INDUSTRY SENTIMENT SURVEY

Impact of COVID-19 pandemic on the global cleared derivatives industry

June 2020
Background

• During June 4-11, 2020, FIA surveyed its members on the impact of the COVID-19 pandemic on the cleared derivatives industry.

• 140 individuals responded to the survey. They represented a wide range of industry sectors, including clearing firms, exchanges, CCPs, brokers, principal trading firms, technology vendors, commercial end users and additional service providers.

• The respondents came from the U.S., the U.K., Singapore and 20 other countries around the world.

• All responses were submitted anonymously.
On a scale of 1-5, how did the exchange-traded and cleared derivatives markets perform during the extreme volatility of the COVID-19 crisis? (5 = high performance)

Average rating = 4.3

Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140
Did the post-crisis reforms help the derivatives markets cope with the pandemic?

- Yes, but volatility exposed certain structural problems that require review (35%)
- Yes, the reforms helped improve market resiliency (27%)
- Not sure (22%)
- No, the reforms had no effect on the ability of the derivatives markets to cope with the pandemic (10%)
- No, the reforms made the impact worse by reducing liquidity (6%)

Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140
What challenges were exposed by the extreme volatility during COVID-19 that may need review? (select all that apply)

- Margin volatility and unpredictability: 76%
- Issues with clearing operations and systems: 40%
- A high number of trade breaks: 30%
- Concentration among service providers: 25%
- Improper capital requirements: 19%

Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140
What impact has the pandemic had on your organization's commitment to sustainability?

Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140
What impact will the pandemic have on your organization's future telework policy?

- 41%: It will permanently reduce the number of staff in the office by 10 to 20 percent.
- 36%: It will permanently reduce the number of staff in the office by more than 20 percent.
- 23%: No change

Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140
Was there adequate liquidity in the market during times of extreme volatility?

Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140
Did the decision by exchanges to close trading floors harm liquidity?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Yes</td>
<td>15%</td>
</tr>
<tr>
<td>No</td>
<td>55%</td>
</tr>
<tr>
<td>Not sure</td>
<td>30%</td>
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Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140
What are your expectations for trading volume for the rest of 2020?

- Too much uncertainty to predict: 39%
- Trading volume will decline as volatility subsides from the March peak: 32%
- Trading volume will remain at a higher level due to continued volatility: 29%

Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140
Which asset class is the most likely to experience the highest growth in trading activity for the rest of 2020? Select the answer that best fits your expectations.

- Equities: 43%
- Commodities (Ags, Energy and Metals): 32%
- Interest rates: 16%
- FX: 9%

Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140
During the worst of the market turmoil, several European countries banned short selling. What was the impact of those bans on the equity derivatives markets?

Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140
What is the outlook for end-user participation in the commodity futures and options markets?

Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140
What are the lessons learned from the negative pricing that occurred in the oil futures market in April? *(select all that apply)*

- **80%** Market participants should have been more aware that commodity prices can become negative
- **43%** Exchanges should have done a better job at alerting their customers
- **33%** Clearinghouses should have done a better job at updating their margin models
- **30%** Intermediaries should have done a better job at informing their customers

*Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140*
Respondent demographics

Primary business

- Clearing firm: 34.3%
- Exchange/CCP: 11.4%
- Principal trading firm: 10.0%
- Technology vendor: 9.3%
- Broker: 7.1%
- Other: 5.0%

Role

- Strategy & business development: 30.0%
- Legal & compliance: 22.1%
- Operations & technology: 15.7%
- Risk: 9.3%
- Other: 9.3%
- Trading & brokerage: 7.9%

Source: FIA Industry Sentiment Survey, June 2020; Respondents = 140