

## SEFs – nothing short of technology marvels

January 23, 2014

Its true. If you step back and think about it for a minute, the work carried out over the past four years to create an electronic swaps meta-logomarket almost from scratch is pretty amazing. PR Metia just released their FinTech Insight 2014 report which includes commentary from industry analysts on all things financial technology – and I was fortunate enough to be included. My short analysis focused on the amazing progress that's been made in the swaps e-trading space in the past year, and the additional progress that is inevitable in 2014. The full report can be downloaded [here](#). My contribution:

### **The Year of the SEF**

2013 will forever be known as the year of mandatory clearing. Once ignored as boring back-office stuff, all things clearing were front and center as swaps went from a ten day to a ten second clearing cycle – literally. Buy side, sell side, affirmation platforms, clearing houses and swap data repositories all played a part in making this huge transformation happen. Not only was an entire market infrastructure built from scratch, but the technologists at the wheel faced immeasurable scope creep created by constant regulator driven changes. Despite these challenges, all of the hard work paid off with swaps clearing quickly approaching 'business as usual' status.

Despite these great successes, liquidity in the fixed income market is a bit of a mess. Dealers aren't committing capital in the corporate bond market. Bond market trading platforms keep popping up to compensate for the dealer pull back. The US Treasury market is hugely distorted by the Fed's constant bond buying. And last but certainly not least, the interest rate and credit default swap markets are in a major state of transition with the forthcoming 2014 implementation of mandatory SEF trading.

This has all proven quite a pain for investors and dealers. However, such market upheaval creates a once in a lifetime opportunity for technology innovation.

To that end, the innovation in 2014 will come from SEFs. While SEF trading was expected as far back as 2011, three years later the time has finally arrived. The delay means we've gone from more than a dozen startups to three and established platforms have had to transform themselves. What's left is a group of liquidity venues that will create for the first time ever an active electronic swaps market. If we consider the complexity of the products, annual turnover in the hundreds of trillions and regulatory complexity like no one has ever seen – the SEFs that will be there on day one are nothing short of technology marvels.

The result is a blank canvas for traders and technologists to devise business models, trading strategies and new analytics to benefit from the electrification of the swaps market.

---

[www.greenwich.com](http://www.greenwich.com) | [ContactUs@greenwich.com](mailto: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](http://www.crisil.com)

## Disclaimer and Copyright

This Document is prepared by Coalition Greenwich, which is a part of CRISIL Ltd, an S&P Global company. 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 Coalition Greenwich as on the date of the Document and 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 in this Document may reflect the views reported to 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. 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 COALITION GREENWICH BELIEVES TO BE RELIABLE. 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. 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.

Coalition Greenwich is a part of CRISIL Ltd, an S&P Global company. ©2024 CRISIL Ltd. All rights reserved.