



Cleared Swaps Volume

Continued to Grow in 2013

By Andrew Lata

Volume of cleared swaps at most major global clearinghouses continued to grow throughout 2013. The strongest increase was seen in interest rate swaps and credit default swaps cleared in North America during the fourth quarter as the third and final Dodd-Frank clearing mandate took effect.

Central clearing requirements took effect in phases in the U.S., beginning with swap dealers and major swap participants in the earlier part of 2013, then commodity pools and private funds and finally other participants such as pension plans and accounts managed by third-party investment managers.

LCH.Clearnet by far remained the leader in interest rate swap clearing. SwapClear, which LCH.Clearnet launched in 1999 as an inter-dealer clearing platform, cleared \$282.6 trillion in notional amount of interest rate swaps in 2013. Open interest at the end of the year stood at \$213 trillion.

While the bulk of SwapClear's business is comprised of dealer-to-dealer transactions, client clearing picked up considerably during the latter part of the year. Dealer-to-client volume surged to \$57.5 trillion in 2013, a 381.7% increase from \$11.9 trillion in 2012. Dealer-to-dealer volume increased 20.6% to \$225.2 trillion from \$186.7 trillion.

LCH.Clearnet also handled an increasing number of foreign exchange forwards through the ForexClear service it launched in March 2012. The volume of cleared non-deliverable forward contracts reached \$446.1 billion in 2013, more than double the \$220.7 billion in 2012.


CME Group had explosive growth in interest rate volume compared to 2012, but that leveled off somewhat after September. On the other hand, open interest continued to rise all year and hit a record of \$9.1 trillion in December. Interest rate swaps volume for the year was \$15.1 trillion, nearly a 1500% increase from \$0.9 trillion in 2012. CME's growth in volume was driven by a surge in volume in September and October.

The volume of credit default swaps cleared at CME also leveled off in the fourth quarter. Annual volume increased 16.0% for the year to \$226.7 billion from \$195.4 billion, but it decreased 4.5% during the fourth quarter from the fourth quarter of 2012. Still, open interest as of December was a record \$49.8 billion.

IntercontinentalExchange's ICE Clear Credit remains the leader in cleared CDS volume. ICE Clear Credit annual CDS volume rose 25.3% to \$7.7 trillion from \$6.1 trillion in 2012. That was largely driven by a 27.6% increase in volume during the final three months of the year and a record volume set during the month of June. Open interest for the year stood at \$0.9 trillion.

While volume at ICE's U.S.-based ICE Clear Credit picked up during the year, volume faded in Europe. Volume at ICE Clear Europe fell by 25.6% to \$3.2 billion from \$4.3 billion. It was the lowest annual volume since 2011. December's volume alone was the slowest since July 2009.

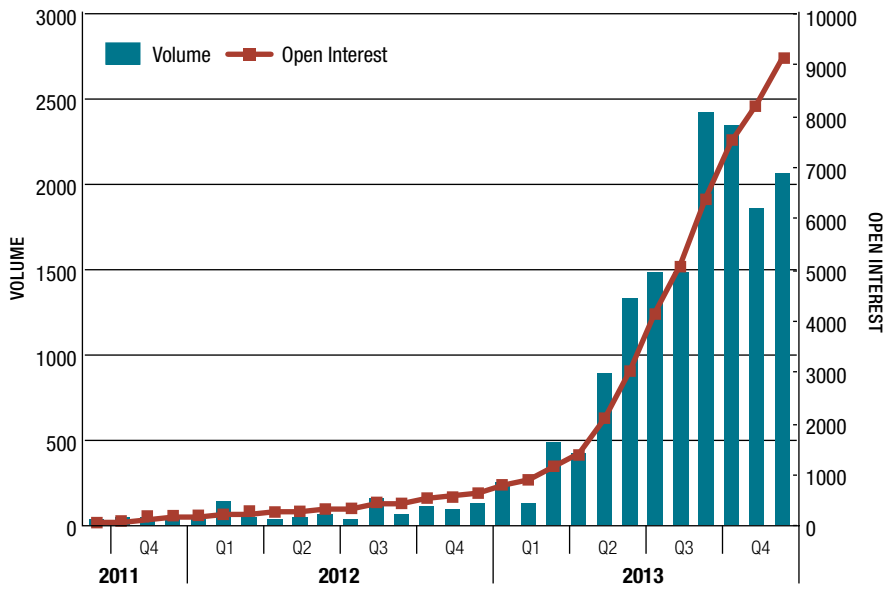
Meanwhile in Asia, Japan Securities Clearing Corp.'s interest rate swap volume has been building very steadily since its launch in October 2012, driven by a 124% surge in volume during the fourth quarter of 2013. Volume for the year stood at \$6.0 trillion and open interest steadily grew during the year standing at \$5.0 trillion at the end of December.

Nasdaq OMX Stockholm launched kronor-based interest rate swaps clearing in January 2013. While volume is small compared to other major clearinghouses, it is growing fast. Volume for the year was \$31.9 billion, with open interest at the end of the year hitting \$34.3 billion. 

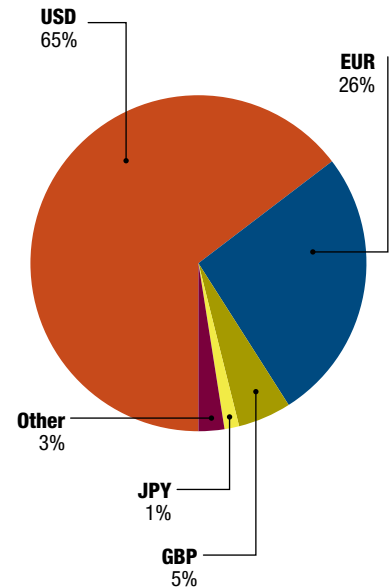
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Andrew Lata is a relationship manager for FIA Tech.

OTC Clearing—CME Group

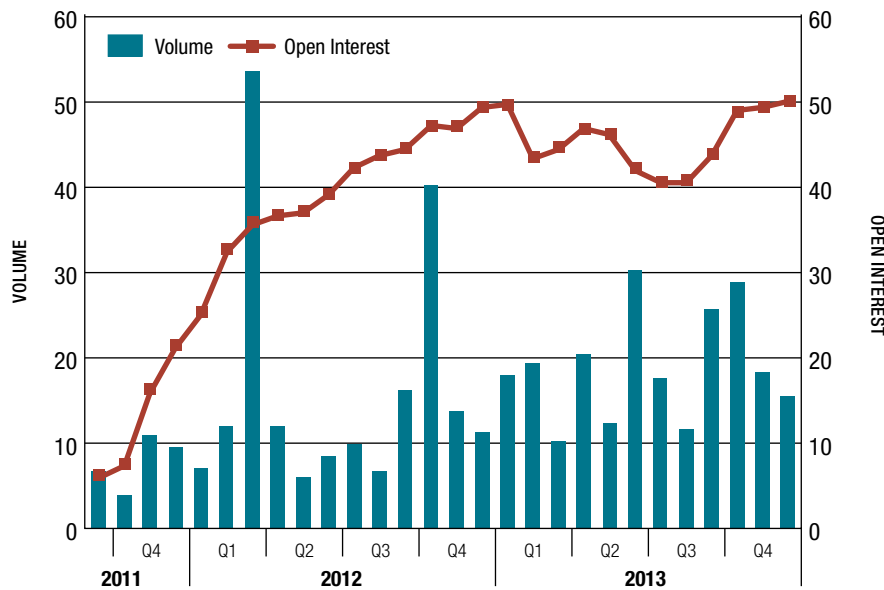
Cleared Interest Rate Swaps
Volume and Open Interest (in billions USD)



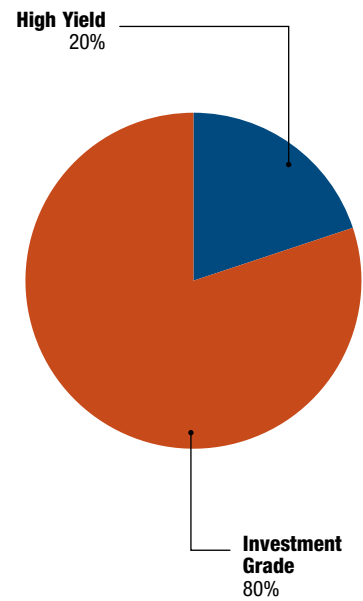
Cleared IRS Volume by Currency
(as of Dec. 2013)



Cleared Credit Default Swaps
Volume and Open Interest (in billions USD)



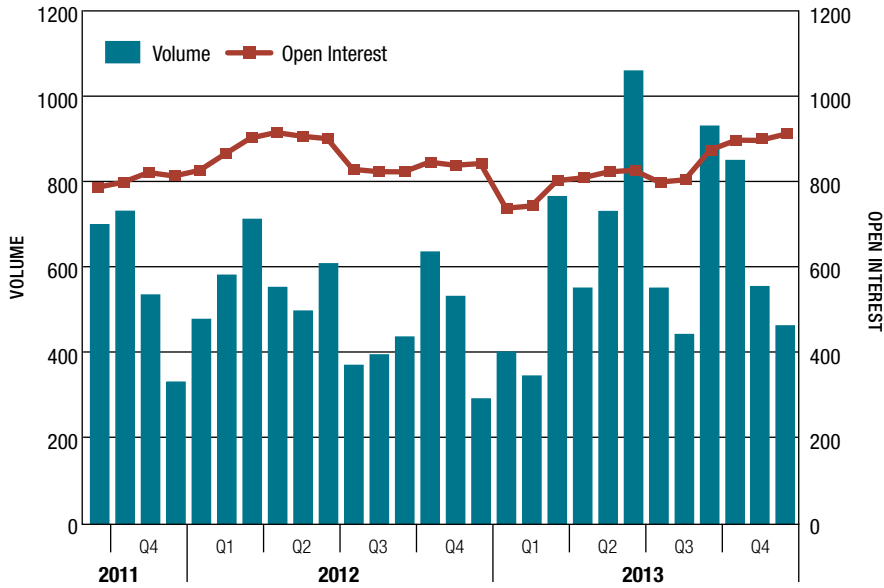
CDS by Type
(as of Dec. 2013)



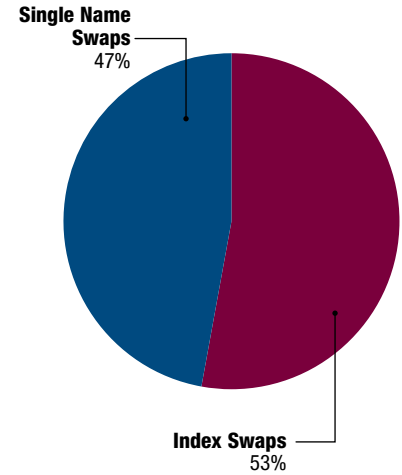
Source: CME Group

OTC Clearing—ICE Clear Credit and ICE Clear Europe

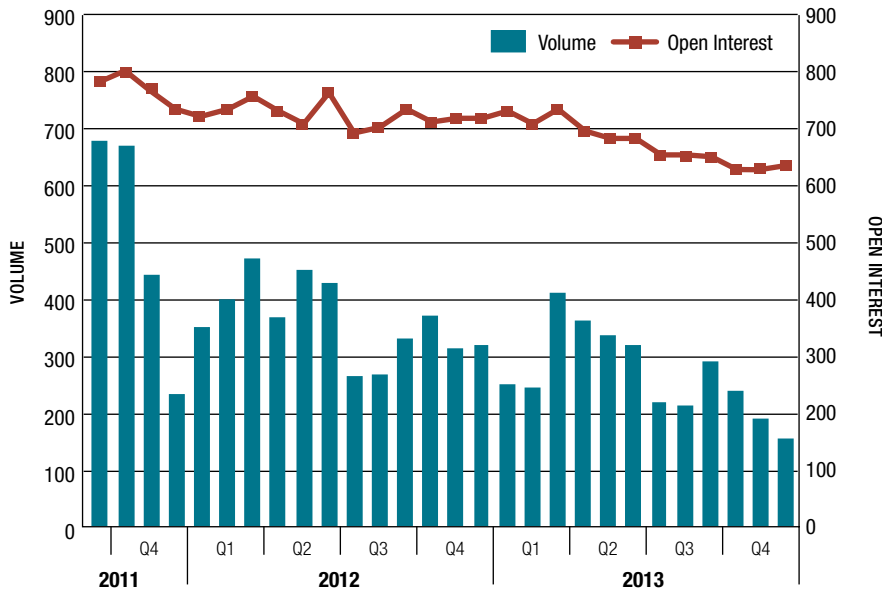
Cleared Credit Default Swaps at ICE Clear Credit
Volume and Open Interest (in billions USD)



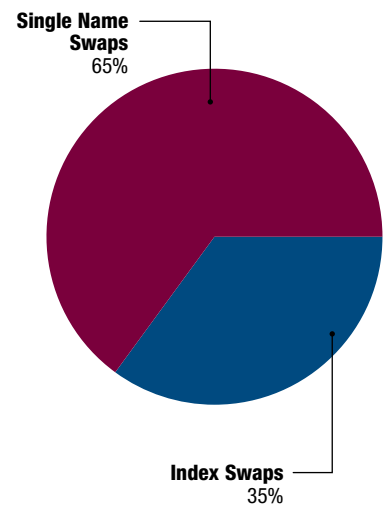
ICE Clear Credit Cleared CDS by Type
(as of Dec. 2013)



Cleared Credit Default Swaps at ICE Clear Europe
Volume and Open Interest (in billions USD)



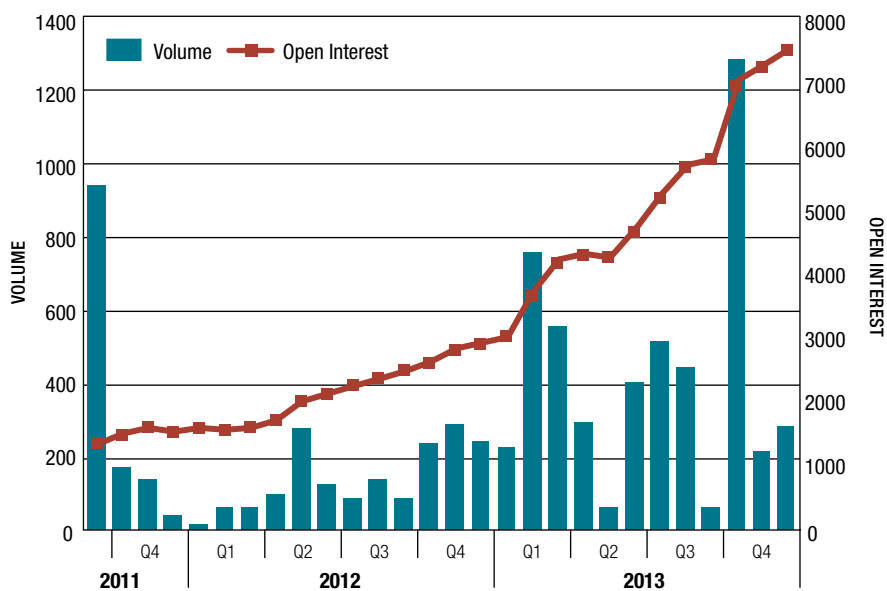
ICE Clear Europe Cleared CDS by Type
(as of Dec. 2013)



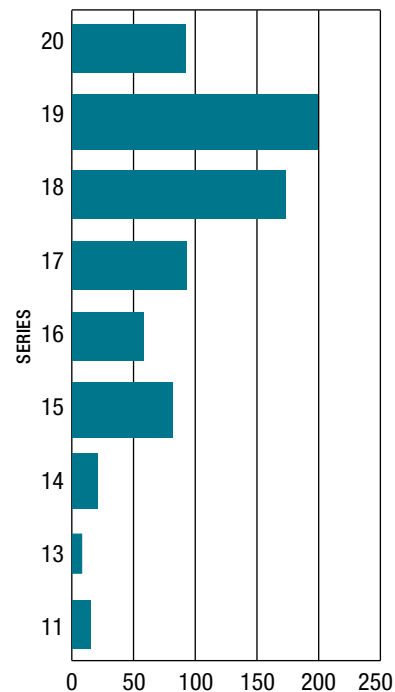
Source: IntercontinentalExchange

OTC Clearing—Japan Securities Clearing Corp.

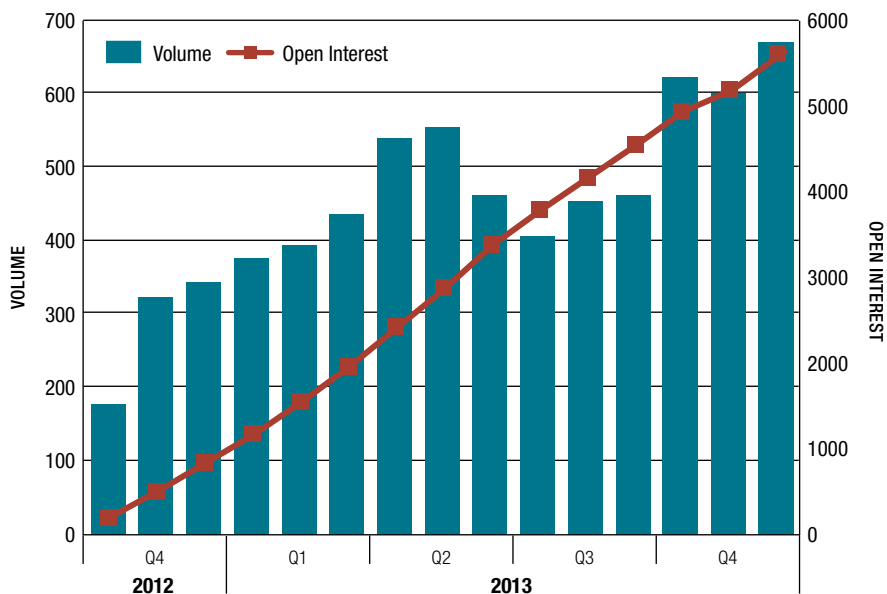
Cleared Credit Default Swaps
Volume and Open Interest (in millions USD)



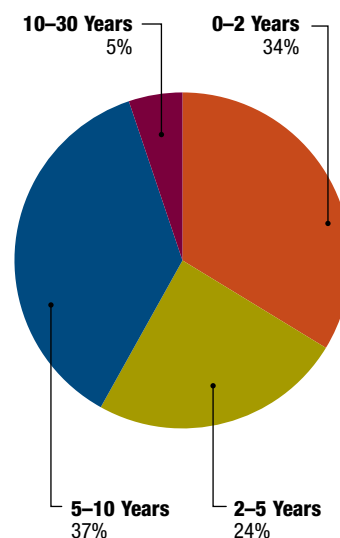
Open Interest by CDS Index Series
(as of Dec. 2013)



Cleared Interest Rate Swaps
Volume and Open Interest (in billions USD)



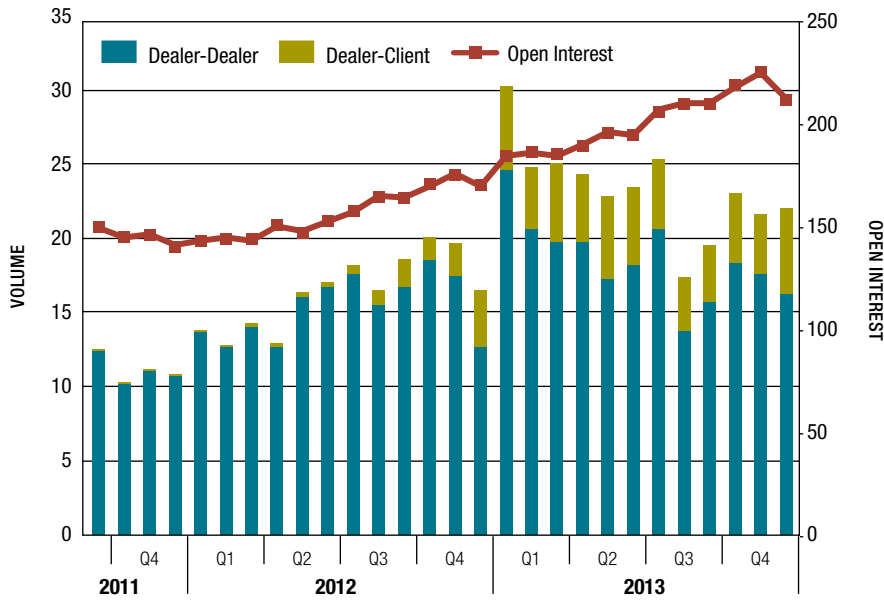
IRS Open Interest by Maturity
(as of Dec. 2013)



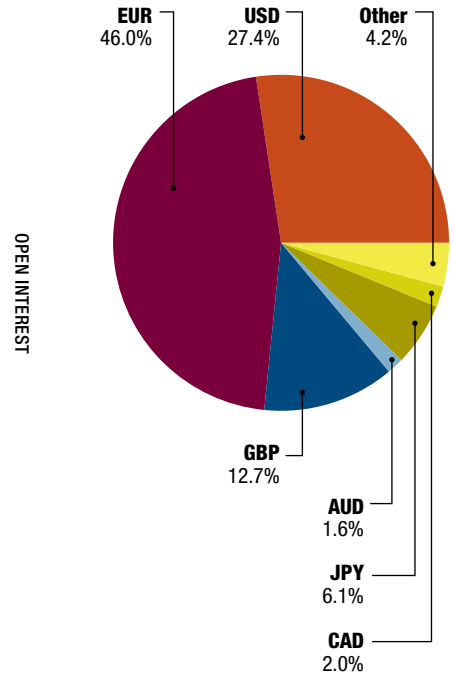
Source: Japan Securities Clearing Corp.

OTC Clearing—LCH.Clearnet

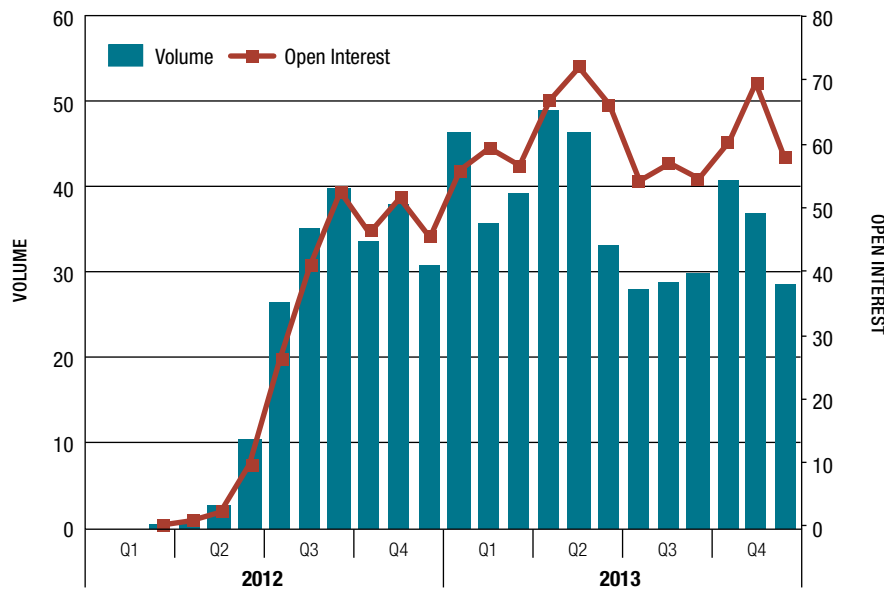
Cleared Interest Rate Swaps
Volume and Open Interest (in trillions USD)



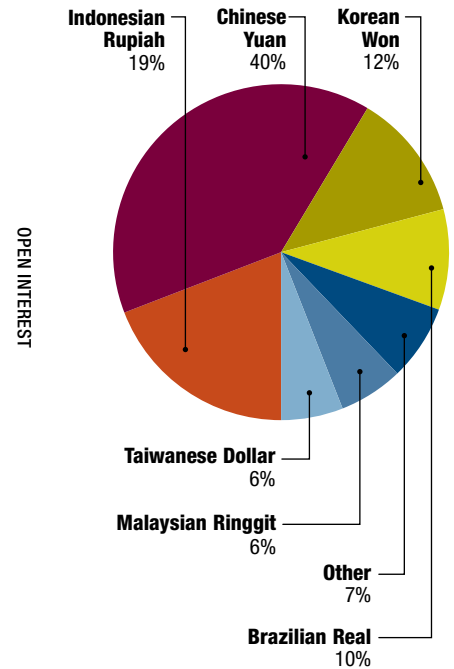
Cleared IRS Volume by Currency
(as of Dec. 2013)



Cleared FX Forwards
Volume and Open Interest (in trillions USD)



Cleared FX Volume by Currency
(as of Dec. 2013)



* LCH.Clearnet data adjusted so that volumes are single-counted.

Source: LCH.Clearnet

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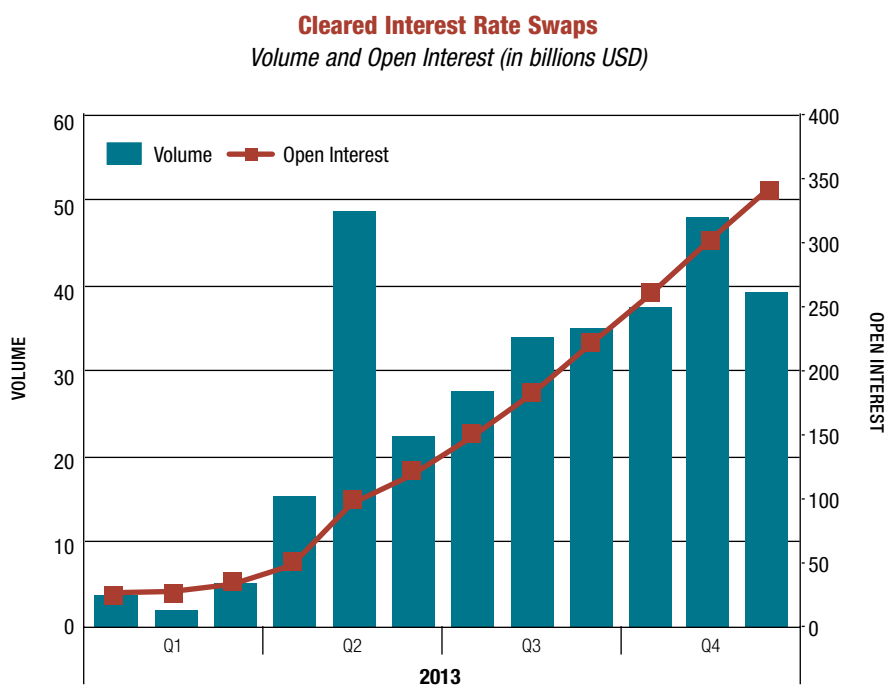
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Source: Nasdaq OMX