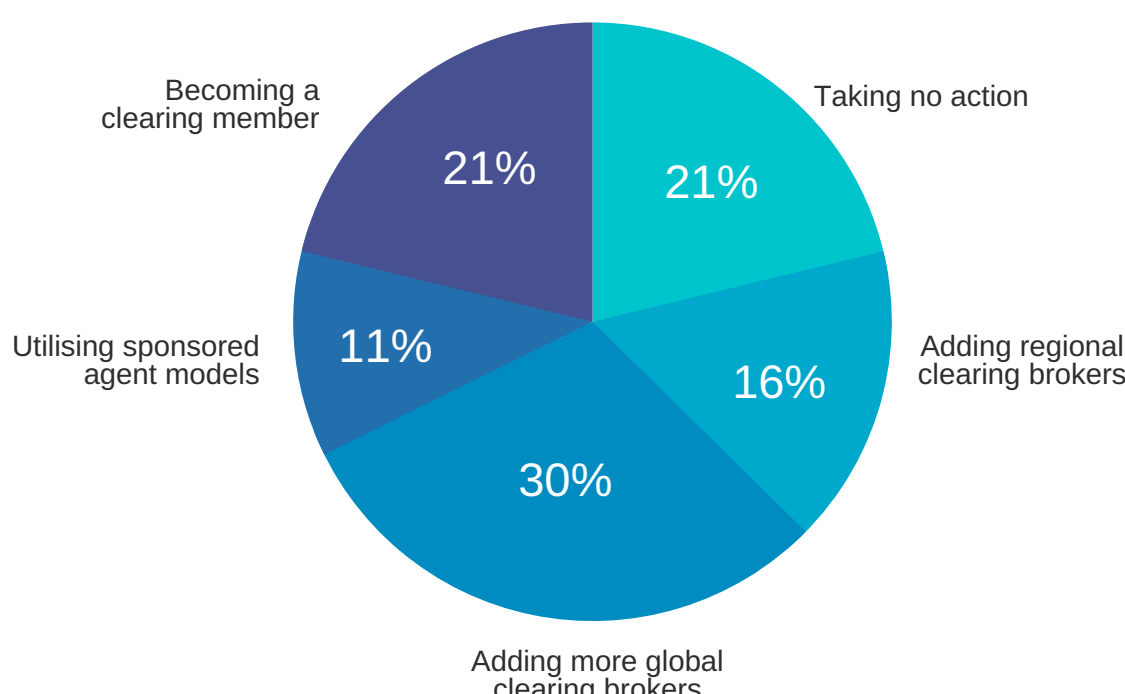


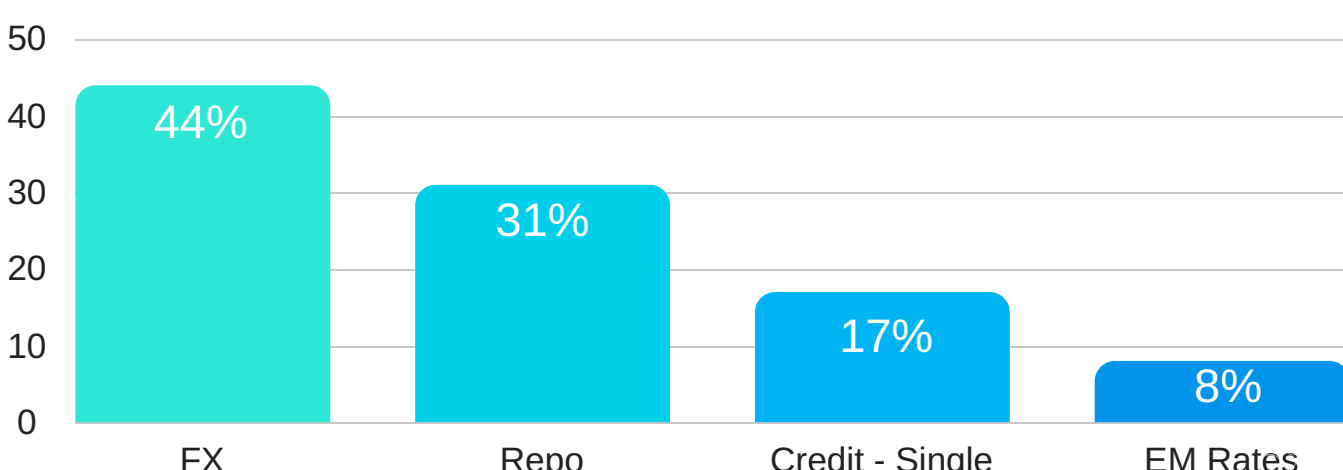
CCP Clearing - How is the Market Evolving?

Driven by regulation to clear certain OTC derivatives products, firms are increasingly aware of clearing's operational benefits, and voluntary clearing is on the rise. But where and how to clear can present challenges for buy-side firms, especially on the smaller end of the scale. Shut out by a shrinking number of global clearing firms, some asset managers are looking to regional brokers and new direct access or clearing agent models to fill the gap. In a recent DerivSource webinar, panellists from BBVA, BMO Global Asset Management, Eurex, LCH and sponsor Sernova Financial discussed the trends in CCP clearing and how the market is evolving. The charts below are taken from the live audience polls conducted during the event. To listen to the webcast, visit: [CCP Clearing Access - Where Are We Now And What's Next?](#)

In response to concentration risks and liquidity access, are you considering:



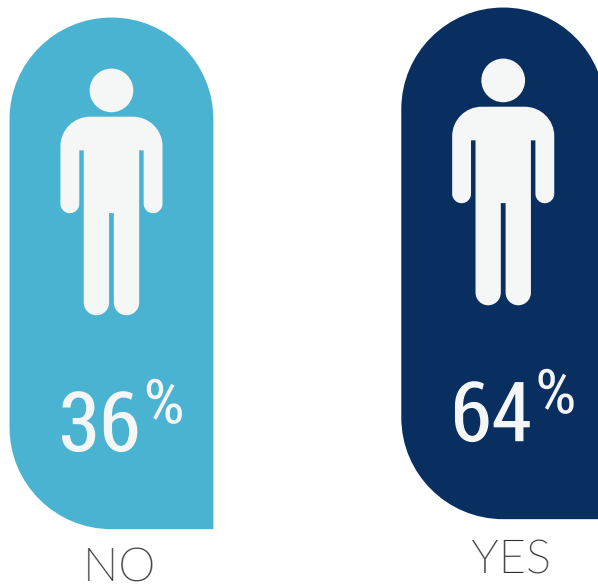
What do you think will be the next product where the liquidity moves to clearing?



"From a product perspective, you have the interest rate derivatives and various other OTC derivatives currently under the clearing obligation. But the two other classes that seem to be getting the most airtime at the moment are foreign exchange and securities financing transactions, such as Repo."

Michael Boroughs, Fixed Income & Trading & Clearing Business Development – Client Solutions, **Eurex**

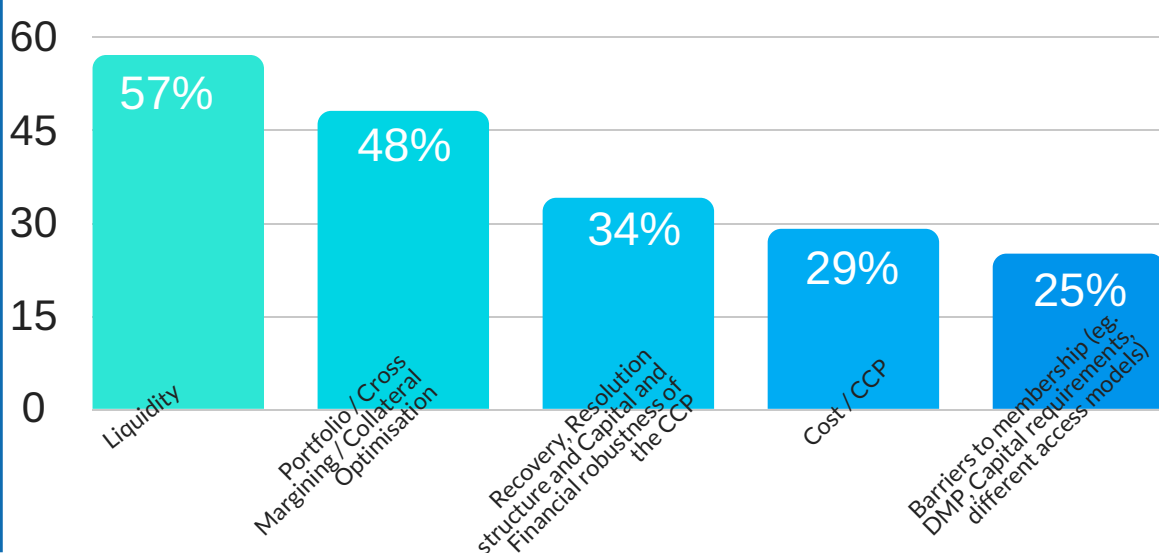
Do you believe the current concentration of the cleared OTC market among big banks represents a potential systemic risk to the industry?



"The concentration of clearing brokers is a concern for all of us given the impact on the market if one or more were to take a step back. However, it is vital that any new providers of client clearing have the requisite market understanding, pricing structure and long term commitment. If any of these factors were to fall short and thus lead to a reduction in the provision of client clearing there would be significant market disruption, in particular for the target clients for the regional brokers, but inevitably on a broader spectrum."

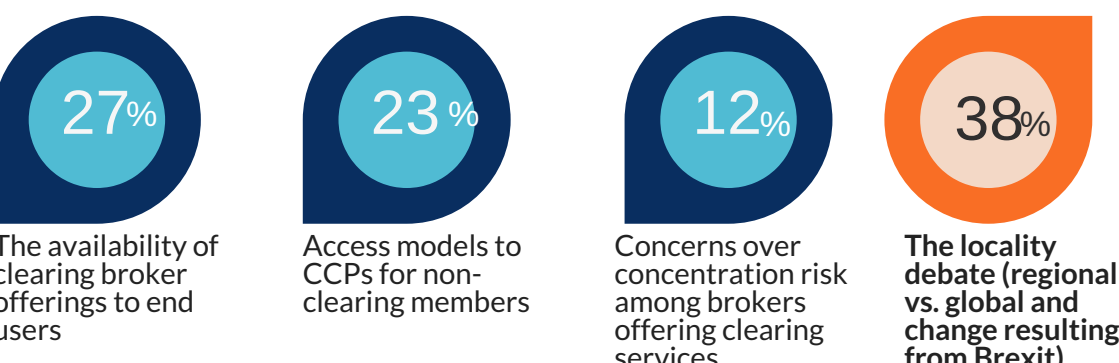
Rosa Fenwick, LDI Portfolio Manager, **BMO Global Asset Management**

When selecting which CCPs to use, which two items are most relevant?



"It's good to have options. In the beginning of the evolution of clearing, market participants were essentially put into two buckets. That doesn't really work in the long term, because they come in all shapes and sizes, have different needs and different capabilities. It's very encouraging that we are looking at different models of engagement, making sure that we've got an increasing range of options to take. Outside of traditional clearing, there are other developments, such as LCH SwapAgent, that offer some of the operational benefits of clearing without actually being in a clearinghouse."

Edward Hughes, COO of ForexClear, **LCH**



What market factor will influence the evolution of CCP clearing in the next year most significantly?



"Looking ahead, there will be greater levels of access to CCPs, with potentially a smaller use of global brokers. There will definitely be more regionalised clearing, and a diversification and an increase in memberships, be it segregation from entities that have memberships due to safe sanctions in the UK, as well as opening up the access to a new audience of regional and buy-side entities. There will likely be an increase in the use of shared services, such as Sernova, and probably more changes in market structure to enable greater volumes in clearing."

Jaki Walsh, Chief Product Officer, **Sernova Financial**