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## **TABB Group Finds Global Clearing Market Shares are Set for Change as Costs Drive Flows**

***Research investigates the changes in market share and coverage globally at major clearinghouses, finding upcoming regulatory implementation and assessment of true clearing costs as key drivers***

**NEW YORK & LONDON, February 3, 2016** – While the rise in swaps clearing in the U.S. is now being mirrored in other regions in advance of regulatory implementation, market share and product scope at central counterparty clearinghouses (CCPs) is also shifting. CCPs have largely continued to dominate in their traditional areas, but there is evidence that the variations noted in market share have for the first time been partly driven by cost considerations.

In TABB Group's latest research, "[Global Clearing: Navigating Liquidity and Pricing Pools](#)," report author [Radi Khasawneh](#) reviews the shifts major clearinghouses are seeing in market share and how cost analysis on clearing has become a major factor for change. Trading heads at asset management firms in the U.S. and Europe exemplify this approach through attempts to retain banks as intermediaries for large trading flows by voluntarily clearing many derivatives, notably in the interest rate space. According to TABB, the majority of interest rate swaps are now centrally cleared in the U.S. market with Depository Trust & Clearing Corporation data showing a year-on-year 10-percentage point increase for November 2014 and 2015.

As Khasawneh explains in the research, this choice in clearing is being led by asset managers and hedge funds understanding that trading choices will have a recognized impact on overall and dealer margin and settlement costs on the back end. Actions based on a specific product or clearing choice can also make a difference for these firms between being a high or low priority client for dealer intermediaries.

TABB finds that although it has taken longer than expected to reach a multi-state agreement on derivatives reform, phasing in the implementation process regionally has provided the ability to analyse and act on data on changes in trading behaviour as each region finalizes its approach. As this process comes to an end, global dealers and buy-side traders are now faced with choosing the best way to react and position themselves in a largely cleared, but more fragmented market.

"Regional fragmentation, particularly in the U.S. and euro-denominated interest rate swaps, has helped clearing clients get clearing and compliance certainty thus far. They have paid for that certainty by actively restricting their clearing and counterparty choices geographically," said Khasawneh. "A reversal of this trend may emerge if the expected regulatory harmonization between the U.S. and Europe spurs cross-regional differentiation."

The 11-page, 9-exhibit report is now available for download by TABB fixed income clients and pre-qualified media at <https://research.tabbgroup.com/search/grid>. For more information or to purchase the report, contact [info@tabbgroup.com](mailto:info@tabbgroup.com).

***About TABB Group***

With offices in New York and London, [TABB Group](#) is the international research and consulting firm focused exclusively on capital markets, based on the interview-based, “first-person knowledge” research methodology developed by Larry Tabb. For more information, visit [www.tabbgroup.com](http://www.tabbgroup.com).

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