

Asia-Pacific OTC Derivatives 2014

USD 633tn
outstanding notional value of global OTC derivatives markets
end of 2012

USD 42.6tn
outstanding notional value APAC OTC derivatives markets
end of 2012

USD 299bn
value of gross notional volumes of IRS cleared through the Singapore Exchange
end of 2013

4
OTC derivatives product classes centrally cleared in APAC
end of 2013

8
clearinghouses in APAC for OTC Derivatives
end of 2013

11
number of investment banks offering clearing brokerage services in APAC
end of 2013

Each Asia-Pacific-based buy-side firm will have to select a clearing broker bank in the region using criteria that became standard in the marketplace after new regulations in the EU and US first mandated the central clearing of the majority of trades in OTC derivatives. Those selection priorities include:



Asset Class Coverage	Margin Mechanics	Clearing Broker Clearinghouse Coverage	Value-added Services	Pricing
Buy-side firms should select a clearing broker that offers them the ability to clear all their OTC derivatives trades through one central clearinghouse.	The central clearing of the majority of OTC derivatives trades in Asia-Pacific is not mandatory as it is in the EU and US; Asia-Pacific buy-side firms should seek out low-cost clearing services until regulatory requirements take hold.	When selecting a clearing broker in Asia-Pacific, buy-side firms should reassess pre-existing relationships with sell-side banks to ensure that the functionality, collateral management and quality-of-service offerings will remain affordable and practical long-term.	Value-added clearing broker services offered to the buy-side firms are key for banks seeking to win market share in the region because many buy-side firms already view these offerings as essential.	Small Asia-Pacific buy-side firms should not assume pricing for clearing brokerage services is the determining factor in the region between one sell-side offering and another; each firm should weigh the cost of each sell-side bid they receive against their unique clearing needs in the market.



FIRM TYPE

- State government authorities
- Insurance companies
- Hedge funds
- Regional banks
- Pension funds
- Sovereign wealth funds

This report uses information gathered from a series of quantitative interviews with banks and technology vendors in Asia-Pacific to create a guide that both banks and buy-side firms can use to gauge the importance of specific central clearing brokerage service offerings to the buy-side industry in the region.

CRITERIA

- Level of client service and support offered
- Trade repository reporting
- Real-time limit dashboards
- 'What-if?' scenario modelling tools
- Competitive pricing for the clearing broker service offering
- Collateral transformation services

LOCATION

- Australia
- China onshore
- Singapore
- China offshore, Hong Kong
- Japan
- South Korea

ABOUT THIS REPORT



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This report examines the landscape in Asia-Pacific for the uptake of services related to the central clearing of trades in OTC derivatives products. The report provides buy-side firms in the region with a review of the criteria they should assess when selecting a sell-side clearing broker that can assist with the novation of trades in the products both within Asia-Pacific and in the EU and US. Sell-side clearing brokers are also provided with a list of priorities that buy-side firms in Asia-Pacific look for in order to allow investment banks to win their business and secure long-term market share in an emerging region for central clearing services.