

# New Capital Rules Complicate IRD Use

June 9, 2016

## Executive Summary:

With the advent of progressively more rigorous capital requirements, dealers have been compelled to reprice interest-rate derivative products.

As the costs involved in hedging the underlying exposures have become increasingly apparent, dealers are more accurately pricing the costs associated with a product, down to the collateral agreements.

This has led to changes in client behavior. Both corporates and government agencies are more amenable to paying credit charges as part of the initial transaction as collateralizing trades becomes more expensive.

## Methodology:

Between August and November 2015, Greenwich Associates conducted 342 in-person and telephone interviews globally with top-tier corporate users of interest-rate derivatives. Participants were asked about corporate usage of interest-rate derivatives globally.



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

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