Global Otc Derivatives Market

Addressing their Too Important to Fail Nature
A Network Analysis of Contagion and Its Mitigation with Super-Spreader Tax
OTC Derivative Markets and Their Regulation
Shaping Reforms and Business Models for the OTC Derivatives Market: Quo vadis?
Hearing Before the Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises of the Committee on Financial Services, U.S. House of Representatives, One Hundred Eleventh Congress, First Session, June 9, 2009
International Standards for Central Counterparties and Replumbing the Financial System
A Step-by-Step Guide to the Products, Applications and Risks
Making OTC Derivatives Safe
Post-Trade Processing of OTC Derivatives
Over the Counter Interest Rate Options
Modern Banking and OTC Derivatives Markets
OTC Derivatives: Bilateral Trading and Central Clearing
Making OTC Derivatives Safe—A Fresh Look
Modern Banking and OTC Derivatives Markets
Global Securities Markets
Over-the-counter Derivatives and Systemic Risk to the Global Financial System
The Foreign Exchange and Over-the-Counter Derivatives Markets in the United Kingdom
Central Counterparties
The Transformation of Global Finance and its Implications for Systemic Risk
United States
Introduction To Derivative Securities, Financial Markets, And Risk Management, An (Second Edition)
Modern Financial Techniques, Derivatives and Law
Retrofitting Listed Derivatives Infrastructure for the Global OTC Derivatives Market
The Canadian Experience
Mandatory Central Clearing and Initial Margin Requirements for OTC Derivatives
The Development of Financial Derivatives Markets
Infectious Greed
The Regulation of Otc Derivatives and the Global Financial Crisis
An Analysis of Dealer Holdings
Adjudicating Disputes in Derivatives Markets
Counterparty Risk in the Over-The-Counter Derivatives Market
OTC Derivatives: Bilateral Trading and Central Clearing
How Deceit and Risk Corrupted the Financial Markets
The Effective Regulation of the Over-the-counter Derivatives Market
Comparing G-20 Reform of the Over-The-Counter Derivatives Markets
Regulation and Supervision of the OTC Derivatives Market
The Financial Courts

New Developments in Clearing and Settlement Arrangements for OTC Derivatives
South Africa: Financial Sector Assessment Program-Reforms in the OTC Derivatives Market-Technical Note
Systemic Risk from Global Financial Derivatives

BURGESS HARPER

Addressing their Too Important to Fail Nature Createspace Independent Pub
In The Financial Courts, Jo Braithwaite analyses thirty years of cases involving the global derivatives markets, exploring the nature of these legal disputes and assessing their impact on financial markets and on commercial law more broadly. Weaving together this substantial body of cases with theoretical insights drawn from the growing literature on the internationalisation of financial law, Braithwaite offers readers a detailed and highly original contribution to the debate about the role of private law in international financial markets. This important work should be read by lawyers, economists and regulators in the field.
A Network Analysis of Contagion and Its Mitigation with Super-Spreader Tax LAP Lambert Academic Publishing
Central counterparties (CCPs) can offer significant benefits to a market. However, CCPs are also highly interconnected with financial institutions and markets and therefore too important to fail. The increased volumes cleared through CCPs and their increasing global scope, in particular in the OTC derivatives market, make it even more important that systemic risks related to CCPs are managed. This paper argues that the current set of international policy measures does partly address these risks, but that alternative policy measures are needed to reduce remaining systemic risks. For example, the paper recommends network analysis to be conducted by CCPs and authorities to gauge potential losses and suggests a common international approach to central bank services to help reduce the dependency of CCPs on services provided by commercial banks.
OTC Derivative Markets and Their Regulation International Monetary Fund
"The book discusses how to reduce risks associated with OTC derivatives and how to increase derivatives market transparency in order to prevent future financial turmoil. It is suggested that, moving OTC derivatives to central counterparties (CCPs) reduces counterparty risks, but it requires additional costs and weakens incentives for market participants to move their transactions to CCPs. Trading derivatives in organized trading venues increases market transparency, but it also requires huge investments to establish trading in such venues. This book discusses about such problems to improve risk management in OTC derivatives market. Thus this book is carried out to fulfill several motivations and it is important for many parties, such as regulators, investors, banks, hedge funds and other financial institutions. In addition, the book is useful for undergraduate, graduate and postgraduate students interested in the regulation of financial derivatives and the global financial crisis."
Shaping Reforms and Business Models for the OTC Derivatives Market: Quo vadis? Times Books
The mandated use of Central Counterparty (CCP) clearing for standardized over-the-counter (OTC) derivatives was a core policy response to the Great Financial Crisis, committed to at the 2009 Pittsburgh Summit of G20 leaders. The allure of central counterparty credit enhancement was not new. CCPs' usefulness as mechanisms for mitigating the potential to mis-assess financial risks due to the complexity of precisely gauging interconnected, opaque and possibly concentrated exposures undertaken bilaterally by financial intermediaries and end users dates from even before that crisis. In 2012, as part of the pursuit of that mandated clearing commitment, the G-20 welcomed the advent of consolidated Principles for Financial Markets Infrastructures (PFMIs) adopted and published jointly by the International Organization of Securities Commissions (IOSCO) and the Committee on Payment and Settlement Systems (CPSS) of the Bank for International Settlements. These Principles were also not new, but taking account of the Pittsburgh commitments, updated and consolidated prior principles separately laid out for payments systems, securities settlement systems, and central counterparties, and added guidance for trade repositories.Today as multiple national authorities are coping with bringing their settlement infrastructures into line with international benchmarks, national requirements and cross border measures based on equivalence, substituted compliance, deference and other criteria, the PFMIs are worthy of a second critical look. Both matters that were addressed and were not addressed by the international high-level look at market infrastructures have continuing importance. This paper addresses the benefits as well as the lingering ambiguities with the concepts contained in the Principles. It also questions whether more attention should be paid to differentiating the risk methodologies applicable to complex and structured products that are not amenable to being effectively "futurized."
Hearing Before the Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises of the Committee on Financial Services, U.S. House of Representatives, One Hundred Eleventh Congress, First Session, June 9, 2009 John Wiley & Sons
The over-the-counter (OTC) derivatives market has captured the attention of regulators after the Global Financial Crisis due to the risk it poses to financial stability. Under the post-crisis regulatory reform the concentration of business, and risks, among a few major players is changed by the concentration of a large portion of transactions in the new market infrastructures, the Central Counterparties (CCPs). This book, for the first time, analyses the regulatory response of the United Kingdom and the United States, the two largest centres of OTC derivatives transactions, and highlights their shortcomings. The book uses a normative risk-based approach to regulation as a methodological lens to analyse the UK regime of CCPs in the OTC derivatives market. It specifically focuses on prudential supervision and conduct of business rules governing OTC derivatives transactions and the move towards enhancing the use of central clearing. The resulting analysis, from a normative risk based approach, suggests that the UK regime for CCPs does not fulfil what would be expected if a coherent risk based approach was taken. Our comments on the Dodd-Frank Act highlight that the incoherent adoption of risk-based approach to regulation affects the effectiveness of the US regime for CCPs. Such a regime does not follow the pace of events of ‘innovation risk’; in particular, the foreseeable changes

FinTech will bring to the OTCDM and central clearing services. The second inadequacy of the US regime concerns the dual regulatory structure of the CFTC and the SEC, and the inadequate adoption of different and not well-coordinated regulatory strategies. We also analyse the cross-border implications of the US regime for non-US CCPs that provide clearing services to US market participants. Finally, we study the negative effects of the absence of a clearly defined resolution regime for CCPs.

International Standards for Central Counterparties and Replumbing the Financial System International Monetary Fund

Governing Global Derivatives analyzes the role of the most important financial innovation of the last two decades - financial derivatives - in a global dimension. The evolution of derivatives, especially Over the Counter (OTC), and the possibility of managing risks tailored to customers' needs, are the basic recipe for the success of derivatives. This book focuses on the role of derivatives from a macroeconomic point of view, considering how monetary theory and policy, fiscal policy and the growth process are affected. It fills a gap by rethinking the way financial markets are considered in the macroeconomy and the transmission mechanism of impulses.

A Step-by-Step Guide to the Products, Applications and Risks International Monetary Fund

The financial market turmoil of recent months has highlighted the importance of counterparty risk. Here, we discuss counterparty risk that may stem from the OTC derivatives markets and attempt to assess the scope of potential cascade effects. This risk is measured by losses to the financial system that may result via the OTC derivative contracts from the default of one or more banks or primary broker-dealers. We then stress the importance of "netting" within the OTC derivative contracts. Our methodology shows that, even using data from before the worsening of the crisis in late Summer 2008, the potential cascade effects could be very substantial. We summarize our results in the context of the stability of the banking system and provide some policy measures that could be usefully considered by the regulators in their discussions of current issues.

Making OTC Derivatives Safe International Monetary Fund

Over the last decade dealing in derivative financial instruments (basically forwards, futures, options and combinations of these), particularly in the over-the-counter (OTC) derivatives market has become a central activity for major wholesale banks and financial institutions. Measured in terms of notional principal amount, OTC derivatives outstanding are near, if not greater than, US$10 trillion, even after deduction of double-counting for intra-dealer transactions. Major new regulatory initiatives, including proposed new capital requirements, are under consideration as a means of reducing systemic risk. This paper examines the concept of systemic risk -- that failure of one firm will lead to the failure of a large number of other firms or indeed the collapse of the international financial system. Alternative proposed definitions are considered and integrated and the effects of OTC derivatives on these risks discussed. The key conclusion is that systemic risk has been reduced by the development of the OTC derivatives market due to shifting economic risks to those better able either to bear the risk or, in many cases, cancel it against offsetting risks. The implications of the Basle II capital proposals for systemic risk are analyzed and shown to increase this risk due to encouraging transactions which increase portfolio risks of the dealers and discouraging transactions which decrease their portfolio risk.

Post-Trade Processing of OTC Derivatives International Monetary Fund

From the bestselling author of F.I.A.S.C.O., a riveting chronicle of the rise of dangerous financial instruments and the growing crisis in American business One by one, major corporations such as Enron, Global Crossing, and Worldcom imploded all around us, prey to a greed-driven culture and dubious or illegal corporate finance and accounting. In a compelling and disturbing narrative, Frank Partnoy's Infectious Greed brings to bear all of his skills and experience as a securities attorney, financial analyst, law professor, and bestselling author to tell the story of the rise of the trading instruments and corporate financial structures that imperil the economic health of the country. Starting in the mid-1980s with the introduction of the first proto-derivatives, and taking us through such high-profile disasters as Barings Bank and Long Term Capital Management, Partnoy traces a seamless progression to today's dangerous manipulations. He documents how each new level of financial risk and complexity obscured the sickness of the company in question, and required ever more ingenious deceptions. It's an alarming story, but Partnoy offers a clear vision of how we can step back from the precipice.

Over the Counter Interest Rate Options CEPS

In April this year, the Bank of England conducted its triennial survey of turnover in the UK foreign exchange and over-the-counter (OTC) derivatives markets, as part of the latest worldwide survey coordinated by the Bank for International Settlements. This article sets out the results of the UK survey and compares them with previous surveys and results for other major centres.The main findings of the UK survey are:Average daily spot and forward foreign exchange turnover in April 2001 was $504 billion per day, 21% lower than the $637 billion per day recorded in 1998 (equivalent to a fall of 15% at constant 2001 exchange rates). This fall in turnover has taken place against a backdrop of decreasing global activity, which declined by 19% over the same period to $1,210 billion per day. These results contrast with previous surveys, which had consistently shown a strong increase in foreign exchange business.The decline in UK activity was more than accounted for by the fall in inter-dealer business from $530 billion to $341 billion. This is consistent with the increased role of electronic broking systems, particularly in the spot market where turnover fell by 30%.Underlying customer business in the foreign exchange market as a whole grew by 52%.The euro accounted for a larger proportion of the market in London than the Deutsche Mark did in 1998, but less than the sum of all the legacy currencies.Average daily turnover in OTC currency and interest rate derivatives was $275 billion, 61% higher than the $171 billion recorded in the previous survey in April 1998. This was driven by an increase in OTC interest rate swap business, and reflects the increasing importance of swaps as a trading and pricing benchmark. Global OTC derivatives activity also increased, by 53%.The United Kingdom has retained its position as the world's largest centre for foreign exchange and OTC derivatives business, accounting for 31% and 36% of the global foreign exchange and OTC derivatives markets respectively.

Modern Banking and OTC Derivatives Markets Routledge

The central counterparties dominating the market for the clearing of over-the-counter interest rate and credit derivatives are globally systemic. Employing methodologies similar to the calculation of banks’ capital requirements against trading book exposures, this paper assesses the sensitivity of central counterparties’ required risk buffers, or capital requirements, to a range of model inputs. We find them to be highly sensitive to whether key model parameters are calibrated on a point-in-time versus stress-period basis, whether the risk tolerance metric adequately captures tail events, and the ability—or lack thereof—to define exposures on the basis of netting sets spanning multiple risk factors. Our results suggest that there are considerable benefits from having prudential authorities adopt a more prescriptive approach to for central counterparties' risk buffers, in line with recent enhancements to the capital regime for banks.

OTC Derivatives: Bilateral Trading and Central Clearing Routledge

Derivatives, or financial instruments whose value is based on an underlying asset, played a key role in the financial crisis of 2008-2009. Congress directly addressed the governance of the derivatives markets through the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank; P.L. 111-203; July 21, 2010). This Act, in Title VII, sought to bring the largely unregulated over-the-counter (OTC) derivatives markets under greater regulatory control and scrutiny. Pillars of this approach included mandating that certain OTC derivatives be subject to central clearing, such as through a clearinghouse, which involves posting margin to cover potential losses; greater transparency through trading on exchanges or exchange-like facilities; and reporting trades to a repository, among other reforms. In the debates over Dodd-Frank and in subsequent years, many in Congress have raised the following important questions: If the United States takes stronger regulatory action than other countries, will business in these OTC derivatives markets shift overseas? Since OTC derivatives markets are global in nature, could derivatives trading across borders, or business for U.S. financial firms that engage in these trades, be disrupted if other countries do not adopt similar regulatory frameworks? The first step in addressing these congressional concerns is to examine the degree to which other major countries have adopted similar legislation and regulation as the United States, particularly in light of commitments from the Group of Twenty nations (G-20) to adopt certain derivatives reforms. Following the financial crisis, G-20 leaders (generally political heads of state) established a reform agenda and priorities within that agenda for regulating and overseeing OTC derivatives. The G-20 as an organization has no enforcement capabilities, but relies on the members themselves to implement reforms. According to recent surveys, most members are making progress in meeting the self-imposed goal of implementing major reforms in derivatives markets. Only the United States appears to have met all the reforms endorsed by the G-20 members within the desired timeframe of year-end 2012. The European Union (EU), Japan, Hong Kong, and the United States have each taken significant steps towards implementing legislation requiring central clearing. However, in most of these jurisdictions legislation has not yet been followed up with technical implementing regulations for the requirements to become effective, according to the Financial Stability Board (FSB), which conducts the surveys. Most authorities surveyed estimated that a significant proportion of interest rate derivatives would be centrally cleared by year-end 2012, but they were less confident of progress for other asset classes. The EU appeared to be making progress in its G-20 derivatives regulatory commitments, particularly in central clearing and trade repository-reporting requirements, but at a slower pace than the United States, according to the FSB. This may be due in part to the need for legislation to be passed by individual national legislatures even when agreed broadly by the EU. As of October 2012, however, only the United States had adopted legislation requiring standardized derivatives to be traded on exchanges and electronic platforms. This report examines the G-20 recommendations for reforming OTC derivatives markets and presents the result of self-assessment surveys measuring the performance of G-20 members and some FSB members to date in meeting their commitments. The Appendix to the report presents more detailed information on the status of individual jurisdictions in implementing the G-20- endorsed reforms. The Glossary defines key international bodies and related financial terms and concepts.

Making OTC Derivatives Safe—A Fresh Look BoD – Books on Demand

An in-depth look at the best ways to navigate the post-reform world of derivatives and futures The derivatives market is one of the largest, and most important financial markets in the world. It's also one of the least understood. Today we are witnessing the unprecedented reform and reshaping of this market, and along with these events, the entire life cycle of a derivatives transaction has been affected. Accordingly, nearly all market participants in the modern economy need to view the handling of risk by derivatives in a very different way. Many aspects of financial services reform are based on a belief that derivatives caused the Great Recession of 2008. While the difficulties we now face cannot be blamed solely on derivatives, the need to understand this market, and the financial products that trade within it, has never been greater. The Post-Reform Guide to Derivatives and Futures provides straightforward descriptions of these important investment products, the market in which they trade, and the law that now, after July 16, 2011, governs their use in America and creates challenges for investors throughout the world. Author Gordon Peery is an attorney who works exclusively in the derivatives markets and specializes in derivatives and futures reform and market structure. Since representing clients in Congressional hearings involving Enron Corp., he has developed extensive experience in this field. With this guide, he reveals how derivatives law, and market practice throughout the world, began to change in historic ways beginning in 2011, and what you must do to keep up with these changes. Explains what derivatives and futures are, who trades them, and what must be done to manage risk in the post reform world Accurately reflects the futures and derivatives markets as they exist today and how they will be transformed by the Dodd-Frank Wall Street Reform and Consumer Protection Act Highlights the risks and common disputes regarding derivatives and futures, and offers recommendations for best practices in light of the evolving law governing derivatives The financial crisis has changed the rules of Wall Street, especially when it comes to derivatives and futures. The Post-Reform Guide to Derivatives and Futures will help you navigate this evolving field and put you in a better position to make the most informed decisions within it.

Modern Banking and OTC Derivatives Markets International Monetary Fund

We provide a descriptive examination of the trading activities of one of the most important intermediaries in global financial markets - the OTC derivatives dealer. These dealers play a central role in the provision of derivative products and in the intermediation of market risks faced by financial and non-financial firms alike. Utilizing a unique database, we analyze the derivatives holdings of 264 dealers spanning 34 countries over the period 1995-2001. We document the geographic composition of dealers on both country and regional levels as well as analyze trends in dealer holdings on an aggregate and individual product level. We further analyze the extent of global merger activity among dealers and resulting consolidation effects. Finally, we investigate at the individual dealer level the extent and evolution of their array of product offerings.

Global Securities Markets John Wiley & Sons

"The first port of call for anyone looking to truly understand derivatives markets, appreciate the role they play within the global financial system and develop the technical knowledge to trade." Matthew Thompson, Chief Strategy & Business Development Officer, Dubai Mercantile Exchange "An essential read for anyone serious about understanding the impact of derivatives and technology on the global financial market." Kevin Thorogood, Global Head, Investment Banking/Energy Trading, Thunderhead Ltd "We have used Francesca for training on derivatives in the past. She demonstrates a passion for these markets and for learning. In a fast changing world, the combination of technical learning and practical experience that Francesca applies is helpful in keeping abreast of market developments." Rachael Hoey, Director, Business Development, CLS YOUR ESSENTIAL COMPANION TO THE DERIVATIVES MARKETS Mastering Derivatives Markets provides full up-to-the-minute explanations — with worked examples and screen shots — covering the basics of options, swaps and futures across the key asset classes: rates, currency, equity, commodity and credit. This book is relevant to anyone working within the financial markets, from the new entrant to the seasoned trader looking for updates, and to non-trading personnel working in IT, legal, compliance, risk, credit and operations. Please note that the 'look inside' feature is currently displaying the content of Mastering Derivatives Markets Third Edition, this will be updated soon. Mastering Derivatives Markets Fourth Edition has been completely revised and features new chapters on: The most up to date thinking in the market OTC clearing Regulation Benchmarking Electronic futures trading in the FX market New insights into the commodities markets Carbon trading and environmental products

Over-the-counter Derivatives and Systemic Risk to the Global Financial System INTERNATIONAL MONETARY FUND

The financial crisis of 2007–2009 exposed the weaknesses of the global over-the-counter (OTC) derivatives market such as limited transparency regarding risk exposures, poor counterparty risk management practices, and the risk of contagion arising from interconnectedness in this market. In the aftermath of the financial crisis, regulators introduced worldwide legislative and regulatory changes aimed at increasing the transparency and stability of the financial markets. In this book, Dr. Olga Lewandowska explores those novel regulatory solutions and their impact. The main focus is on central counterparty (CCP) clearing that became mandatory for OTC derivatives under the new regulatory paradigm. In four research papers, she analyzes CCP from different risk perspectives and based on four diverse research methods. Her book offers a comprehensive assessment of the risk-reduction potential of the CCPs, their implications for the financial markets, and the practical challenges in the implementation of the recent financial market reforms.

The Foreign Exchange and Over-the-Counter Derivatives Markets in the United Kingdom John Wiley & Sons

Regulation and Supervision of the OTC Derivatives MarketRoutledge

Central Counterparties International Monetary Fund

Recent regulatory efforts, especially in the U.S. and Europe, are aimed at reducing moral hazard so that the next financial crisis is not bailed out by tax payers. This paper looks at the possibility that central counterparties (CCPs) may be too-big-to-fail entities in the making. The present regulatory and reform efforts may not remove the systemic risk from OTC derivatives but rather shift them from banks to CCPs. Under the present regulatory overhaul, the OTC derivative market could become more fragmented. Furthermore, another taxpayer bailout cannot be ruled out. A reexamination of the two key issues of (i) the interoperability of CCPs, and (ii) the cost of moving to CCPs with access to central bank funding, indicates that the proposed changes may not provide the best solution. The paper suggests that a tax on derivative liabilities could make the OTC derivatives market safer, particularly in the transition to a stable clearing infrastructure. It also suggests reconsideration of a "public utility" model for the OTC market infrastructure.

The Transformation of Global Finance and its Implications for Systemic Risk International Monetary Fund

Practical guidance toward handling the latest changes to the OTCderivatives market Central Counterparties is a practical guide to centralclearing and bilateral margin requirements, from one of theindustry's most influential credit practitioners. With up-to-dateinformation on the latest regulations imposed after the globalfinancial crisis, this book covers the mechanics of the clearingprocess and analyses the resulting consequences. Detaileddiscussion explains the ways in which the very significant clearingand margining rules will affect the OTC derivatives market and thefinancial markets in general, with practical guidance towardimplementation and how to handle the potential consequences. Over-the-counter derivatives were blamed by many for playing amajor role in the 2007 financial crisis, resulting in a significantattention and dramatic action by policymakers, politicians, andregulators to reduce counterparty credit risk which was seen as amajor issue in the crisis. The two most important regulatorychanges are the mandatory clearing of standardised OTC derivatives,and the requirements for bilateral margin posting in non-standardOTC contracts. Central Counterparties is a completereference guide to navigating these changes, providingclarification and practical advice. Review the mitigation of counterparty credit risk with thehistorical development of central clearing Clarify the latest regulatory requirements imposed byDodd-Frank, EMIR, Basel III and more Learn the mechanics of central clearing, with special attentionto complex issues such as margin calculations, the loss waterfall,client clearing and regulatory capital rules Gain insight into the advantages and disadvantages of clearingand bilateral margin requirements, and the potential issues thatarise As the clearing and margining mandates are phased in, theassociated costs will be severe enough to dramatically shift thetopology of the financial markets and transform the nature of risk.Central Counterparties provides the information,clarification and expert insight market practitioners need to getup to speed quickly.

United States Oxford University Press

Written by two of the most distinguished finance scholars in the industry, this introductory textbook on derivatives and risk management is highly accessible in terms of the concepts as well as the mathematics.With its economics perspective, this rewritten and streamlined second edition textbook, is closely connected to real markets, and:Beginning at a level that is comfortable to lower division college students, the book gradually develops the content so that its lessons can be profitably used by business majors, arts, science, and engineering graduates as well as MBAs who would work in the finance industry. Supplementary materials are available to instructors who adopt this textbook for their courses. These include:Solutions Manual with detailed solutions to nearly 500 end-of-chapter questions and problemsPowerPoint slides and a Test Bank for adoptersPRICED! In line with current teaching trends, we have woven spreadsheet applications throughout the text. Our aim is for students to achieve self-sufficiency so that they can generate all the models and graphs in this book via a spreadsheet software, Priced!