CLARUS
FINANCIAL TECHNOLOGY

SEF Trading Overview and Participation

CFTC Technology Advisory Committee
June 3, 2014

Clarus is…

- 2 year old Technology Firm
- 100% Employee owned
- Focus on developing products to serve Derivative Market participants in new world of CCPs, SDRs, Credit Hubs & SEFs.

CLARUS
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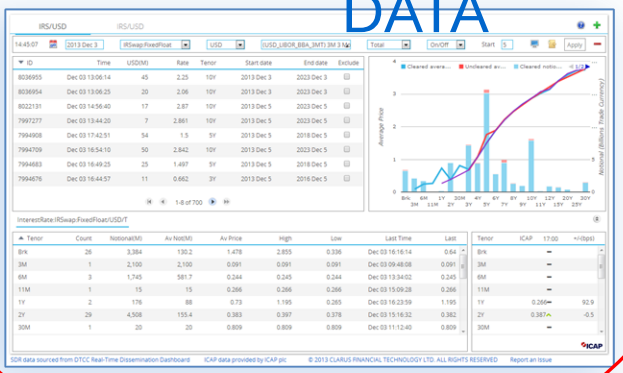
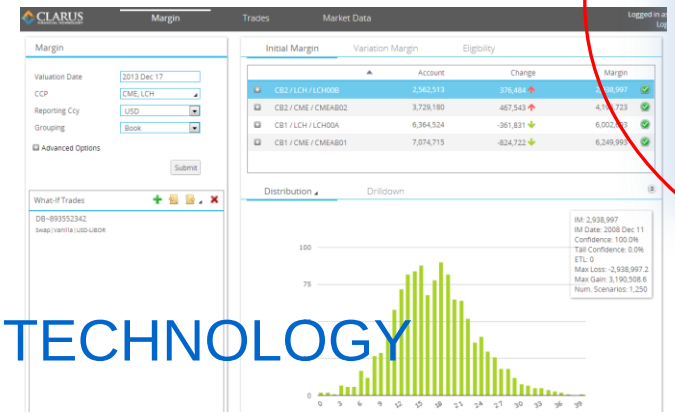
SERVICES

DATA



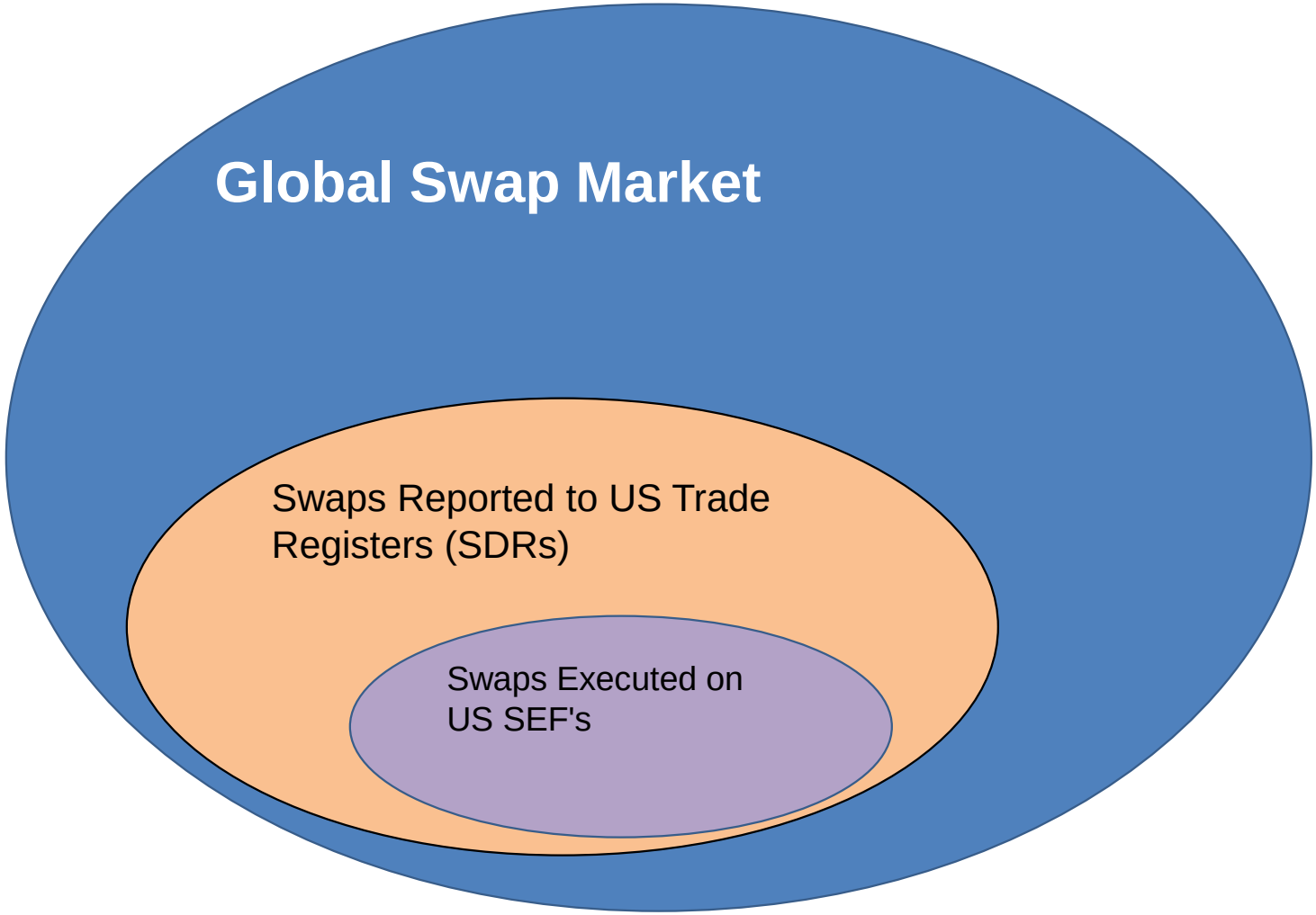


RISK TECHNOLOGY

DATA 101

Data: The basics

What are we looking at



Data: The basics

Two sources of publically disseminated data:

- SDRs (Part 43 “Alpha” trade reporting)
  - 4 provisionally registered aka “live”
  - DTCC
  - ICE
  - CME
  - Bloomberg
- SEFs
  - 22 of 24 temporarily registered aka “live”
  - 16 of 22 have registered activity aka “active”

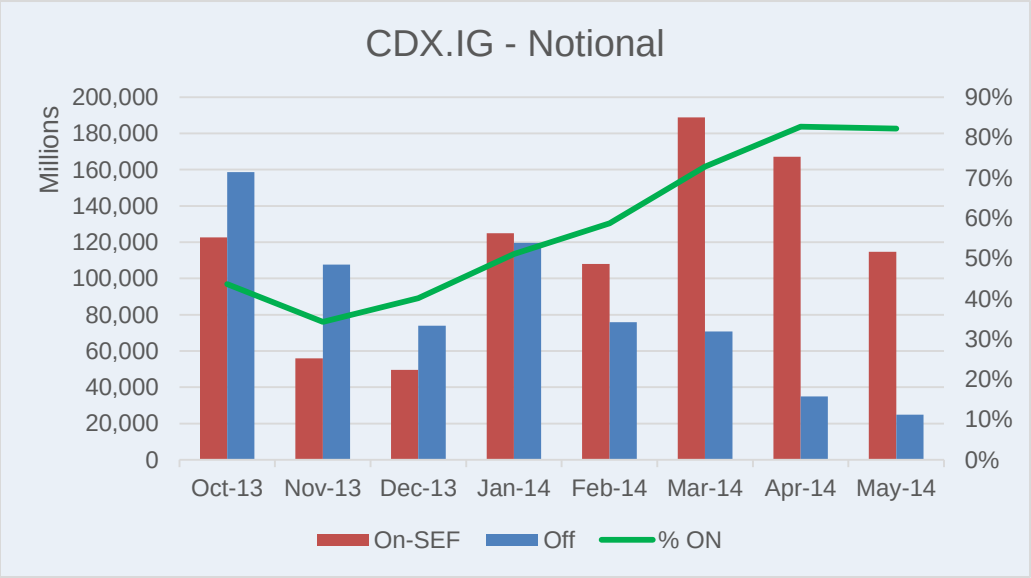
Data: The basics

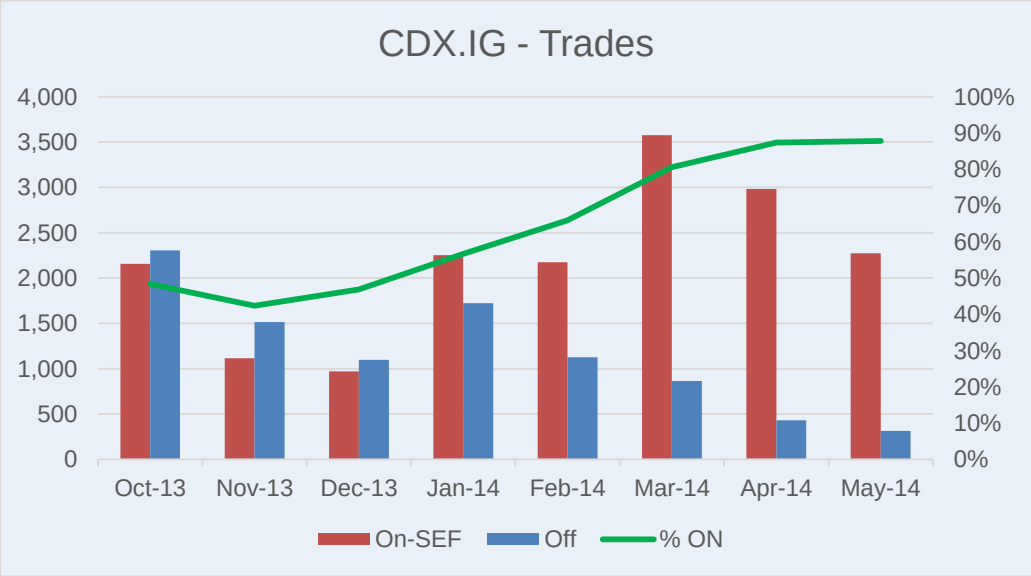
Pros and Cons of the Public data

	SDR	SEF
Trade/Position	Trade Level	Position Level
Frequency	Intraday "Tape" + EOD	End-Of-Day
Formats	Somewhat common	Wildly different across SEFs
Size Transparency	Capped Notionals	Full Notionals
Venue	Only On/Off	SEF
Dealer / Client	Not Available	Not Available (can guess)
Dealer Pay/Rec	Not Available	Not Available
Packages	Not Available (without "tricks")	Not Available

DATA – Credit Derivatives (Permitted + Required)

SEF Adoption





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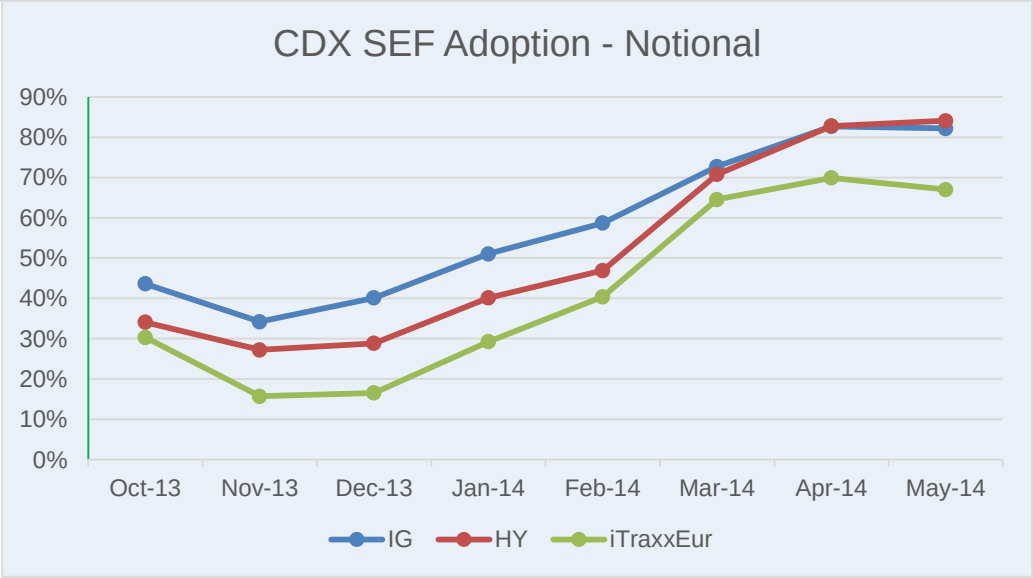
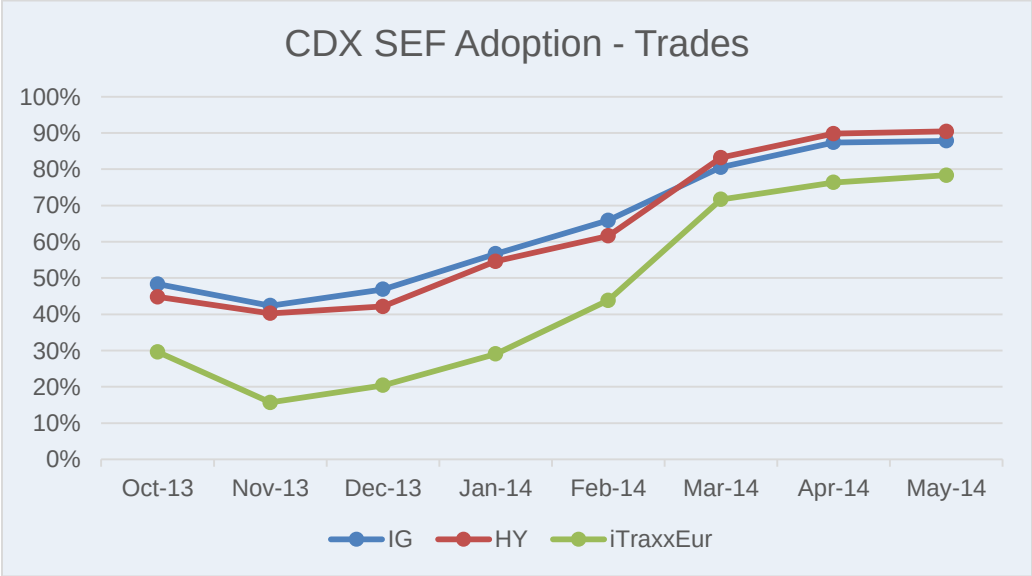
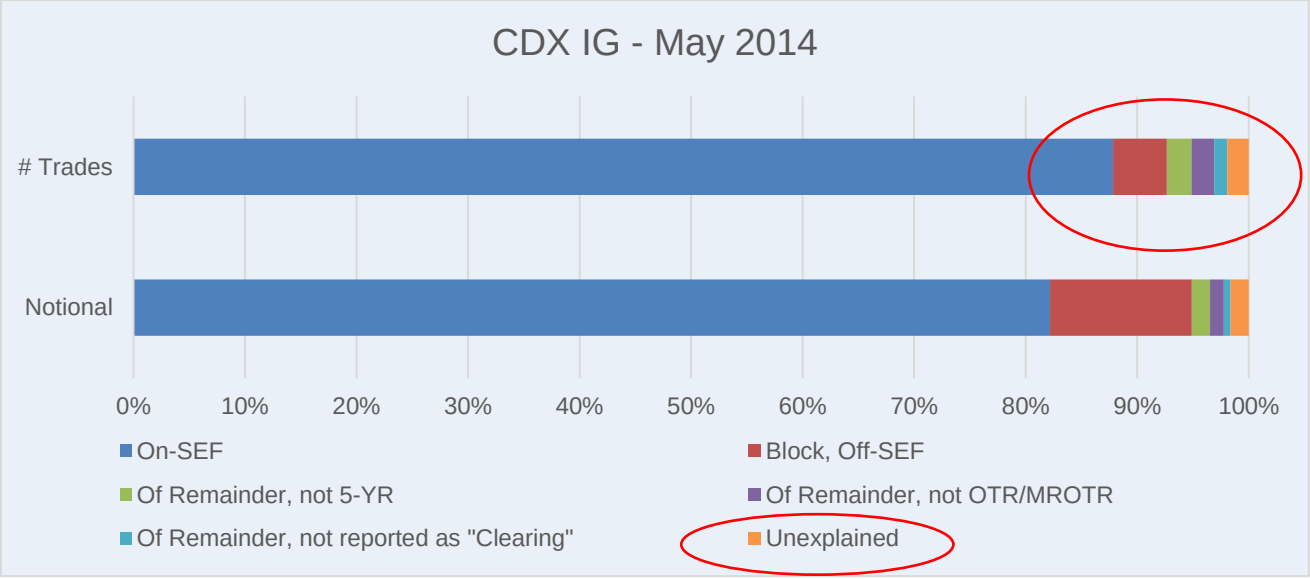




SEF Adoption

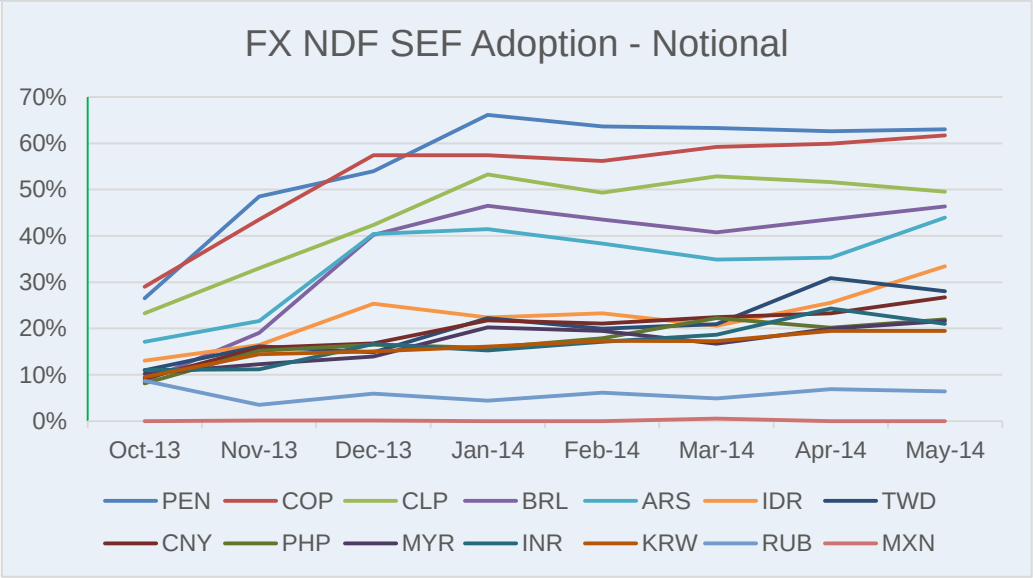
So what's the CDX that remains Off-SEF?



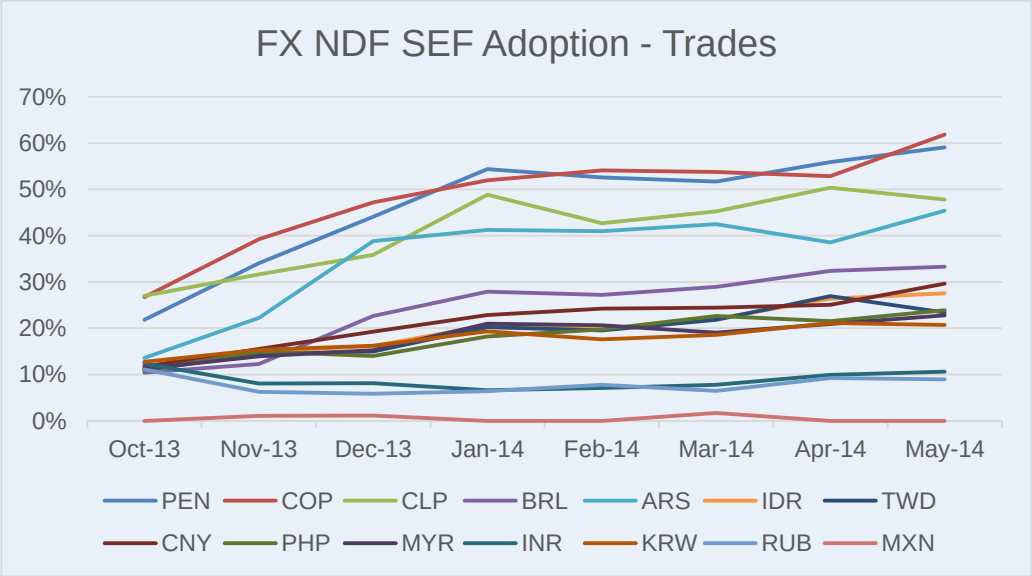
"Unexplained" might be packages, exemptions, reporting quirks. Impossible to tell from public data.

DATA – FX NDF (Permitted)

SEF Adoption

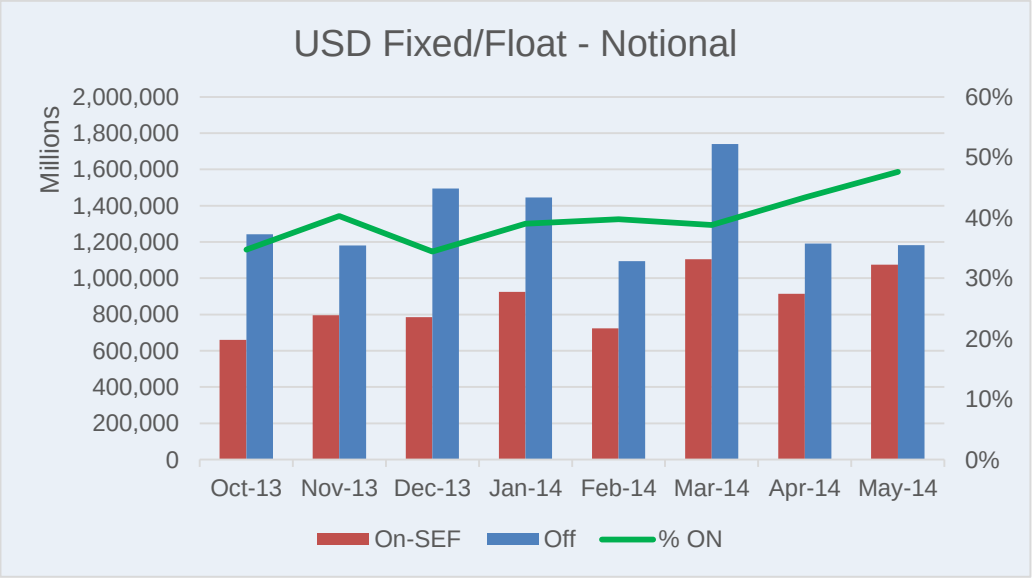


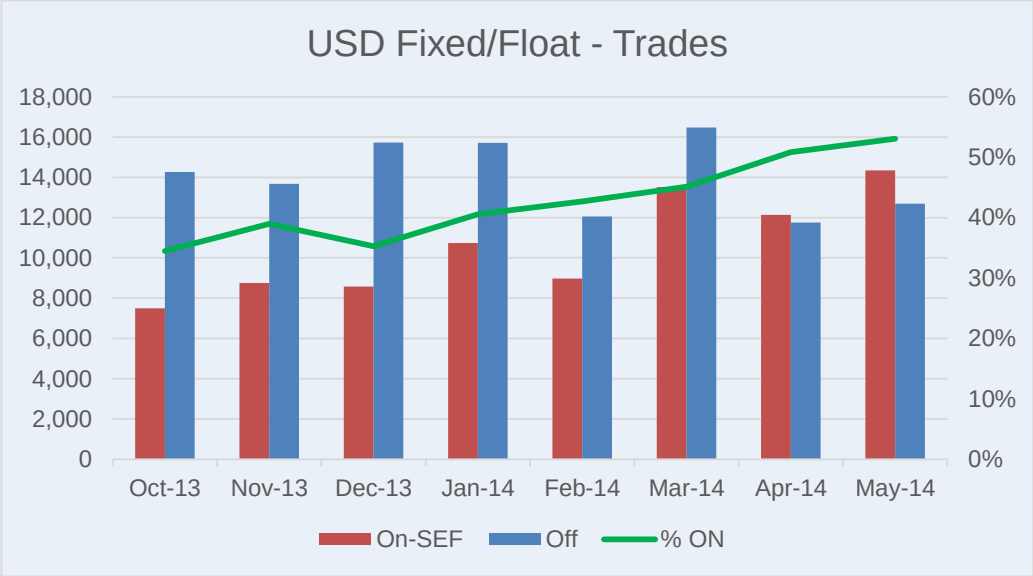
- Less than 1% cleared



DATA – IRD Fixed/Float (Permitted + Required)

SEF Adoption





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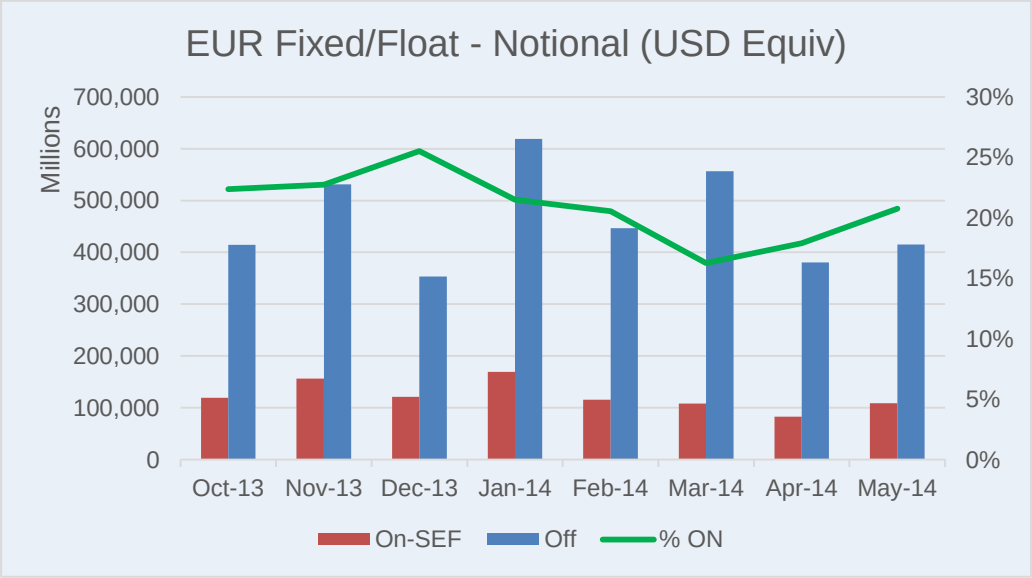

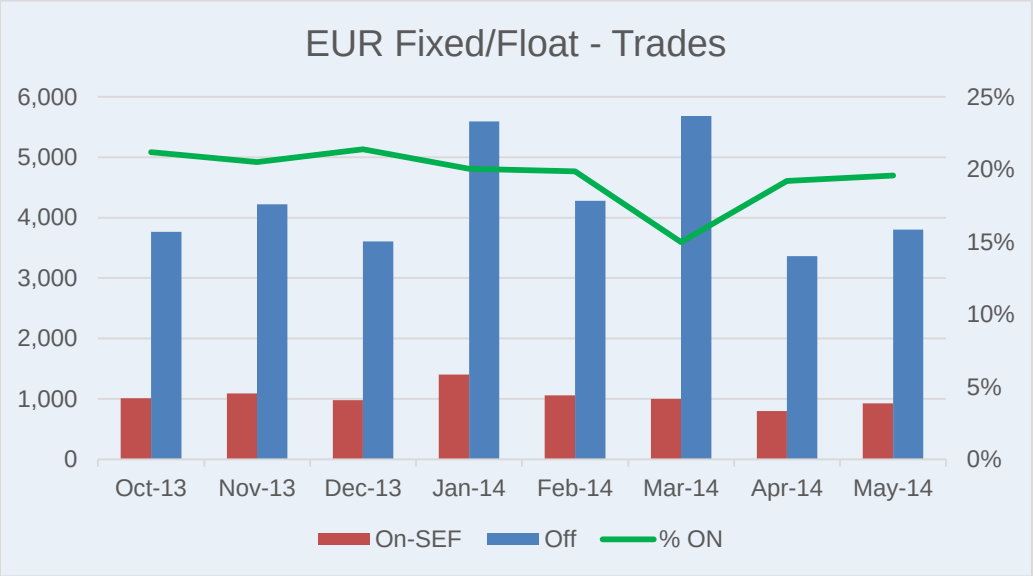

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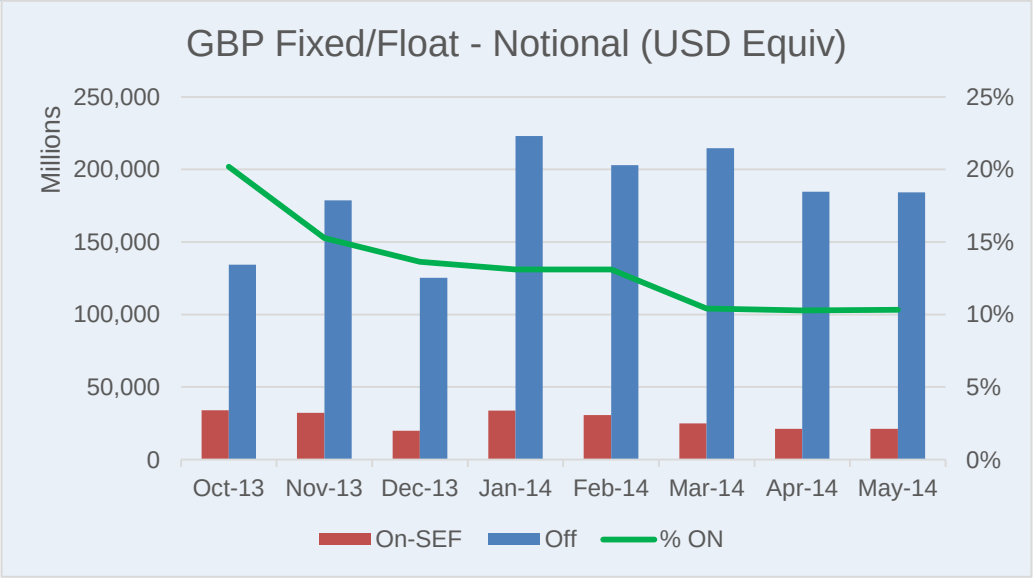

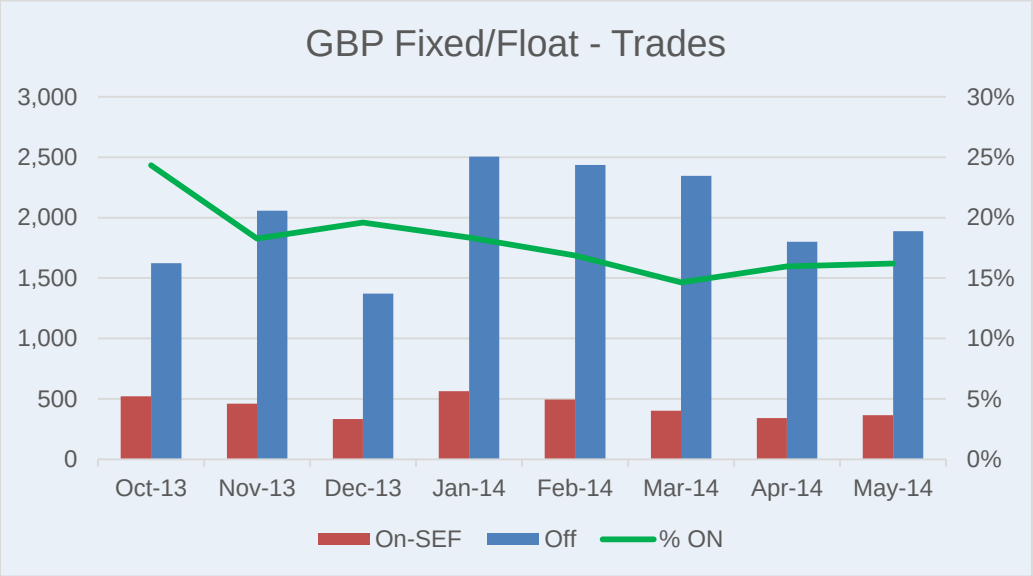

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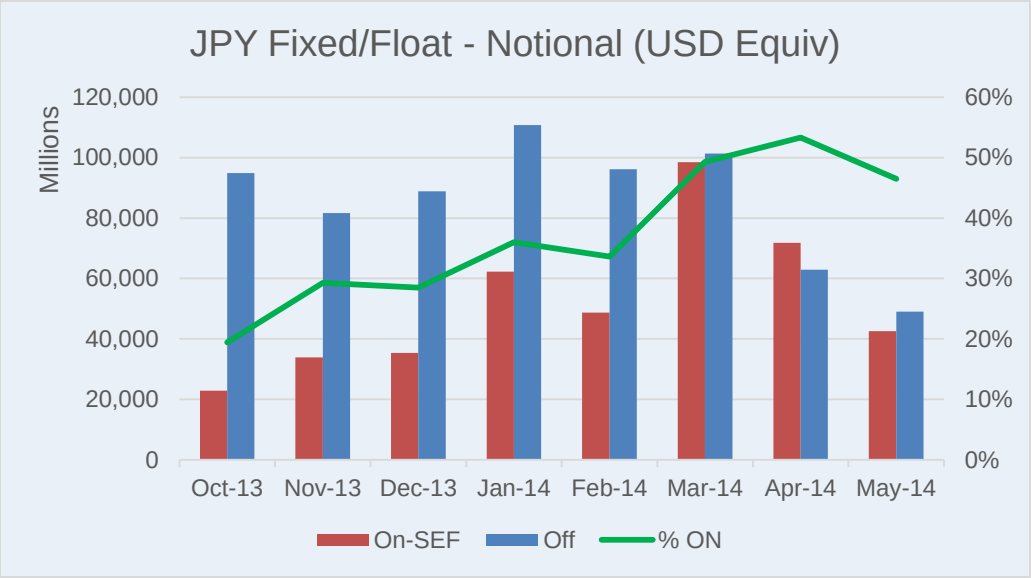

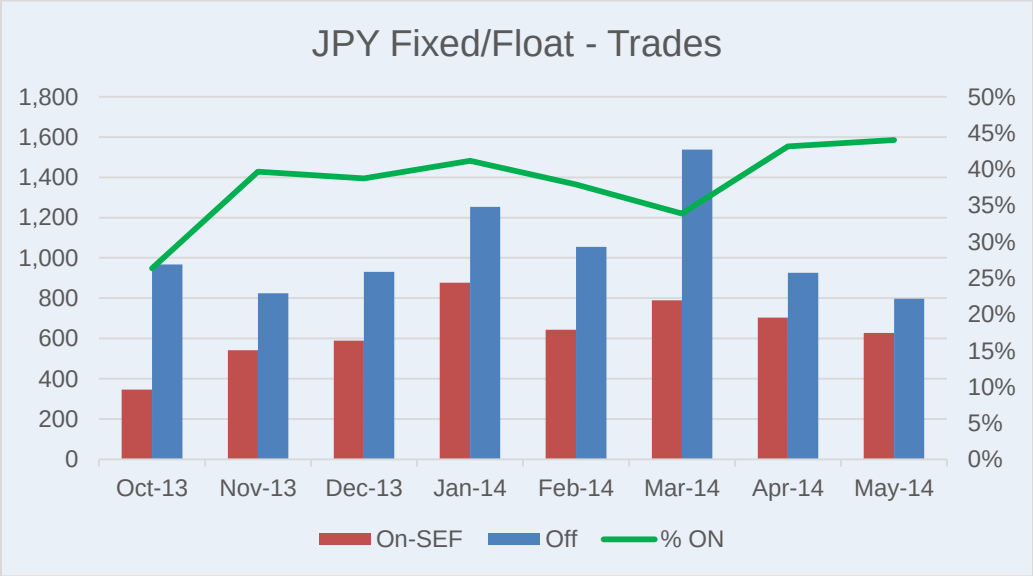

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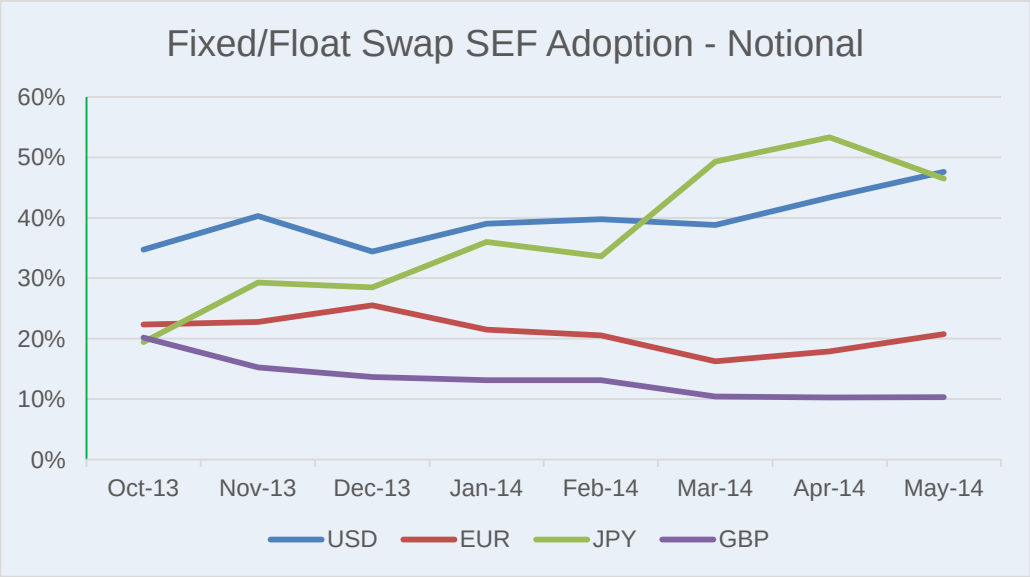

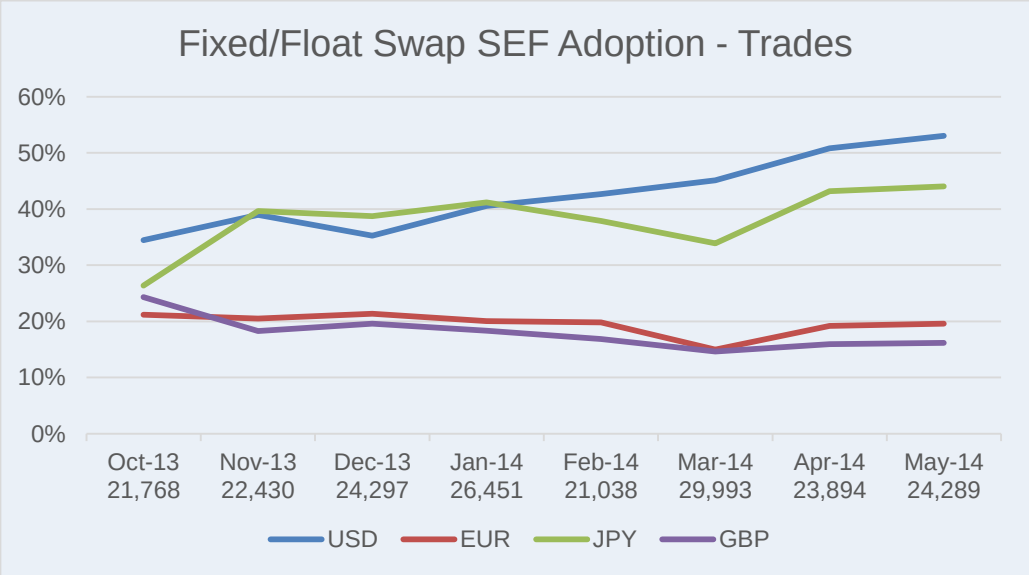

SEF Adoption

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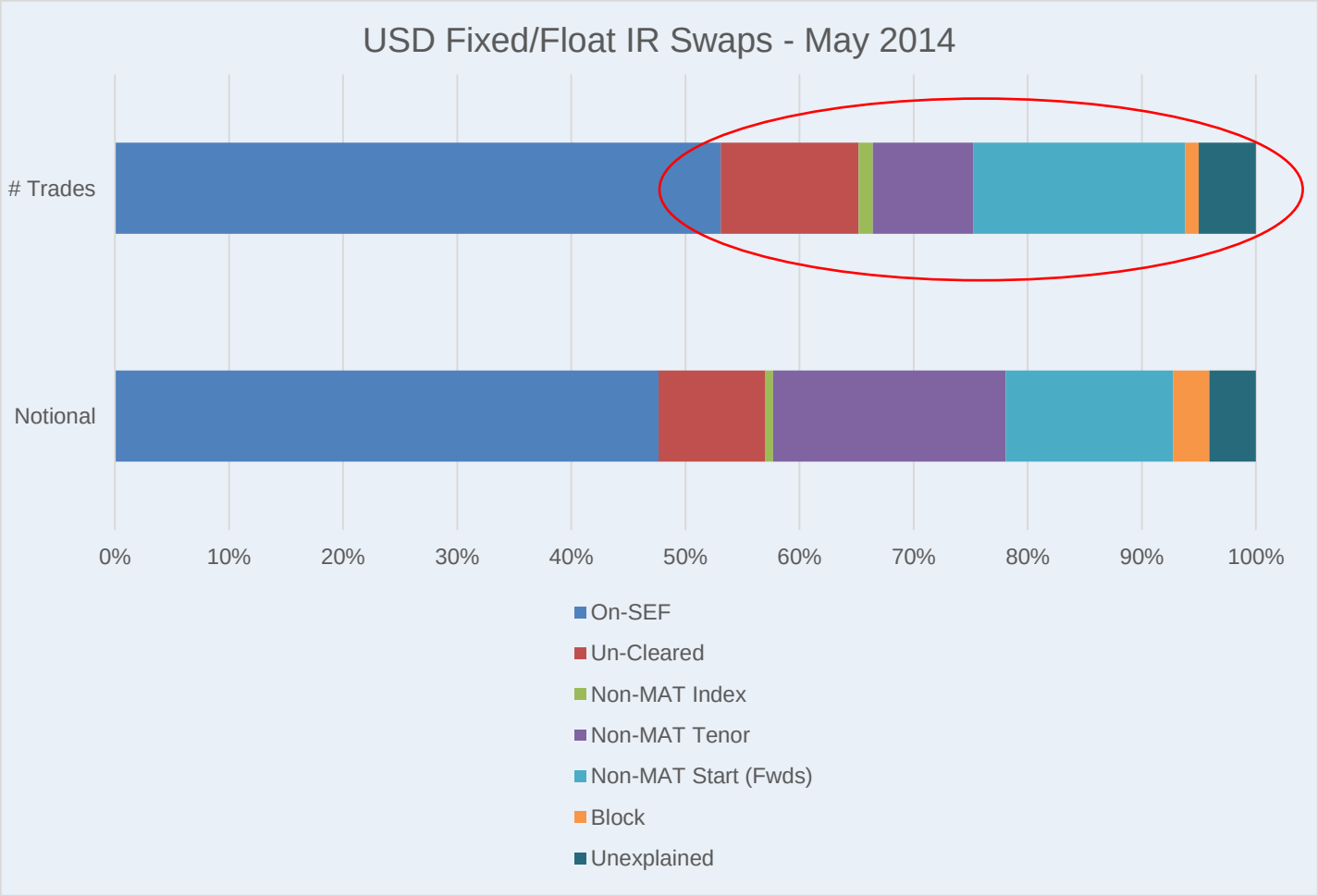

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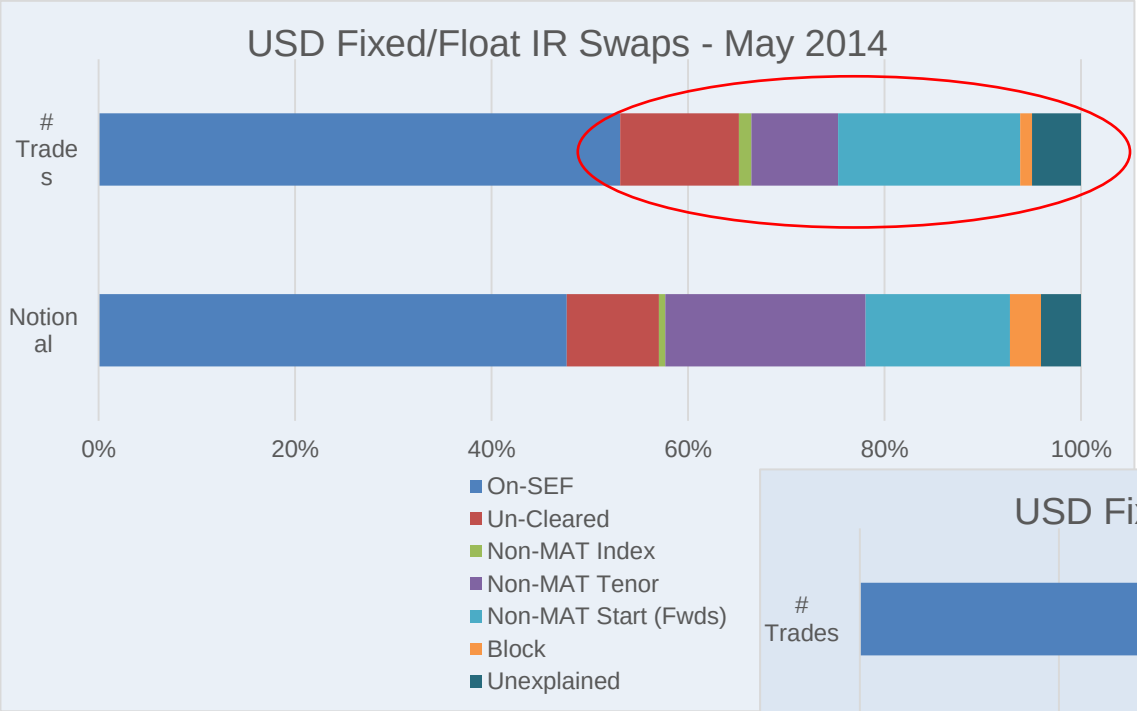
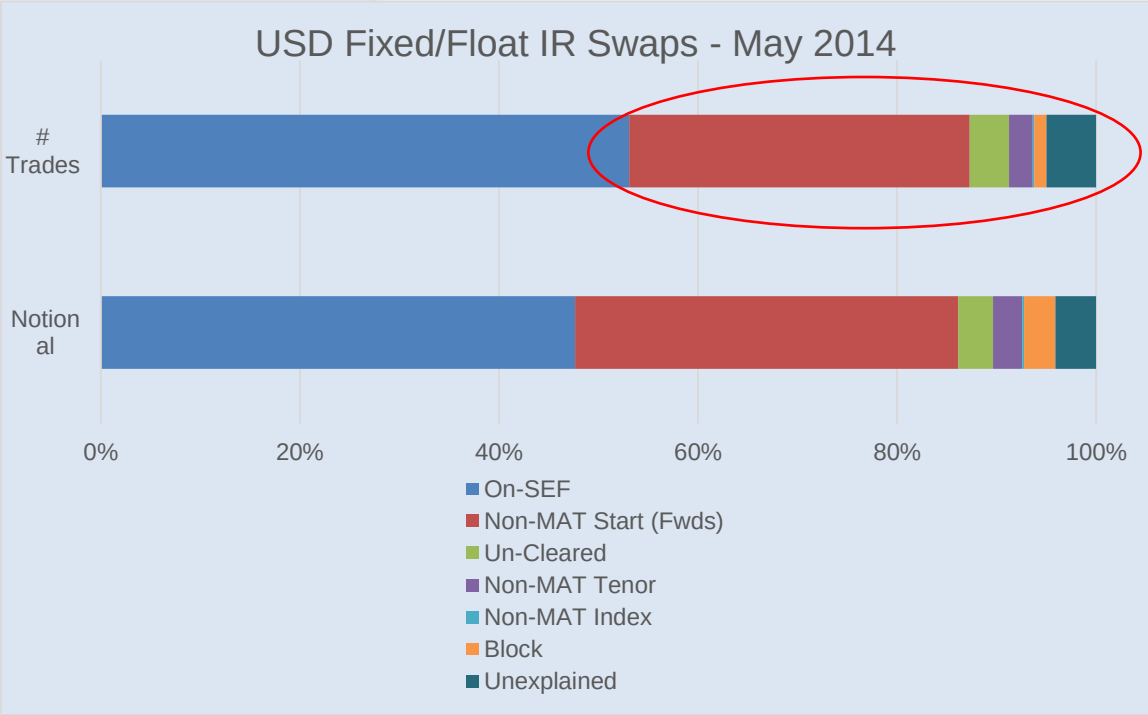


But it depends how you peel the onion.



Most of the Non-MAT characteristics are found on Fwd Starting (& Non-IMM) Swaps

Buy Side Participation

Buyside Participation

Anecdote #1:

- *Firms are avoiding SEF's by trading more Forward Starting (or other "close-but-not-quite-MAT") swaps*

Is this backed up by Off-SEF trade data?

Characteristic of Off-SEF Trade	Oct-2013	May-2014	Change
Non-MAT Start (Fwds)	54.4%	72.8%	18.4%
Non-MAT Tenor	26.4%	30.7%	4.4%
Un-Cleared	22.3%	25.7%	3.4%
Block	10.6%	12.3%	1.7%
Non-MAT Day Count	0.7%	0.8%	0.0%
Non-MAT Index	12.3%	10.0%	-2.2%

** A single trade can have multiple of these characteristics

73% of Off-SEF Trades were Fwd-Start

31% of Off-SEF Trades were not a MAT-able Tenor

Quick answer supports an increase, however:

- Some uptick in % occurs from the decrease in Off-SEF trades.
- We cannot look at only D2C behavior in public SDR data.

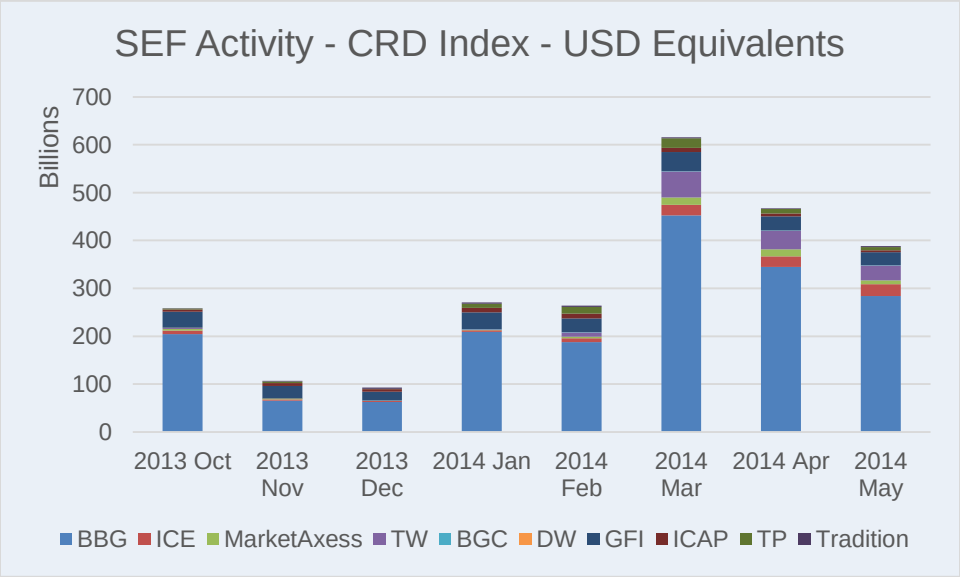
Buyside Participation

Anecdote #2:

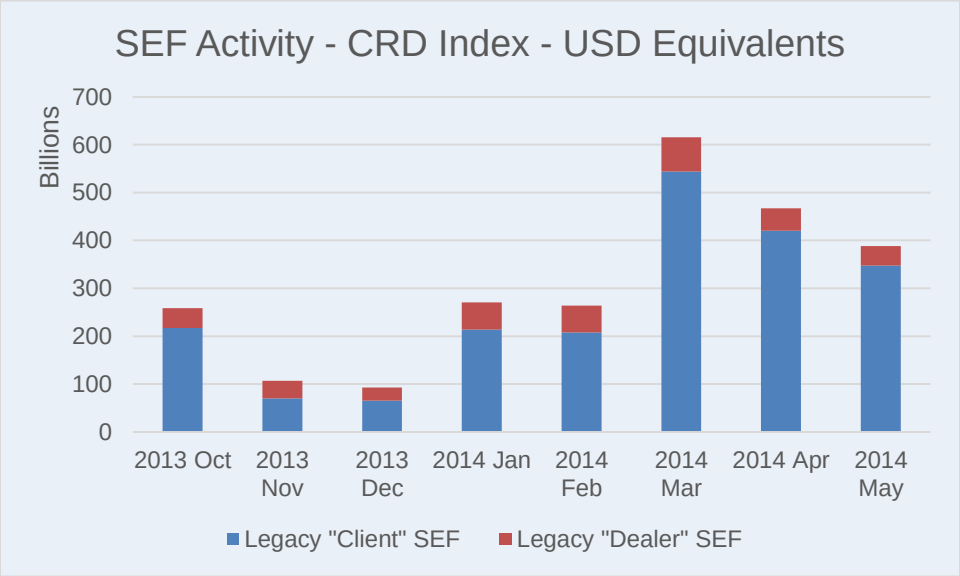
- *Only 10% of the Dealer-to-Client market was trading On-SEF as recently as January*

What overall trends can we see in the SEF data?

Buyside Participation



- General uptrend in “Client” SEFs
- March/April inflated due to index rolls



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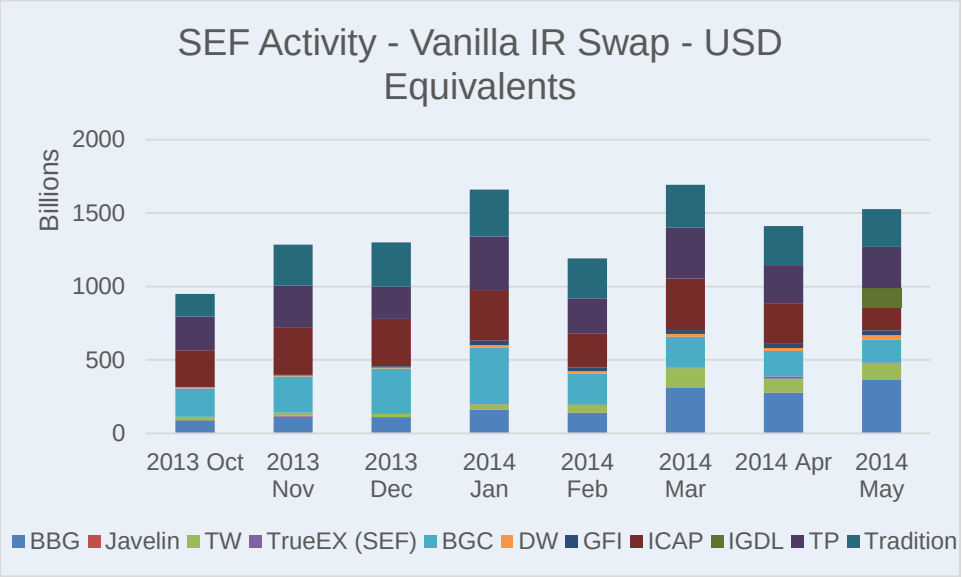

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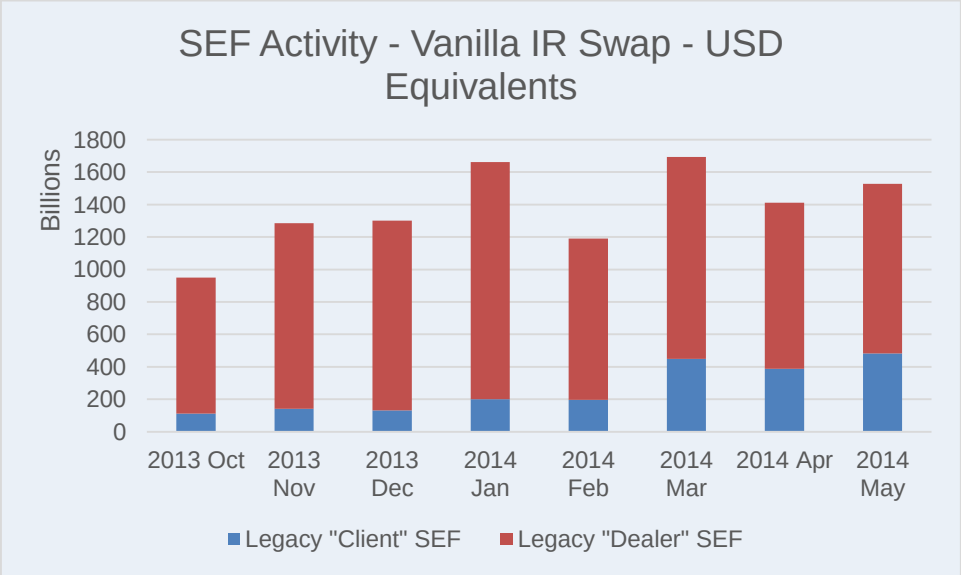

Summary

Public SDR & SEF data shows:

- Good adoption across the board for CDX
- FX NDF shows some currency pairs with high On-SEF rates
- Interest Rate Derivatives data indicates:
  - Slow uptrend in On-SEF vs Off-SEF
  - Vast majority of Off-SEF trades are Fwd Start
  - Fwd Start swaps are and have been commonplace in the bespoke IR Swap market