

THE DERIVATIVES MARKETPLACE

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Countries around the world are aware of the dangers of an unregulated derivatives marketplace and have introduced some regulations such as the Dodd-Frank Act and EMIR to control the investment in derivative instruments. So if institutions want to remain in business in the derivatives marketplace, their operational models have to change. Derivative reform is going to introduce increased capital costs to sell-side institutions and we anticipate they are going to pass those costs onto their buy-side customers. The institutional investor will now have to decide how they wish to proceed with their investment strategies.

Supporting Transparency

One of the major tenets of derivative reform is increased transparency. In Europe under the EMIR regulations, there is a requirement for all parties to a derivative trade to report both transactional and collateral data. This is causing a lot of issues within the institutional investor community as they don't have the infrastructures to report and they are looking to various models of supporting that reporting obligation.

Swap Exchange Facility

Europe is to some extent lagging behind the US in terms of implementation of some of these reforms. The use of swaps execution facilities, or SEFs, is commonplace in the US but in Europe organized trading facilities have yet to become widely used. Over time those changes will impact institutional investors in Europe and in other regions. There will be a change in complexity and a change in processing models of derivative trades. We are working very hard to help our customers solve these increasingly complex processing requirements.

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