Systemic Risk and the Impacts of Central Clearing

March 10, 2015

Executive Summary:

While central clearing has been successfully used in derivative markets for years, global swaps-clearing mandates are in the process of expanding adoption well beyond levels the market has ever seen.

As such, determining whether or not that ultimately benefits the market as intended, or conversely creates new risks as some believe, requires a deeper analysis of both market perceptions and the realities of clearinghouse operating models.

The contents of this report include:

- Introduction
- The Benfits of Clearing
- Lingering Concerns
- The Risk of Central Counterparty Clearinghouse (CCP) Failure
- Central bank Access
- Skin in the Game
- How Much is Enough?
- Market Perceptions of the Largest CCPs
- Conclusion

Methodology:

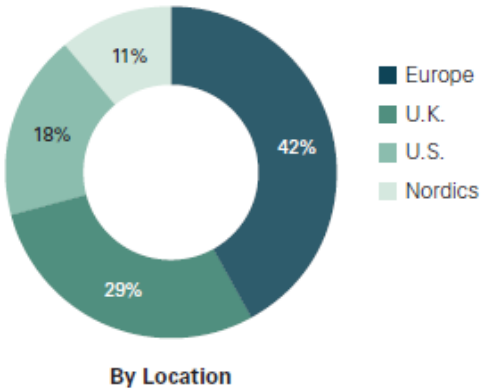
Throughout 2014 Greenwich Associates interviewed 4,036 global fixed-income investors about their dealer relationships and use of various fixed-income products including interest-rate derivatives. In the fourth quarter of 2014, Greenwich Associates conducted an additional 72 interviews with key research participants to more deeply understand their views on systemic risk, the impacts of central clearing and their expectations for the interest-rate derivatives market going forward.

The data reported in this document reflect solely the views reported to Greenwich Associates by the research

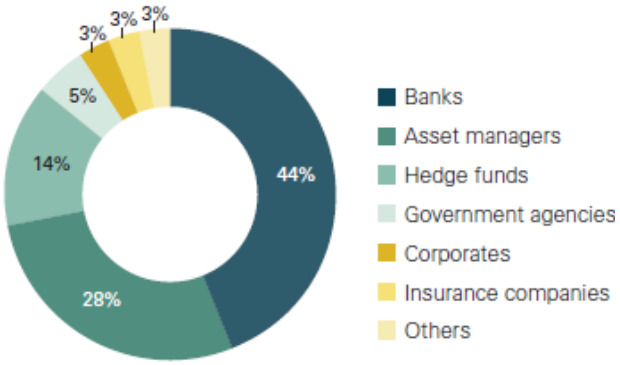
participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Greenwich Associates compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results. Unless otherwise indicated, any opinions or market observations made are strictly our own.

This independent research report was commissioned by LCH.Clearnet.

Research Participants



By Location



By Firm Type

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greenwich.com ContactUs@greenwich.com Ph +1203.625.5038