the same period. Traded notional reported in the UK accounted for 71.4% of total European IRD traded notional, while UK-reported trade count made up 64.8% of the European total (see Chart 1)^{6,7}.

Chart 1: European IRD Traded Notional and Trade Count



Source: European APAs and TVs

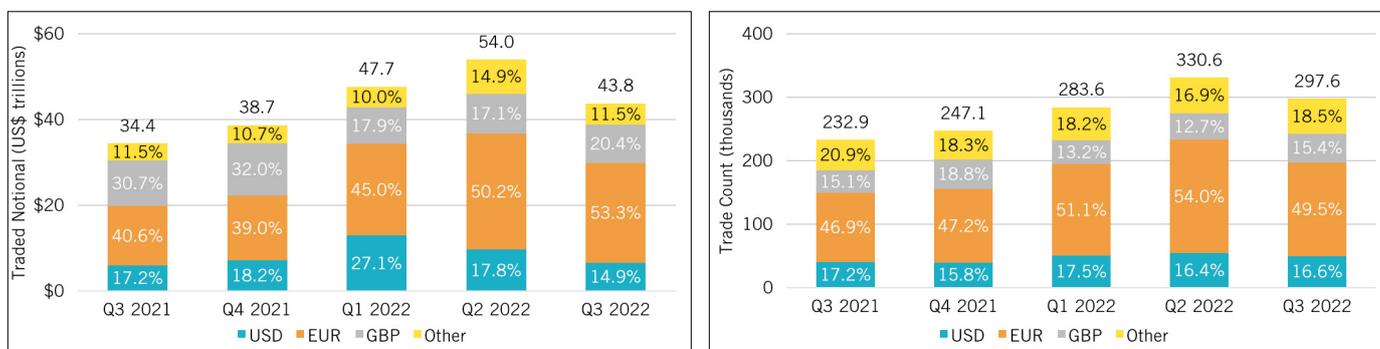
Euro-denominated IRD traded notional climbed by 67.0% to \$23.3 trillion in the third quarter of 2022 from \$14.0 trillion in the third quarter of 2021 and accounted for 53.3% of total European traded notional. Euro-denominated contracts made up 49.5% of total European trade count (see Chart 2).

Sterling-denominated IRD traded notional fell by 15.5% to \$8.9 trillion in the third quarter of 2022 from \$10.6 trillion in the third quarter of 2021, while US dollar IRD traded notional increased by 10.6% to \$6.5 trillion from \$5.9 trillion over the same period.

Sterling-denominated transactions comprised 20.4% of total European traded notional and 15.4% of trade count, while US dollar contracts represented 14.9% of total European traded notional and 16.6% of trade count.

Other currencies accounted for 11.5% of total European IRD traded notional and 18.5% of total trade count, with Australian dollar and Swedish krona representing the largest share⁸.

Chart 2: European IRD Traded Notional and Trade Count by Currency



Source: European APAs and TVs

⁶ ISDA's dataset of European data starts in May 2021. See Interest Rate Derivatives Trading Activity Reported in EU, UK and US Markets: May 2021 www.isda.org/a/h6TgE/Interest-Rate-Derivatives-Trading-Activity-Reported-in-EU-UK-and-US-Markets-May-2021.pdf

⁷ This report used to be published on a monthly basis. Starting from the first quarter of 2022, the report is published quarterly

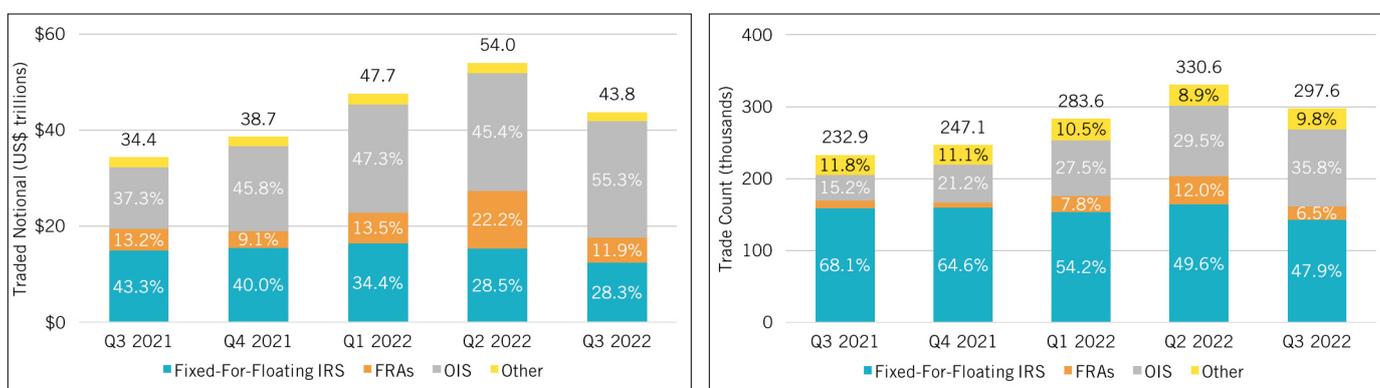
⁸ Other currencies include Czech koruna, Japanese yen, Norwegian krone, Polish zloty, South African rand, Swedish krona and 'other'. Cross-currency swaps are also included in other currencies

OIS traded notional increased by 88.9% to \$24.2 trillion in the third quarter of 2022 from \$12.8 trillion in the third quarter of 2021 and represented 55.3% of total European IRD traded notional. OIS contracts made up 35.8% of total European trade count (see Chart 3).

Fixed-for-floating IRS traded notional fell by 16.8% to \$12.4 trillion in the third quarter of 2022 from \$14.9 trillion in the third quarter of 2021. FRA traded notional rose by 14.9% to \$5.2 trillion from \$4.5 trillion over the same period.

Fixed-for-floating IRS accounted for 28.3% of total European IRD traded notional and 47.9% of trade count in the third quarter of 2022, while FRAs represented 11.9% and 6.5% of total European traded notional and trade count, respectively.

Chart 3: European IRD Traded Notional and Trade Count by Product



Source: European APAs and TVs

In the third quarter of 2022, 44.8% of total European IRD traded notional and 63.3% of trade count took place on TVs, 42.9% of traded notional and 28.5% of trade count was executed by SIs, and 12.4% of traded notional and 8.2% of trade count was reported as XOFF⁹ (see Chart 4).

Chart 4: European IRD Traded Notional and Trade Count by Execution Venue



Source: European APAs and TVs

⁹ The XOFF market identifier code is used for financial instruments admitted to trading or traded on a trading venue or for which a request for admission was made, where the transaction on that financial instrument is not executed on a trading venue, SI or organized trading platform outside of the EU and UK, or where an investment firm does not know it is trading with another investment firm acting as an SI

UK IRD TRADING ACTIVITY

Total IRD traded notional reported by APAs and TVs in the UK rose by 18.0% to \$31.3 trillion in the third quarter of 2022 from \$26.5 trillion in the third quarter of 2021. Trade count increased by 23.1% to 192.9 thousand from 156.6 thousand over the same period. UK-reported trading activity accounted for 71.4% of total European IRD traded notional and 64.8% of total trade count (see Chart 1).

Euro-denominated IRD traded notional climbed by 78.1% to \$13.4 trillion in the third quarter of 2022 from \$7.5 trillion in the third quarter of 2021, while sterling-denominated IRD traded notional fell by 16.7% to \$8.7 trillion from \$10.4 trillion over the same period. US dollar-denominated IRD traded notional dropped by 0.5% to \$5.3 trillion from \$5.4 trillion in the third quarter of 2021.

Euro-denominated transactions represented 42.7% of total UK IRD traded notional and 35.3% of total trade count, sterling-denominated IRD accounted for 27.7% of total UK IRD traded notional and 22.4% of total trade count, and US dollar-denominated IRD made up 17.0% of total UK IRD traded notional and 19.4% of trade count (see Chart 5).

Other currencies accounted for 12.5% of total UK IRD traded notional and 23% of total trade count. Australian dollar and Swedish krona represented the largest share of other currencies.

Chart 5: UK IRD Traded Notional and Trade Count by Currency



Source: European APAs and TVs

OIS traded notional grew by 69.6% to \$18.9 trillion in the third quarter of 2022 from \$11.1 trillion in the third quarter of 2021. Fixed-for-floating IRS traded notional decreased by 25.7% to \$7.5 trillion from \$10.1 trillion, while FRA traded notional fell by 6.0% to \$3.2 trillion from \$3.4 trillion over the same period.

OIS transactions accounted for 60.3% of total UK IRD traded notional and 42.6% of trade count. Single currency fixed-for-floating IRS comprised 24.0% of total UK IRD traded notional and 39.3% of trade count, while FRAs made up 10.1% and 5.6% of total UK traded notional and trade count, respectively (see Chart 6).

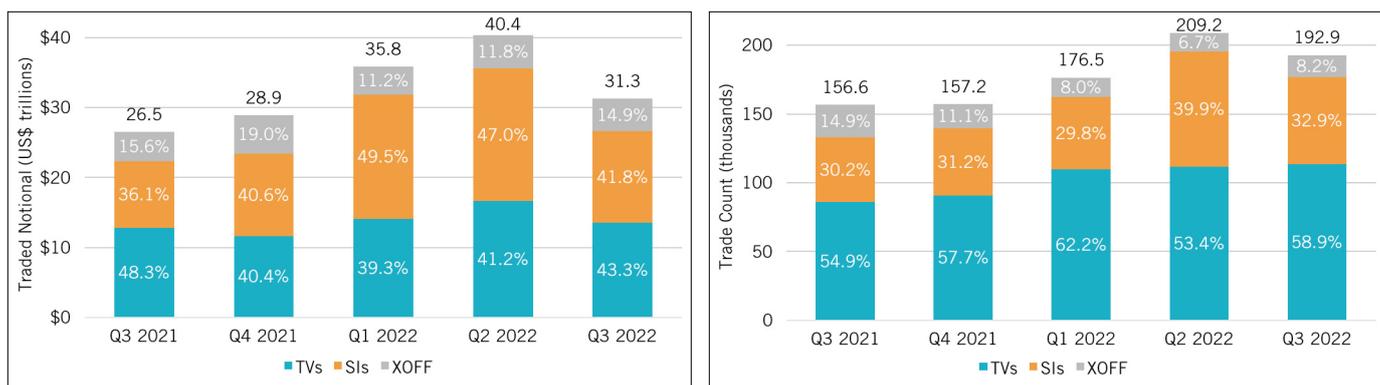
Chart 6: UK IRD Traded Notional and Trade Count by Product



Source: European APAs and TVs

In the third quarter of 2022, 43.3% of total UK IRD traded notional and 58.9% of trade count occurred on TVs, 41.8% of traded notional and 32.9% of trade count was executed by SIs, and 14.9% of traded notional and 8.2% of trade count was reported as XOFF (see Chart 7).

Chart 7: UK IRD Traded Notional and Trade Count by Execution Venue



Source: European APAs and TVs

EU IRD TRADING ACTIVITY

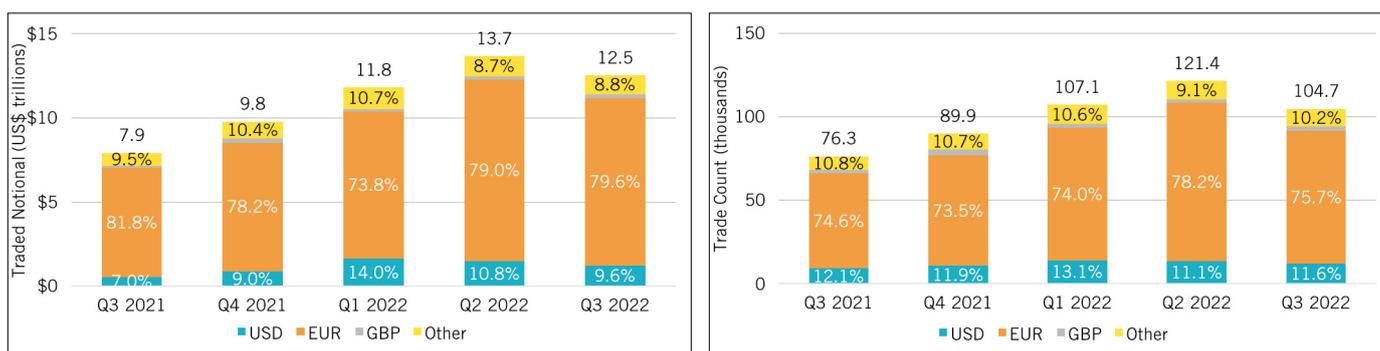
Total IRD traded notional reported by APAs and TVs in the EU increased by 58.3% to \$12.5 trillion in the third quarter of 2022 compared to \$7.9 trillion in the third quarter of 2021. Trade count rose by 37.2% to 104.7 thousand from 76.3 thousand over the same period. EU-reported IRD trading activity comprised 28.6% of total European IRD traded notional and 35.2% of trade count (see Chart 1).

Euro-denominated IRD traded notional grew by 54.2% to \$10.0 trillion in the third quarter of 2022 from \$6.5 trillion in the third quarter of 2021 and comprised 79.6% of total EU traded notional. The number of contracts denominated in euro increased by 39.3% to 79.2 thousand from 56.9 thousand and accounted for 75.7% of total EU trade count.

US dollar-denominated IRD traded notional climbed by 117.8% to \$1.2 trillion in the third quarter of 2022 from \$553.8 billion in the third quarter of 2021 and accounted for 9.6% of total EU IRD traded notional. US dollar-denominated IRD trade count comprised 11.6% of the EU total. Sterling-denominated transactions represented 1.9% and 2.6% of total EU IRD traded notional and trade count, respectively (see Chart 8).

Other currencies accounted for 8.8% of total EU IRD traded notional and 10.2% of trade count. Australian dollar, Canadian dollar and Swedish krona represented the largest share of other currencies.

Chart 8: EU IRD Traded Notional and Trade Count by Currency



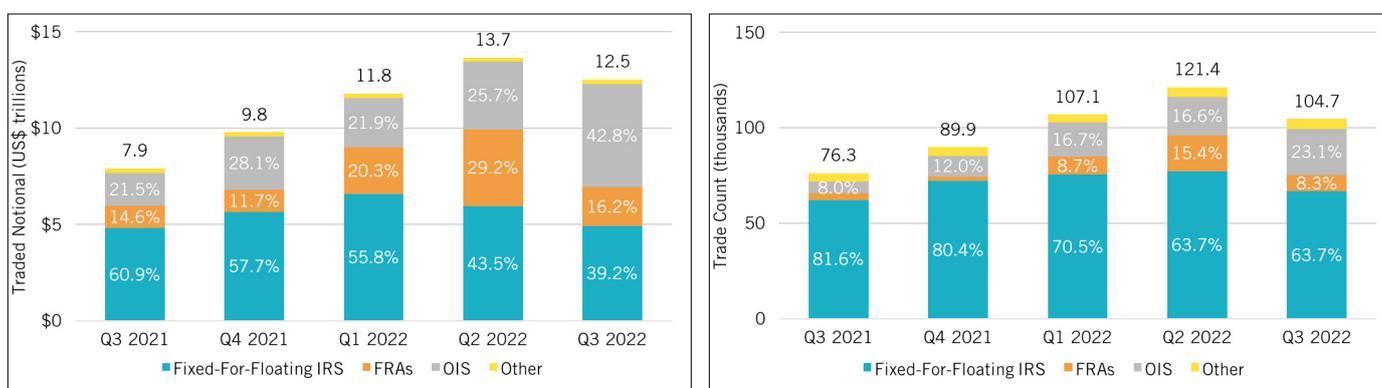
Source: European APAs and TVs

The composition of swaps reported in the EU differed from those reported in the UK, with a larger share of fixed-for-floating IRS and a smaller share of OIS.

OIS traded notional grew by 214.4% to \$5.4 trillion in the third quarter of 2022 from \$1.7 trillion in the third quarter of 2021. FRA traded notional rose by 75.8% to \$2.0 trillion from \$1.2 trillion over the same period. OIS and FRAs accounted for 42.8% and 16.2% of total EU IRD traded notional and 23.1% and 8.3% of trade count, respectively (see Chart 9).

Fixed-for-floating IRS traded notional increased by 1.8% to \$4.9 trillion in the third quarter of 2022 versus \$4.8 trillion in the third quarter of 2021 and comprised 39.2% of the EU total. Fixed-for-floating IRS made up 63.7% of total EU trade count.

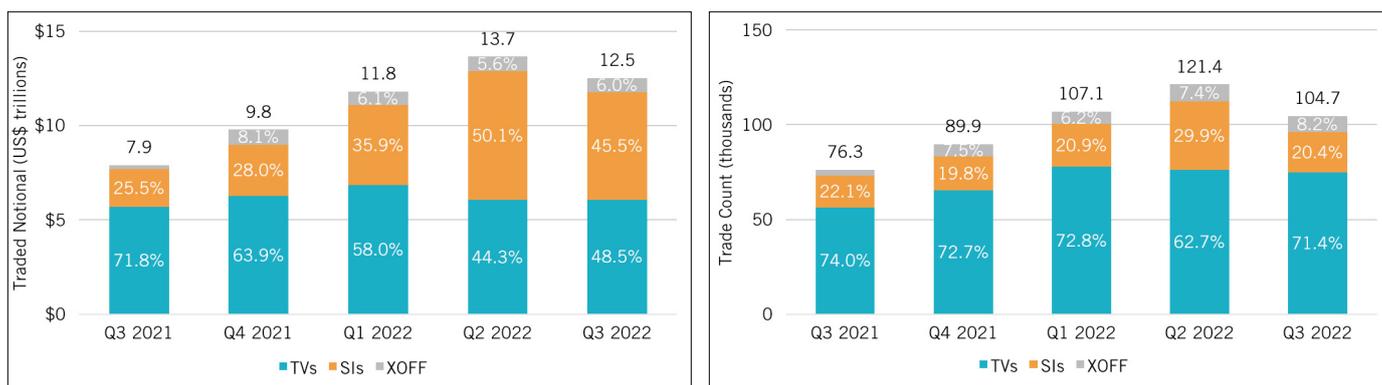
Chart 9: EU IRD Traded Notional and Trade Count by Product



Source: European APAs and TVs

In the third quarter of 2022, 48.5% of total EU IRD traded notional and 71.4% of trade count took place on TVs, while 45.5% of total traded notional and 20.4% of trade count was executed by SIs. 6.0% of EU IRD traded notional and 8.2% of trade count was reported as XOFF (see Chart 10).

Chart 10: EU IRD Traded Notional and Trade Count by Execution Venue



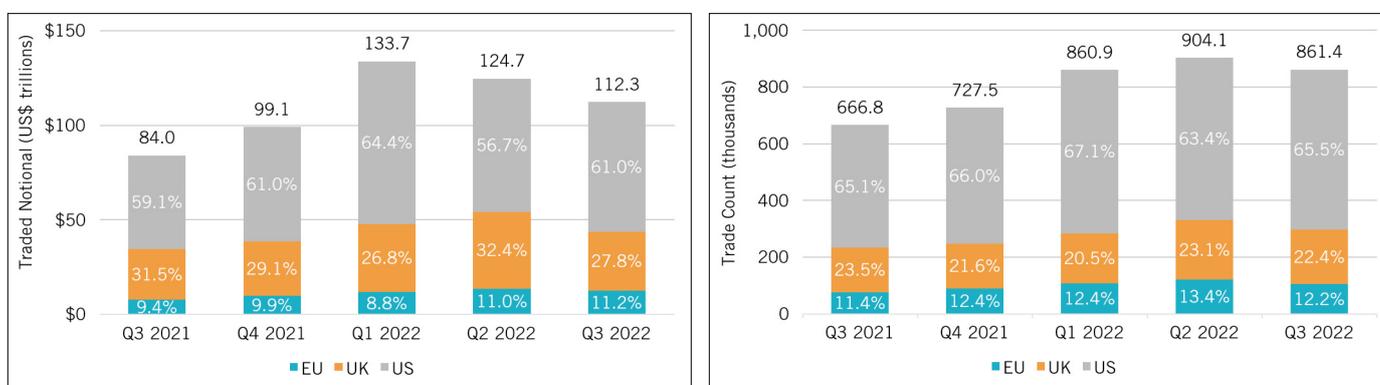
Source: European APAs and TVs

EUROPEAN AND US IRD TRADING ACTIVITY

Total IRD traded notional reported in the US increased by 38.1% to \$68.5 trillion in the third quarter of 2022 from \$49.6 trillion in the third quarter of 2021, while trade count rose by 30.0% to 563.8 thousand versus 433.8 thousand¹⁰. Combined EU, UK and US traded notional rose by 33.7% to \$112.3 trillion from \$84.0 trillion, and combined trade count grew by 29.2% to 861.4 thousand from 666.8 thousand over the same period.

US-reported traded notional accounted for 61.0% of combined EU, UK and US traded notional, while the EU and UK comprised 11.2% and 27.8%, respectively. US-reported transactions represented 65.5% of total trade count, the EU accounted for 12.2% and UK-reported trades comprised 22.4% (see Chart 11).

Chart 11: US, UK and EU Traded Notional and Trade Count

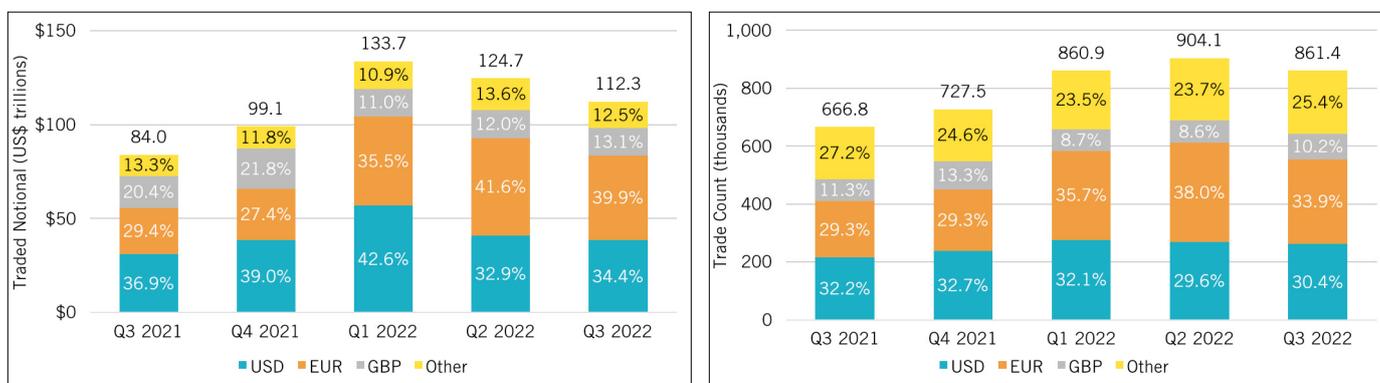


Source: DTCC SDR, European APAs and TVs

Of the combined \$112.3 trillion in EU, UK and US IRD traded notional, 34.4% was denominated in US dollars, 39.9% was in euros and 13.1% was in sterling. Of the 861.4 thousand in combined trade count, 30.4% was denominated in US dollars, 33.9% was in euros and 10.2% was in sterling (see Chart 12).

Other currencies accounted for 12.5% of combined traded notional and 25.4% of trade count. Australian dollar, Canadian dollar and Swedish krona represented the largest share of other currencies.

Chart 12: Combined US, UK and EU IRD Traded Notional and Trade Count by Currency



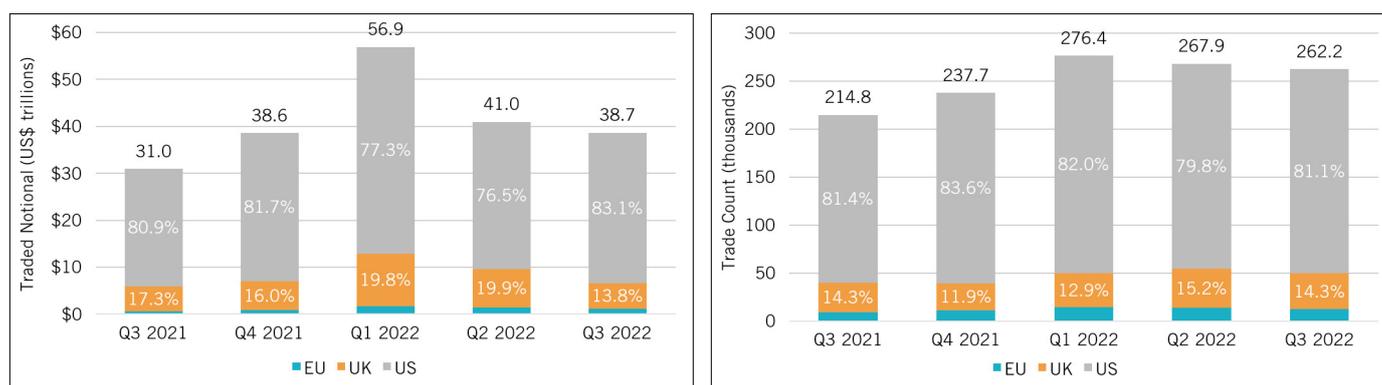
Source: DTCC SDR, European APAs and TVs

¹⁰ Based on data from the DTCC SDR. This data covers only transactions required to be disclosed under US Commodity Futures Trading Commission regulations. Most recent data on US trading activity is available on the ISDA SwapsInfo website <http://swapsinfo.org>

Total US dollar-denominated IRD traded notional rose by 24.8% to \$38.7 trillion in the third quarter of 2022 from \$31.0 trillion in the third quarter of 2021. Trade count increased by 22.1% to 262.2 thousand from 214.8 thousand over the same period.

83.1% of total US dollar-denominated IRD traded notional and 81.1% of total trade count was reported in the US, while 13.8% of traded notional and 14.3% of trade count was reported in the UK (see Chart 13).

Chart 13: Combined US Dollar-denominated IRD Traded Notional and Trade Count by Jurisdiction

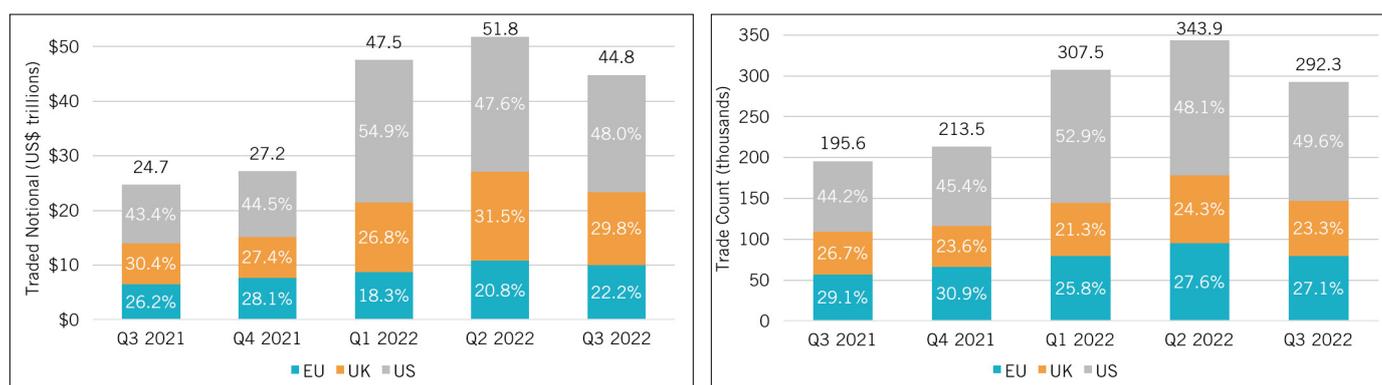


Source: DTCC SDR, European APAs and TVs

Total euro-denominated IRD traded notional increased by 81.5% to \$44.8 trillion in the third quarter of 2022 from \$24.7 trillion in the third quarter of 2021, while trade count rose by 49.4% to 292.3 thousand from 195.6 thousand.

Reporting of euro-denominated IRD transactions was split between the three jurisdictions: 22.2% of total traded notional and 27.1% of trade count was reported in the EU, 29.8% of total traded notional and 23.3% of trade count was reported in the UK, and 48.0% of traded notional and 49.6% of trade count was reported in the US (see Chart 14).

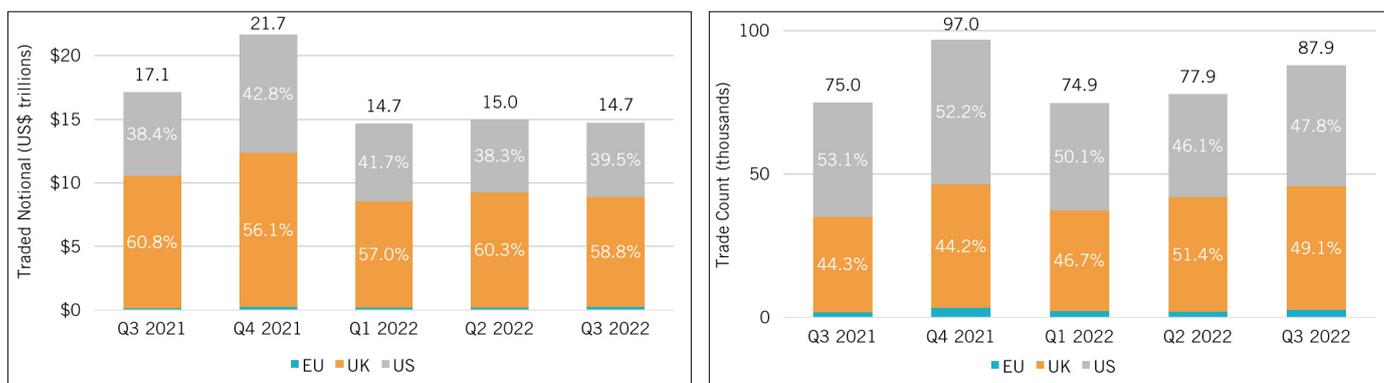
Chart 14: Combined Euro-denominated IRD Traded Notional and Trade Count by Jurisdiction



Source: DTCC SDR, European APAs and TVs

Total sterling-denominated IRD traded notional fell by 13.9% to \$14.7 trillion in the third quarter of 2022 from \$17.1 trillion the third quarter of 2021, while trade count rose by 17.2% to 87.9 thousand from 75.0 thousand. 58.8% of sterling-denominated IRD traded notional and 49.1% of trade count was reported in the UK and 39.5% of traded notional and 47.8% of trade count was reported in the US (see Chart 15).

Chart 15: Combined Sterling-denominated IRD Traded Notional and Trade Count by Jurisdiction



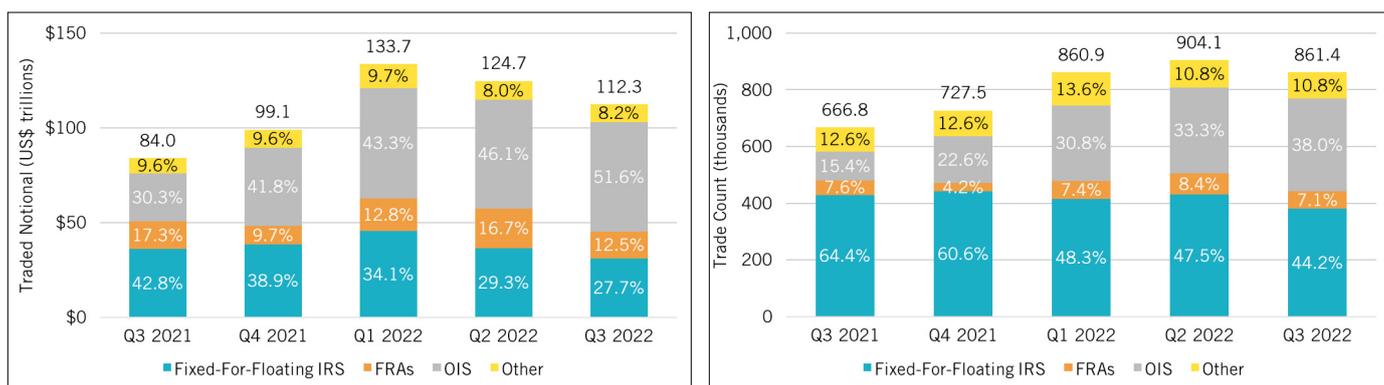
Source: DTCC SDR, European APAs and TVs

Total OIS traded notional grew by 127.5% to \$57.9 trillion in the third quarter of 2022 from \$25.5 trillion in the third quarter of 2021 and represented 51.6% of combined IRD traded notional. OIS trade count increased by 218.8% to 327.1 thousand from 102.6 thousand in the third quarter of 2021 and accounted for 38.0% of combined trade count.

Single currency fixed-for-floating IRS traded notional dropped by 13.5% to \$31.1 trillion in the third quarter of 2022 from \$36.0 trillion in the third quarter of 2021. Trade count declined by 11.4% to 380.5 thousand from 429.4 thousand over the same period. Fixed-for-floating IRS accounted for 27.7% of combined EU, UK and US IRD traded notional and 44.2% of combined trade count.

FRA traded notional fell by 3.7% to \$14.0 trillion in the third quarter of 2022 from \$14.5 trillion in the third quarter of 2021. FRA trade count increased by 19.4% to 60.8 thousand from 50.9 thousand over the same period. FRAs accounted for 12.5% of combined EU, UK and US IRD traded notional and 7.1% of trade count (see Chart 16).

Chart 16: Combined US, UK and EU IRD Traded Notional and Trade Count by Product



Source: DTCC SDR, European APAs and TVs

APPENDIX 1: LIST OF MAJOR VENUES REPORTING OTC IRD TRANSACTIONS INCLUDED IN THE ISDA EUROPEAN IRD MARKETS DATASET

Venue Name	Venue Type	MIC	Region
Aurel BGC Paris	OTF	AURO	EU
BGC Brokers LP	OTF	BGCO	UK
Bloomberg BV APA	APA	BAPE	EU
Bloomberg BV MTF	MTF	BTFE	EU
Bloomberg UK APA	APA	BAPA	UK
Bloomberg UK MTF	MTF	BMTF	UK
GFI Brokers Limited	OTF	GFBO	UK
GFI Paris	OTF	GFPO	EU
GFI Securities Limited	OTF	GFSO	UK
ICAP EU OTF	OTF	ICOT	EU
ICAP Global Derivatives MTF	MTF	IGDL	UK
ICAP Securities OTF	OTF	IOTF	UK
iSWAP EU MTF	MTF	ISWP	EU
TP ICAP EU MTF	MTF	TPIC	EU
TP ICAP UK MTF	MTF	ICPM	UK
TRADEcho NL	APA	ECEU	EU
TRADEcho UK	APA	ECHO	UK
Tradeweb BV APA	APA	TWEA	EU
Tradeweb BV MTF	MTF	TWEM	EU
Tradeweb UK APA	APA	TREA	UK
Tradeweb UK MTF	MTF	TREU	UK
Tradition	OTF	TCDS	UK
Trad-X EU	MTF	TRXE	EU
Trad-X UK	MTF	TRDX	UK
Trax APA	APA	TRAX	UK
Trax NL APA	APA	TRNL	EU
TSAF OTC	OTF	TSAF	EU
Tullett Prebon EU OTF	OTF	TPEU	EU
Tullett Prebon Europe MTF	MTF	TPEL	UK
Tullett Prebon Europe OTF	OTF	TPEO	UK

APPENDIX 2: METHODOLOGY

European Data

ISDA's analysis of European-reported IRD trading data is based on transactions publicly reported by eight European APAs and 22 TV¹¹s.

Under European post-trade reporting requirements, “[i]nvestment firms which, either on own account or on behalf of clients, conclude transactions in bonds, structured finance products, emission allowances and derivatives traded on a trading venue shall make public the volume and price of those transactions and the time at which they were concluded”¹².

Trade information must be publicly disseminated either through an APA or by a TV through which a transaction was executed¹³. As of August 2022, there were 15 active APAs registered on the European Securities and Markets Authority's (ESMA) website¹⁴. In the UK, there were five APAs registered by the Financial Conduct Authority (FCA)¹⁵.

While ISDA's data set doesn't include all APAs and TVs that are registered with ESMA and the FCA, the trades reported by the 30 APAs and TVs included in this analysis are believed to cover most over-the-counter (OTC) IRD activity in Europe.

UK IRD trading activity is measured by IRD traded notional and trade count reported by APAs and TVs located in the UK, while EU IRD trading activity is measured by IRD traded notional and trade count reported by APAs and TVs located in the EU. Of the 30 APAs and TVs covered by this analysis, 17 are located in the UK and 13 are located in the EU.

To collect the data, ISDA set up daily feeds from the eight APAs and 22 TV¹⁶s. ISDA also set up a data feed from the Association of National Numbering Agencies' Derivatives Service Bureau to download new International Securities Identification Numbers (ISINs) for IRD transactions¹⁷. By matching IRD ISINs with all daily reported transactions that include various asset classes (equity, fixed income derivatives, etc), ISDA eliminated all non-IRD transactions and kept only the IRD data.

Using ISIN data, ISDA identified IRD instrument type (swap, option, forward, etc), IRD product taxonomy (fixed-for-floating IRS, FRAs, OIS, etc), underlying reference rate and tenor. Using trade details published by APAs and TVs, ISDA identified publication ID, trade data, publication data, venue of execution, notional amount, notional currency, cleared status and supplementary flags.

The ISDA data set includes only new trades. All cancelled transactions are removed and amended trades are updated using the original 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 foreign exchange (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. Monthly trade count represents the number of all transactions executed during the month.

Due to post-trade transparency deferrals, the majority of European transactions are published with a four- to five-week delay.

¹¹ The list of APAs and TVs is included in Appendix 1

¹² Markets in Financial Instruments Regulation Article 21 www.esma.europa.eu/databases-library/interactive-single-rulebook/clone-mifir/article-21

¹³ See Appendix 2 in the Interest Rate Derivatives Trading Activity Reported in EU, UK and US Markets: May 2021 for more detailed information on post-trade reporting requirements in Europe and US www.isda.org/a/MdMgE/Interest-Rate-Derivatives-Trading-Activity-Reported-in-EU-UK-and-US-Markets.pdf

¹⁴ European Securities and Markets Authority (ESMA) List of Registers https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_upreg

¹⁵ Financial Conduct Authority, The Financial Services Register https://register.fca.org.uk/s/resources#Other_registers

¹⁶ Most APAs and TVs display data only for a short period of time and no historical data is available

¹⁷ Most APAs and TVs don't disclose asset class data and publish all transactions ISINs

US Data

Analysis of US IRD is based on data from the DTCC SDR that only covers transactions required to be disclosed under US CFTC regulations¹⁸.

In the US, the CFTC swap reporting rules were finalized in December 2011 and required all traded swaps to be reported by the end of 2013. These rules require key swap transaction and pricing data to be reported to US-registered SDRs as soon as technologically practicable after execution.

There are three major SDRs in the US: DTCC SDR (reports all asset classes); CME (reports all asset classes except for equity); and ICE Trade Vault (reports credit, FX and commodities)¹⁹. Almost all OTC IRD are reported by the DTCC SDR.

The DTCC SDR reports execution time stamp, effective date, expiration date, asset class, product taxonomy, notional amount, notional currency, underlying reference rate, execution venue, cleared status and other trade details²⁰.

ISDA analysis 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.

Delays in reporting (generally 15 or 30 minutes, with a maximum of 24 business hours) are allowed for block trades (transactions with a notional above the minimum block size for the relevant asset class) and large notional trades.

Data Limitations

While ISDA believes this data covers the majority of OTC IRD transactions in Europe, it doesn't capture 100% of the market. First, it doesn't cover all APAs and TVs that are registered with ESMA and the FCA. Second, it captures only transactions that are subject to post-trade transparency reporting requirements. OTC derivatives that are not traded on TVs are considered 'traded on a trading venue' (TOTV) – and are therefore subject to the reporting and transparency requirements – if they share the same reference data details as derivatives traded on TVs²¹. Therefore, OTC derivatives not traded on TVs that are not TOTV are not captured.

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 dissemination²². Therefore, these trades will be captured in US trading activity only, resulting in a potential understatement of European traded notional.

Trades executed on multilateral trading facilities (MTFs) and organized trading facilities (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.

¹⁸ CFTC 17 CFR Part 43 Real-Time Public Reporting of Swap Transaction Data www.cftc.gov/sites/default/files/idc/groups/public/@lrfederalregister/documents/file/2011-33173a.pdf

¹⁹ Bloomberg SDR was closed in August 2018 and all transactions were moved to DTCC SDR

²⁰ DTCC SDR services <https://pddata.dtcc.com/gtr/cftc/dashboard.do>

²¹ ESMA Clarifies Traded On a Trading Venue Under MIFID II www.esma.europa.eu/press-news/esma-news/esma-clarifies-traded-trading-venue-under-mifid-ii

²² A Practical Guide to Navigating Derivatives Trading on US/EU Recognized Trading Venues www.isda.org/a/CRmEE/ISDA-Publishes-Guide-to-Trading-on-US-EU-Trading-Venues-FINAL.pdf

The majority of block trades and large notional off-facility swaps (LNOFs) are reported to the DTCC SDR with a capped notional. Block trades and LNOFs are transactions above a designated notional threshold (block size). These transactions are reported with a delay at the capped amounts (cap size). As ISDA cleans up DTCC SDR data, all transactions that are reported with a '+' indicating a block trade are counted at the minimum notional. For example, a transaction reported with \$1,000,000+ notional would be counted as \$1,000,000 traded notional. As the result, total DTCC IRD traded notional is likely to be understated.



ISDA has published other recent research papers:

- ***ISDA-Clarus RFR Adoption Indicator: October 2022***

www.isda.org/a/16cgE/ISDA-Clarus-RFR-Adoption-Indicator-October-2022.pdf

- ***SwapsInfo Third Quarter of 2022 and Year-to-September 30, 2022 Review***

www.isda.org/a/wMcgE/SwapsInfo-Third-Quarter-of-2022-and-Year-to-September-30-2022-Review-Full-Report.pdf

- ***Transition to RFRs Review: Third Quarter of 2022 and Year-to-September 30, 2022***

www.isda.org/a/WA5gE/Transition-to-RFRs-Review-Third-Quarter-of-2022-and-Year-to-September-30-2022.pdf

ISDA has expanded its SwapsInfo website to include interest rate derivatives (IRD) trading activity reported in the EU and UK. The new data is based on transactions publicly reported by 30 European APAs and TVs. European data is based on the location of reporting venues (EU versus UK), product taxonomy, currency, tenor, and execution venue. To access the expanded SwapsInfo website, [click here](#).

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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 79 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:

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