



# Insights into the derivatives clearing landscape

July 16, 2020





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SPEAKER

**Linda Coffman**, *Executive Vice President,  
SmartStream Reference Data Utility*



# Presenters



**Will Acworth**  
**MODERATOR**  
*Senior Vice President,  
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**Will Mitting**  
*Founder and Managing  
Director, Acuiti*



# Agenda

- Margin Requirements – Impact of Volatility
  - Jump in both size and frequency of IM increases
- Customer Funds – Massive Spike in Q1
  - Futures Accounts; Swaps Accounts; FCM Ranking
- Concentration Ratios
  - Assessing the decline in the number of clearing firms
  - Focus on firms serving prop traders and brokers
- Revenue Trends
  - Data from Acuiti surveys
- Business Trends
  - Back office challenges caused by transaction volume
  - Risk issues exposed by margin breaches
  - Scrutiny of risk vs. reward in the clearing business

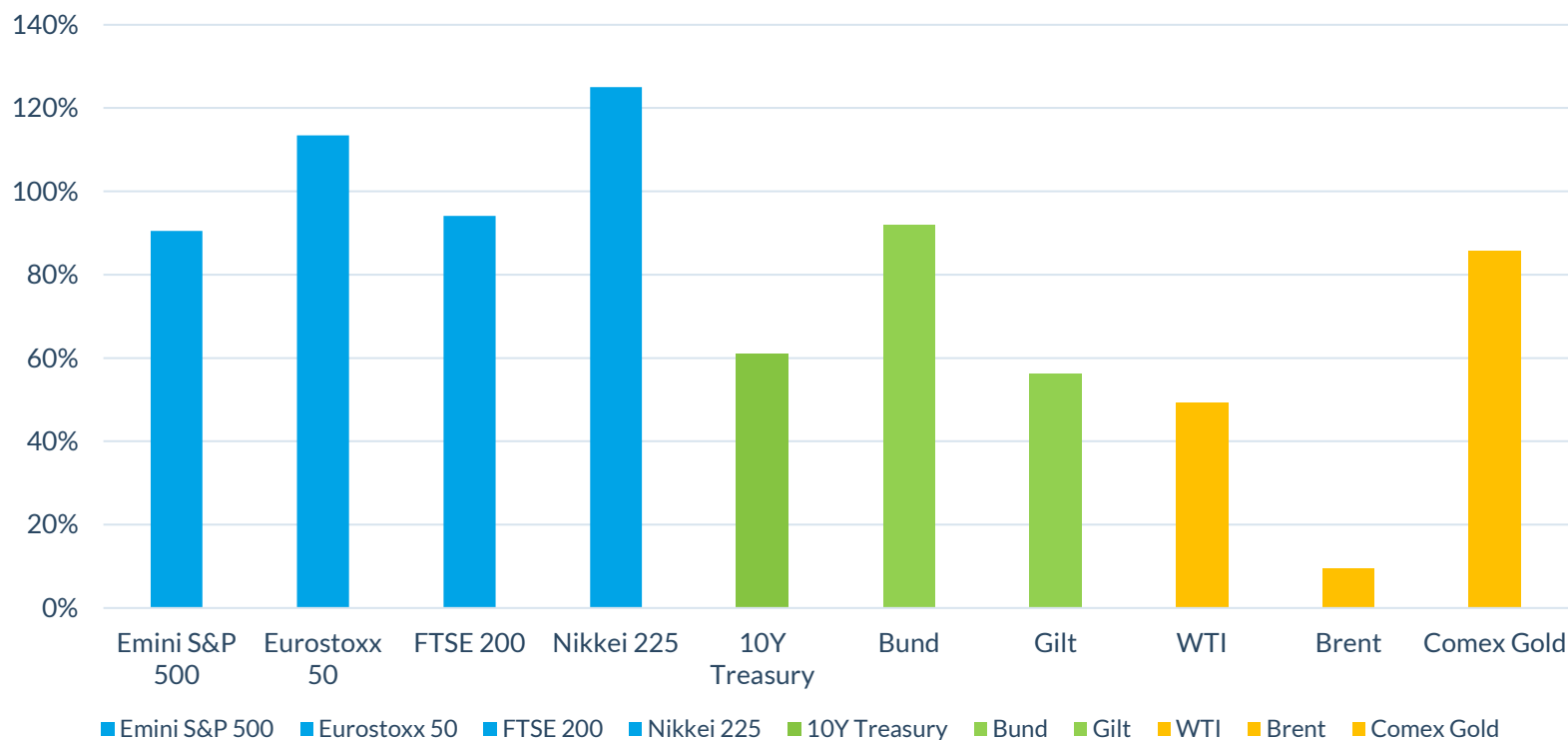


# Margin Requirements – Data Source

- Exchanges and clearinghouses set initial margin requirements for each contract they clear.
- The amounts are based on their estimates of potential changes in value over a one-day to five-day horizon, depending on the contract.
- Exchanges and clearinghouses publish information about margin requirements on their websites.
- FIA has collected initial margin data for a small number of benchmark contracts to provide a window into the impact of volatility.

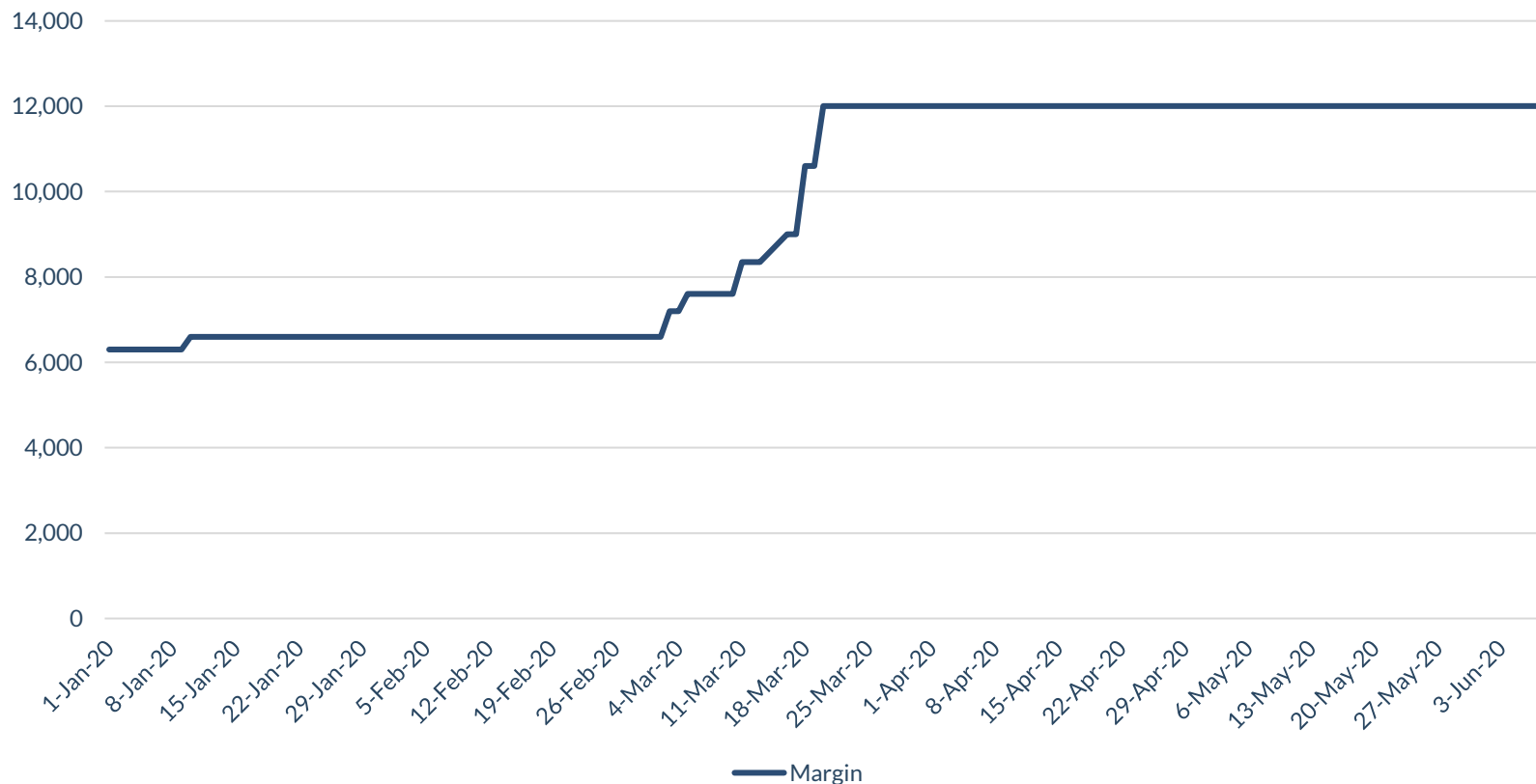
# Margin Requirements – Impact of COVID

Initial Margin Requirements for Benchmark Futures Contracts  
Percent increase in IM from Jan 1 to Mar 30



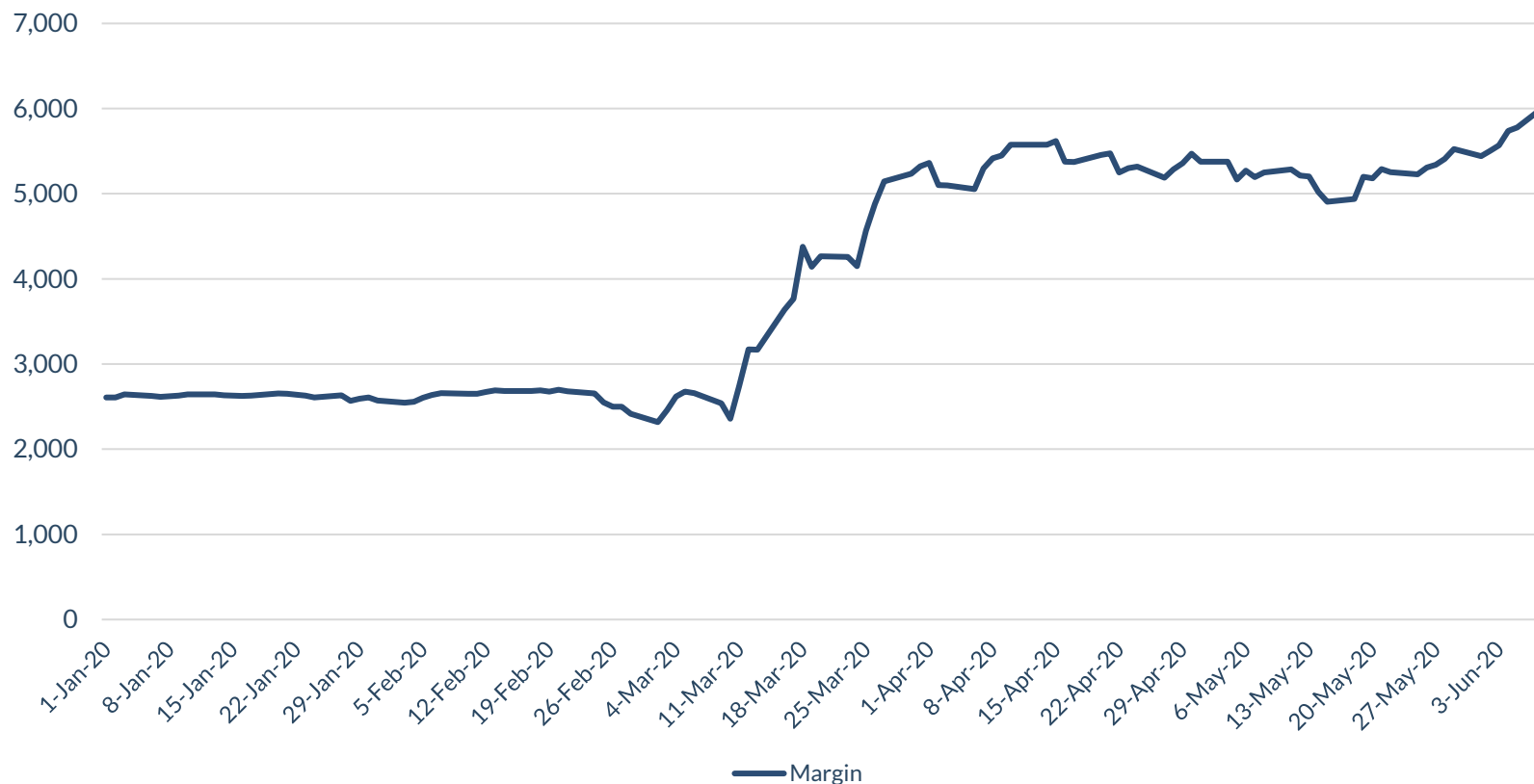
# Margin Requirement – Emini S&P 500

CME Emini S&P 500 Futures  
Per Contract Initial Margin Requirement



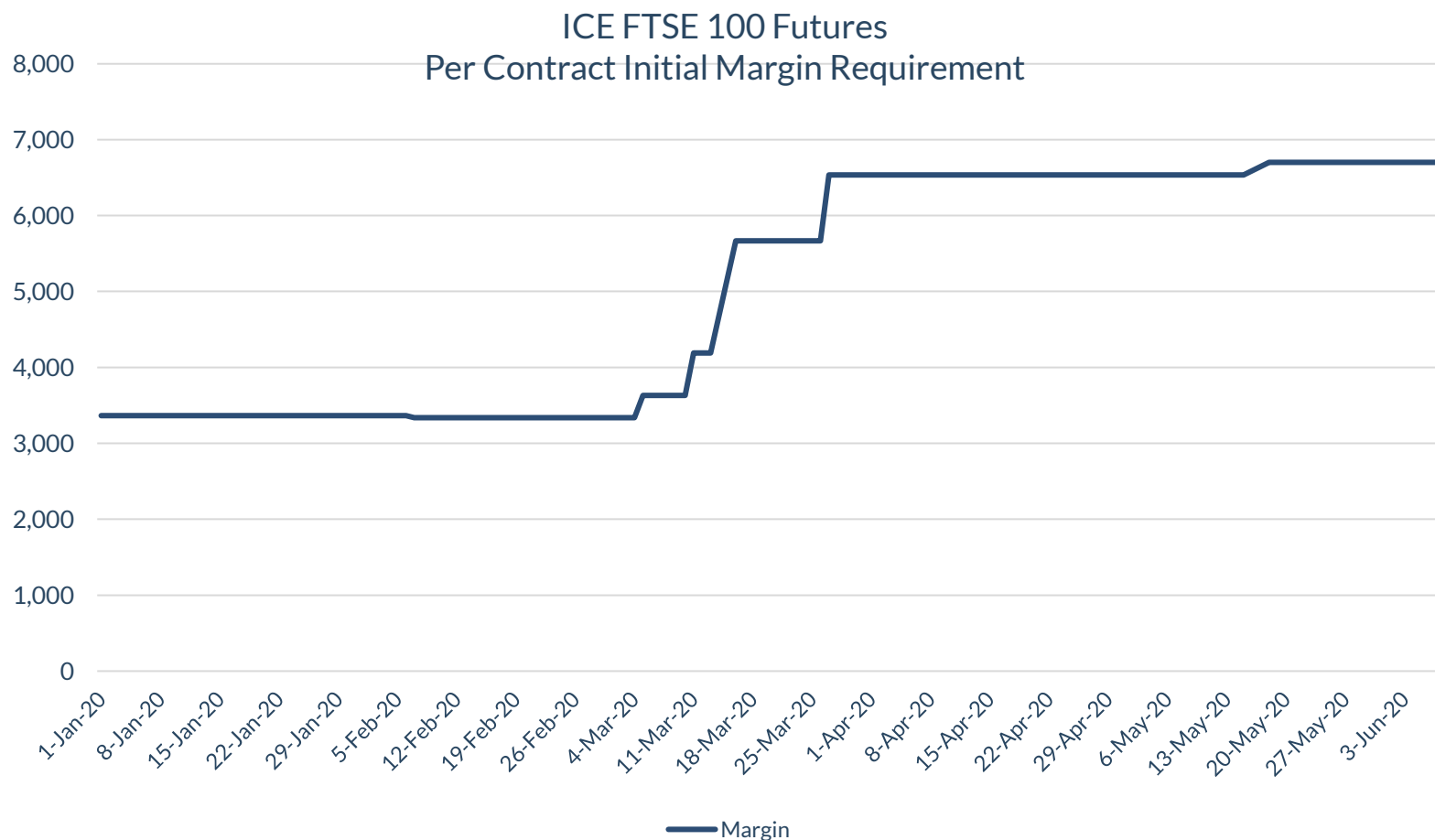
# Margin Requirement – Eurostoxx 50

Eurex Eurostoxx 50 Futures  
Per Contract Initial Margin Requirement



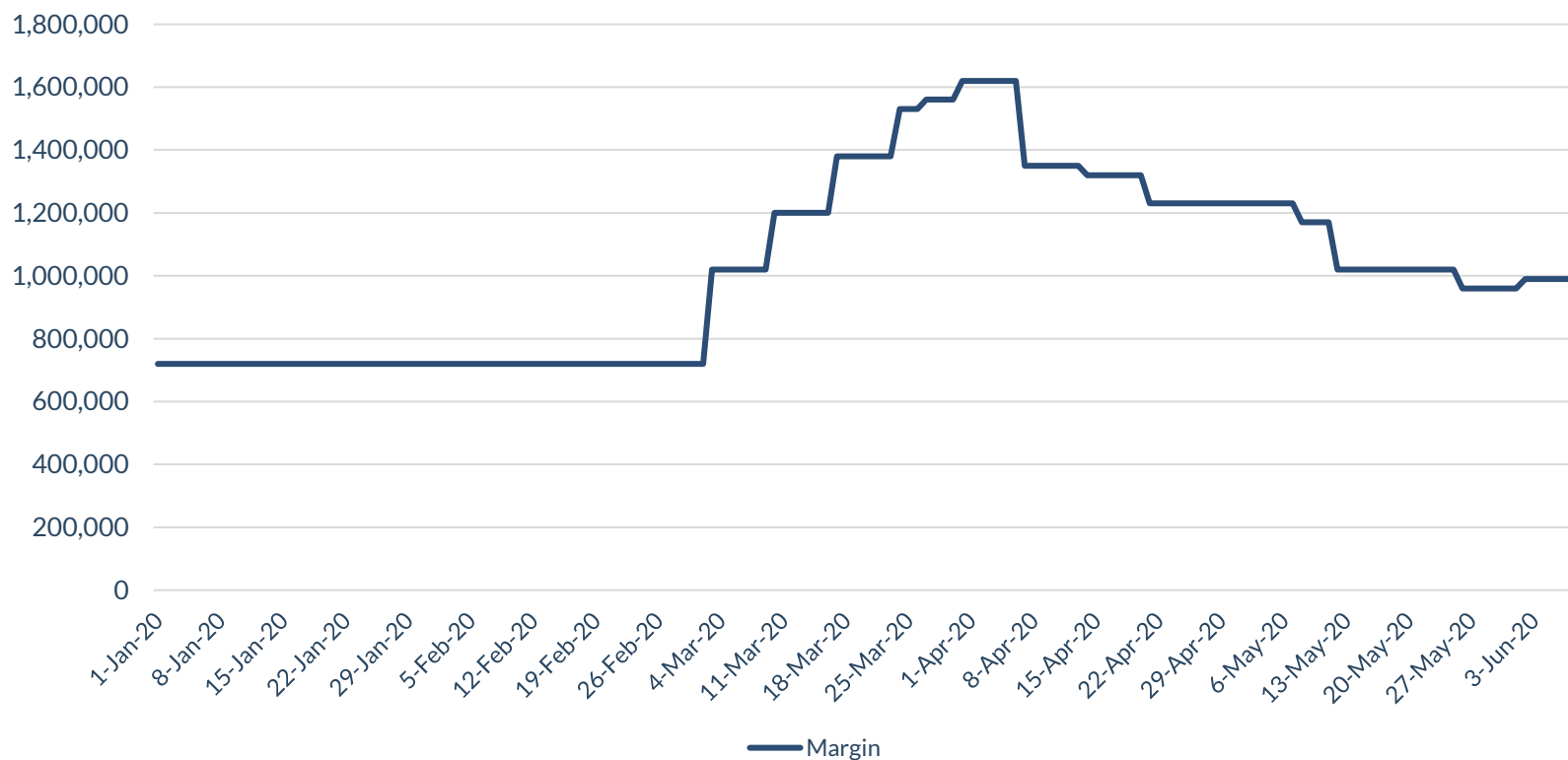


# Margin Requirement – FTSE 100



# Margin Requirement – Nikkei 225

JPX Nikkei 225 Futures  
Per Contract Initial Margin Requirement and Daily Variation Margin





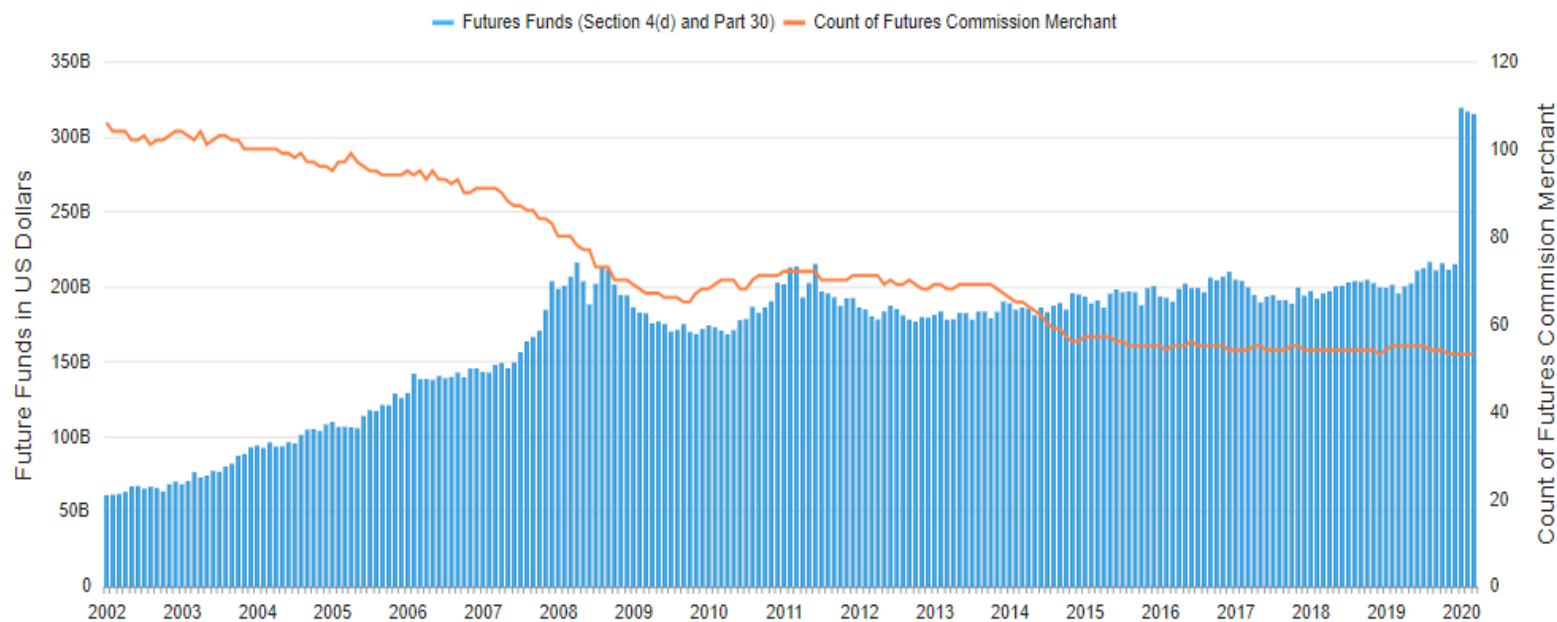
# Customer Funds – Data Source

- The Commodity Futures Trading Commission publishes data on customer funds held by futures commission merchants in the US.
- These data provide insights on the flows of customer funds and the health of the clearing firm community.
- FIA has compiled almost two decades of these reports into a consolidated database and uses the data to support the FCM Tracker, a set of interactive visualizations hosted on the FIA website.

# Customer Funds – Futures Accounts

## Customer Seg Funds in Futures Accounts and FCM Count over Time

This visualization shows the amount of customer funds in futures accounts held by futures commission merchants in the U.S. as well as the total number of FCMs that are holding those funds.



\* Count excludes FCMs that have zero customer funds and does not consolidate affiliated FCMs.

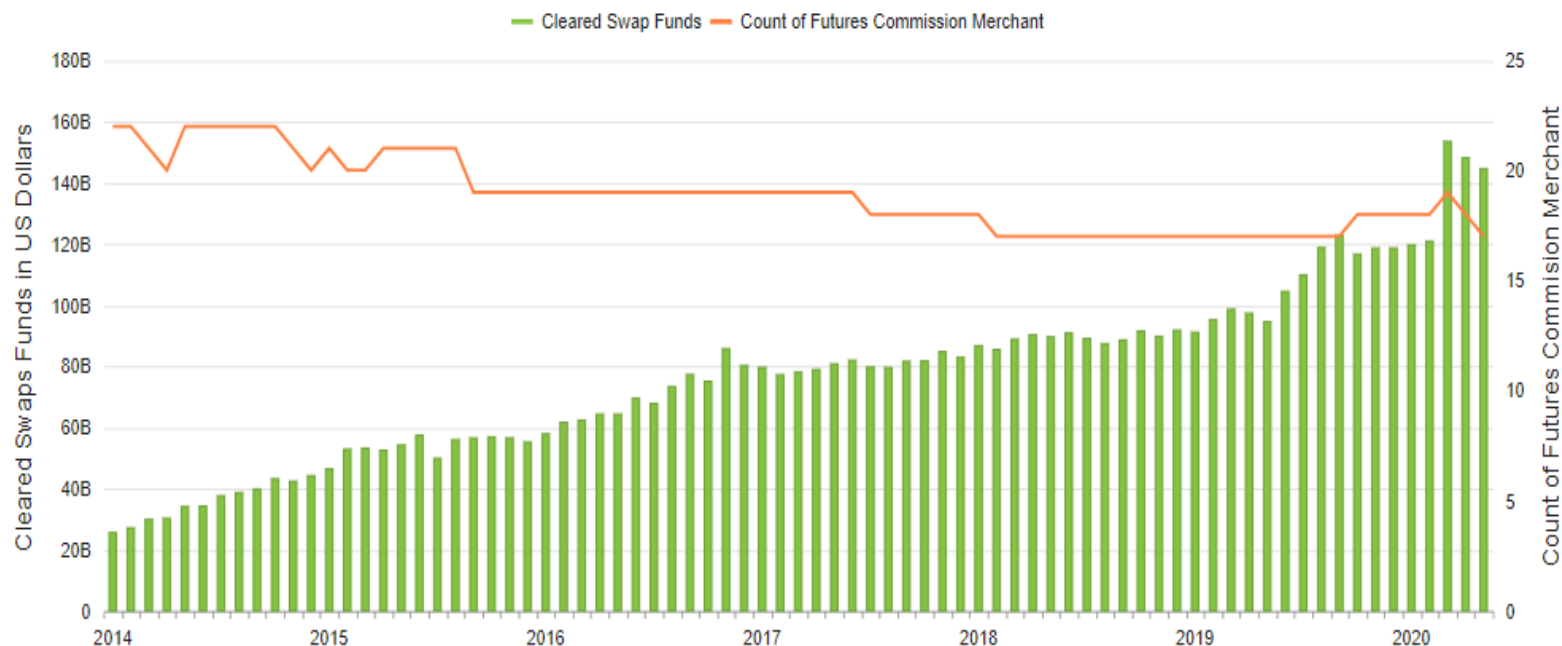
Source: FIA FCM Tracker<sup>SM</sup>



# Customer Funds – Swaps Accounts

## Cleared Swap Funds and FCM Count over Time

This visualization shows the amount of customer funds in cleared swaps accounts held by futures commission merchants in the U.S. as well as the total number of FCMs that are holding those funds.



\* Count excludes FCMs that have zero customer funds and does not consolidate affiliated FCMs.

Source: FIA FCM Tracker<sup>SM</sup>

# Customer Funds – FCM Ranking

Rank	FCM Name	Seg Funds	Change	Part 30 Funds	Change	Swap Funds	Change	Total Funds	Change
1	JP MORGAN SECURITIES LLC	\$47,294,850,240	130.1%	\$5,935,810,406	37.1%	\$19,108,416,005	43.4%	\$72,339,076,651	89.3%
2	MORGAN STANLEY & CO LLC	\$26,023,392,581	54.2%	\$7,600,466,346	51.2%	\$27,169,594,565	75.6%	\$60,793,453,492	62.7%
3	CITIGROUP GLOBAL MARKETS INC	\$16,190,893,745	66.6%	\$4,287,308,585	68.3%	\$36,305,878,668	41.9%	\$56,784,080,998	50.0%
4	GOLDMAN SACHS & CO LLC	\$36,531,145,926	96.3%	\$9,898,468,597	15.7%	\$10,086,217,724	56.5%	\$56,515,832,247	68.2%
5	BOFA SECURITIES INC	\$24,830,723,129	58.1%	\$5,544,730,824	38.9%	\$11,096,941,451	57.9%	\$41,472,395,404	55.1%
6	CREDIT SUISSE SECURITIES (USA) LLC	\$8,392,077,602	69.7%	\$4,427,973,196	11.8%	\$13,752,116,228	41.3%	\$26,572,167,026	42.6%
7	SG AMERICAS SECURITIES LLC	\$16,812,726,624	32.8%	\$5,813,075,968	7.1%	\$992,606,961	137.9%	\$23,618,409,553	27.6%
8	BARCLAYS CAPITAL INC	\$9,045,280,465	101.9%	\$2,787,452,679	-14.6%	\$7,600,362,369	21.3%	\$19,433,095,513	38.7%
9	WELLS FARGO SECURITIES LLC	\$5,037,586,897	41.5%	\$438,597,345	97.3%	\$13,783,241,724	88.7%	\$19,259,425,966	73.7%
10	UBS SECURITIES LLC	\$8,334,653,994	62.8%	\$1,207,392,956	-12.9%	\$1,057,121,535	56.6%	\$10,599,168,485	47.6%
11	MIZUHO SECURITIES USA LLC	\$5,641,025,672	77.2%	\$781,671,297	8.0%	\$0	-100.0%	\$6,422,696,969	64.3%
12	RBC CAPITAL MARKETS LLC	\$5,612,952,701	279.7%	\$162,160,354	3.0%	\$622,530,927	45.9%	\$6,397,643,982	210.1%
13	BNP PARIBAS SECURITIES CORP	\$4,405,696,490	87.3%	\$163,813,070	-5.8%	\$1,760,048,026	93.3%	\$6,329,557,586	84.2%
14	INTERACTIVE BROKERS LLC	\$5,605,345,839	46.3%	\$587,061,211	31.0%	\$0	0.0%	\$6,192,407,050	44.7%
15	HSBC SECURITIES USA INC	\$4,741,372,068	165.9%	\$142,357,074	15.3%	\$1,165,795,440	37.2%	\$6,049,524,582	119.5%



Note: Change measured year over year. Source: FIA FCM Tracker<sup>SM</sup>

# Customer Funds – Non-Bank FCMs

Rank	FCM Name	Seg Funds	Change	Part 30 Funds	Change	Swap Funds	Change	Total Funds	Change
1	INTERACTIVE BROKERS LLC	\$5,605,345,839	46.3%	\$587,061,211	31.0%	\$0	0.0%	\$6,192,407,050	44.7%
2	RJ OBRIEN ASSOCIATES LLC	\$5,008,826,889	14.2%	\$175,078,250	29.6%	\$0	0.0%	\$5,183,905,139	14.7%
3	ADM INVESTOR SERVICES INC	\$4,599,611,327	4.4%	\$293,580,190	11.4%	\$0	-100.0%	\$4,893,191,517	4.7%
4	INTL FCSTONE FINANCIAL INC	\$2,742,641,405	15.4%	\$114,982,466	-9.1%	\$323,289	0.0%	\$2,857,947,160	14.2%
5	E D & F MAN CAPITAL MARKETS INC	\$2,118,180,884	50.1%	\$67,040,672	31.1%	\$326,075	-58.0%	\$2,185,547,631	49.4%
6	MAREX NORTH AMERICA LLC	\$1,624,191,522	3.8%	\$37,182,220	-6.9%	\$0	0.0%	\$1,661,373,742	3.5%
7	WEDBUSH SECURITIES INC	\$1,310,058,847	33.4%	\$13,553,770	10.2%	\$0	0.0%	\$1,323,612,617	33.1%
8	TRADESTATION SECURITIES INC	\$593,783,905	8.5%	\$16,344,459	-33.7%	\$0	0.0%	\$610,128,364	6.7%
9	PHILLIP CAPITAL INC	\$584,711,057	56.9%	\$7,534,670	-11.7%	\$0	0.0%	\$592,245,727	55.4%
10	MCVEAN TRADING & INVESTMENTS LLC	\$488,171,425	-30.0%	\$0	0.0%	\$0	0.0%	\$488,171,425	-30.0%
11	STRAITS FINANCIAL LLC	\$389,560,604	57.2%	\$26,868,716	-7.3%	\$0	0.0%	\$416,429,320	50.4%
12	PICTET OVERSEAS INC	\$284,996,457	104.2%	\$109,625,639	109.8%	\$0	0.0%	\$394,622,096	105.7%
13	ADVANTAGE FUTURES LLC	\$309,751,155	19.8%	\$24,476,000	-40.9%	\$0	0.0%	\$334,227,155	11.4%
14	TD AMERITRADE FUTURES & FOREX LLC	\$245,374,073	59.9%	\$0	0.0%	\$0	0.0%	\$245,374,073	59.9%
15	DORMAN TRADING LLC	\$211,327,145	33.8%	\$10,967,135	65.4%	\$0	0.0%	\$222,294,280	35.1%

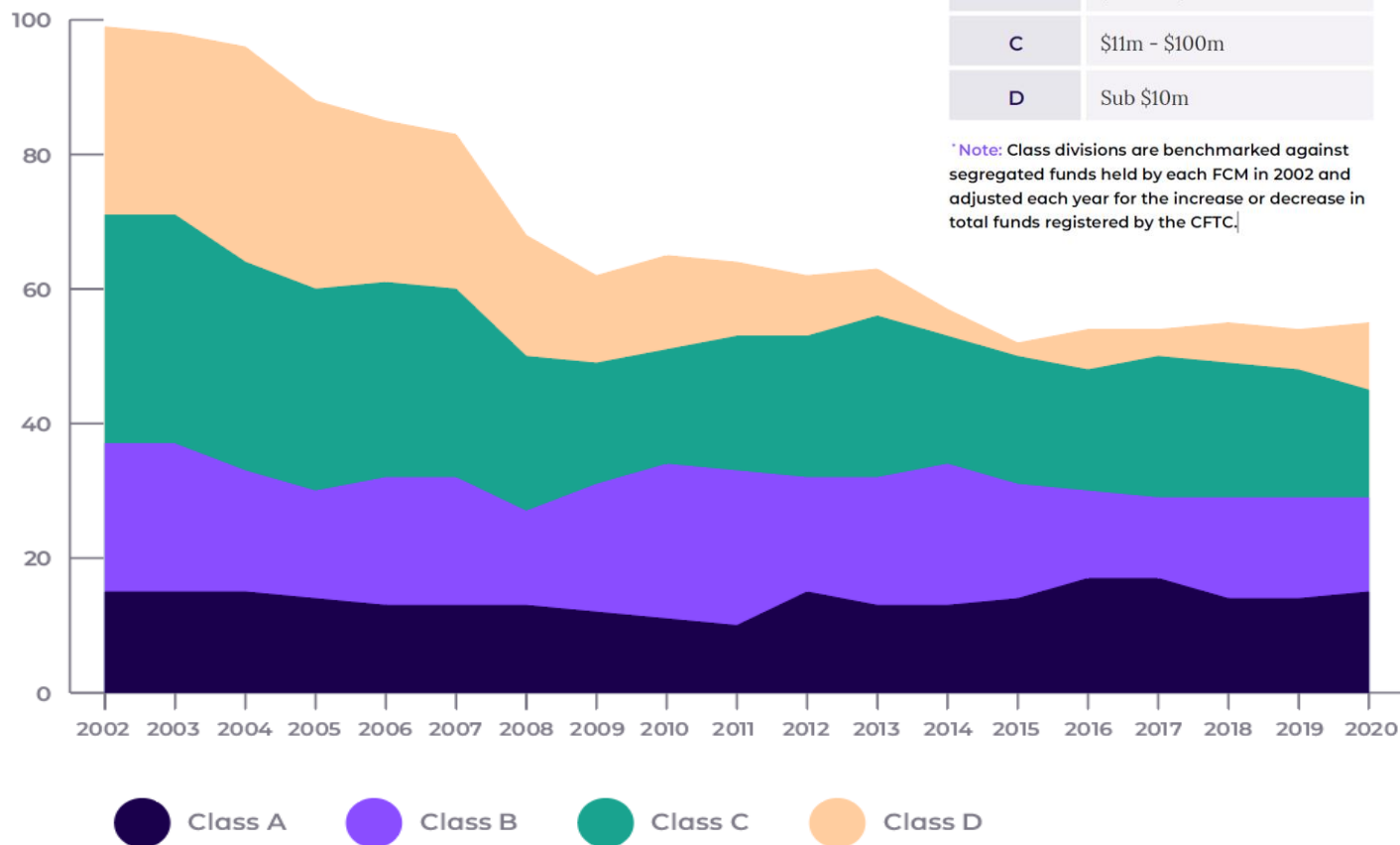


Note: Change measured year over year. Source: FIA FCM Tracker<sup>SM</sup>

# FCMs by “Class”

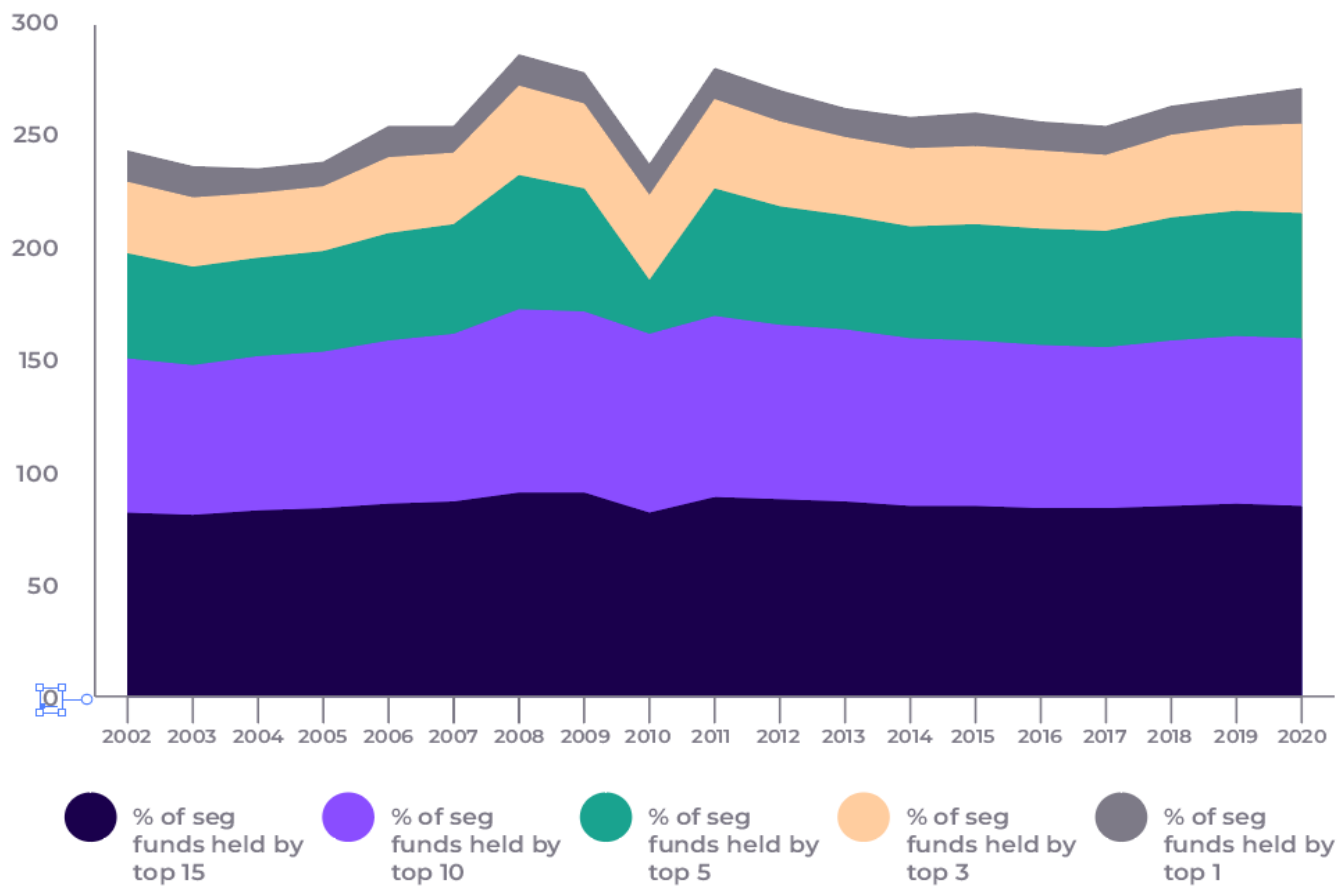
Class	Segregated funds in 2002*
A	\$1bn+
B	\$101m - \$1bn
C	\$1m - \$100m
D	Sub \$10m

\*Note: Class divisions are benchmarked against segregated funds held by each FCM in 2002 and adjusted each year for the increase or decrease in total funds registered by the CFTC.

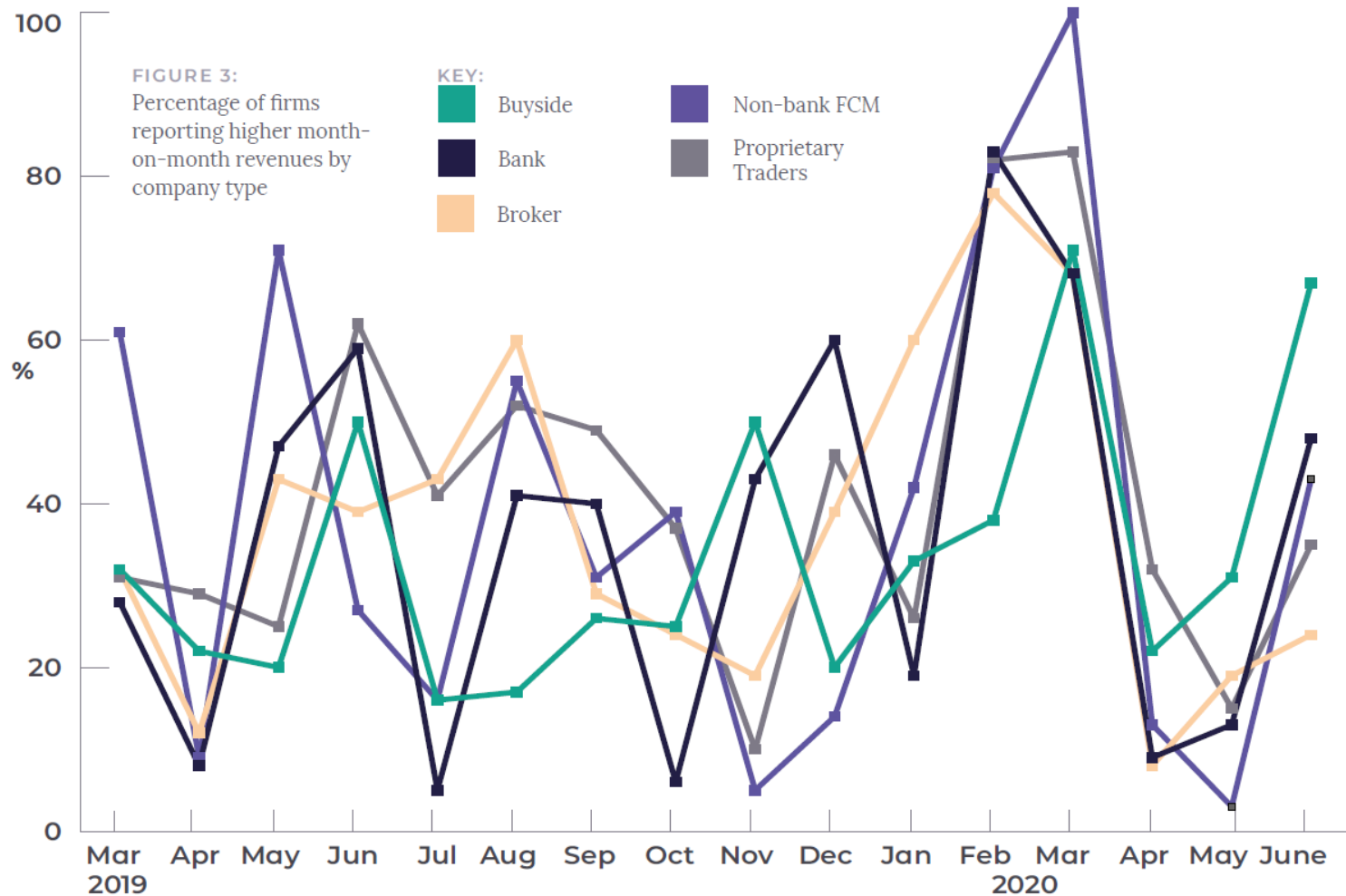




# FCM historical concentration



# Monthly revenue trends





# Operational Issues and Business Trends

- FCM back office operations challenged during the crisis by transaction processing volume and work-from-home
- Multiple margin breaches highlighted risks for FCMs
- Scrutiny of risk vs reward
- Challenge of low/negative interest rates
- Higher barriers to entry/drive for scale among non-bank FCMs
- FCM retrenchment: potential threat to market liquidity
- Repricing of the clearing business



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# Upcoming webinars/events



CFTC enforcement and the push to data-driven cases



2020 US election: the impact on derivatives markets  
*Members-only virtual forum featuring political analyst Charlie Cook*

Learn more and sign up at [FIA.org/webinars](https://FIA.org/webinars)

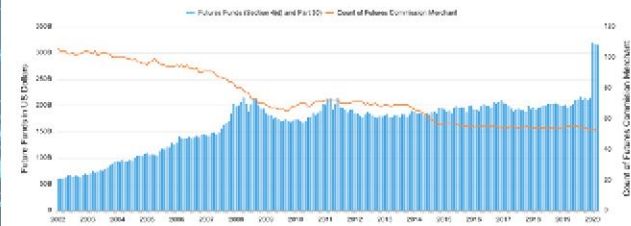
# FIA FCM TRACKER

Your resource for trends in customer funds held at US FCMs

Visit [FIA.org/fcm-tracker](https://FIA.org/fcm-tracker)

Customer Seg Funds in Futures Accounts and FCM Count over Time

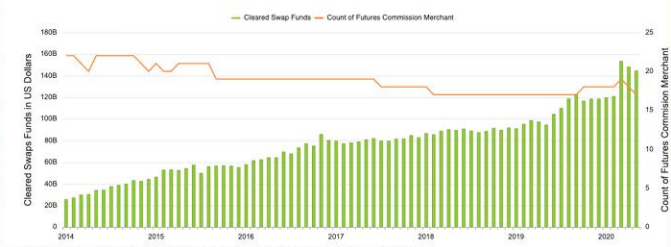
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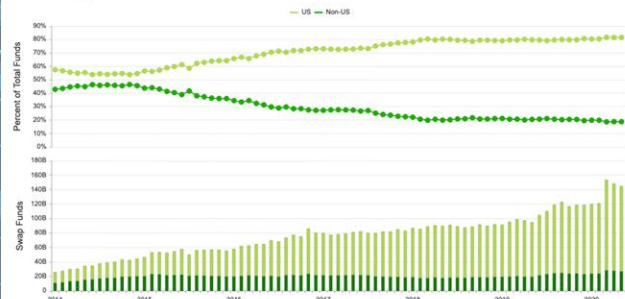
Cleared Swap Funds and FCM Count over Time

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Cleared Swaps



Based on customer segregated funds held at FCMs registered with the CFTC. Non-US classification based on location of parent company.

Futures





# Presenter contact information

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**Presenter:** **Will Mitting**, *Founder and Managing Director, Acuiti* | [willmitting@acuiti.io](mailto:willmitting@acuiti.io)

**FIA**

The image features the letters 'FIA' in a bold, sans-serif font. The 'F' and 'I' are dark grey, while the 'A' is composed of two overlapping triangles, one green and one blue. The background is a light grey with large, overlapping geometric shapes in shades of green, blue, and yellow, creating a modern, abstract design.