

Helping OTC Markets Advance along the Technology Adoption Curve

June 16, 2021

With exchange-traded markets around the world already up and over the technology adoption curve, over-the-counter markets, including those for U.S. corporate bonds, securitized products and loans, have come into focus as markets that have only just begun their innovation journey.

OTC markets can still see huge improvements in efficiency, transparency and liquidity via new technology solutions. Collaboration technology, analytical tools, bots, and natural language processing (NLP) are all helping move these markets forward.

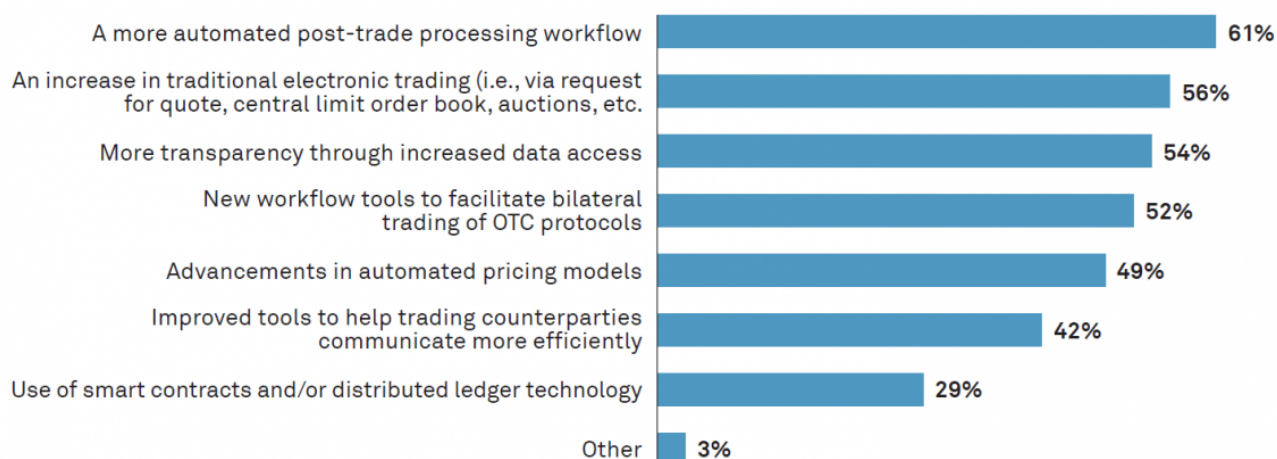
Rethinking Electronification

While electronic trading has been treated as the holy grail of progress, market electronification has become so much more. In fact, the most noted technology aid to OTC market efficiency has been post-trade workflow automation.

For more complex products, such as structured credit, loans or securitized assets, trading counterparties agreeing on the price is often the easiest part of the trade lifecycle. The processing of related documents, clearing, settlement, and managing periodic payments over the life of the contract create much more complexity and, as such, can benefit from new technology.

Even so, trading can still see benefits from new technology. As we have written many times in the past, for less liquid markets we must rethink what we consider electronification. There simply aren't enough market participants nor enough liquidity in many bonds and bespoke derivatives to expect an order book or RFQ market to work optimally. To that point, technology has been developed to streamline bilateral negotiations, whether through NLP embedded into collaboration tools that turn plain chat text into a trade ticket or enhanced shared spreadsheets that let two counterparties collaborate over deal terms.

Technologies That Will Make OTC Markets Operate More Efficiently in the Coming 2 Years



Note: Based on 188 respondents.

Source: Greenwich Associated 2021 Capital Markets Collaboration Technology Study

Efficiency Gains via Front-to-Back Technology

Interestingly, our study participants see corporate bonds as the market most ripe for big efficiency gains from the adoption of new front-to-back technology. This finding is interesting not because it is surprising, but because the corporate bond market has already seen tremendous growth via technology innovation over the past decade, with our data showing e-trading has grown from under 10% in 2010 to nearly one-third in 2020.

But given the market's sheer size (especially following the issuances boom of 2020) and importance to global capital markets, there is clearly a lot more wood to chop related to market efficiency for market participants, trading venues and technology providers alike.

Loans, securitized and structured products are also high on the list for technology-led efficiency. The loan market was tagged years back as one that could see huge benefits from distributed ledger technology (aka blockchain), although attempts to improve loan markets via DLT have yet to bear noticeable fruit.

As for securitized and structured products, the credit crisis of 2008–2009 kicked off a push to improve data and transparency in these markets. However, progress on the execution and post-trade processing front has been slow. The limited progress is not due to technology limitations, but instead the market's unwillingness to change. For some individuals and firms, it is better for things to stay as is, but bond markets have proven that efficiency will win out in the end.

www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their

business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when

sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., an S&P Global company. ©2025 Crisil Ltd. All rights reserved.