

Bloomberg SEF LLC

**March 2020 Market Volatility and Interest Rate
Swap Trading**

JULY 2020

BSEF : Summary

- In March 2020, the market experienced unexpected volatility due to Covid19 resulting in an overall market increase in trading volumes.
- Similarly to the market, BSEF experienced YTD highs in both gross notional and DV01 executed on the platform due to the increase in market volatility.
- As market volatility increases, market participants naturally question their ability to access liquidity and their ability to transfer risk at any given point during a trading day.
- Despite the extreme volatility, BSEF observed an increase in hit rate as DV01 increased per trade, indicating BSEF participants were able to effectively transfer risk over the platform.
- As such, this presentation will focus on:
 - Overall market volatility compared to March 2019
 - Overall DV01 transacted on BSEF for the month of March 2020; and
 - Overall BSEF platform performance
- Furthermore, this analysis focuses on performance as it relates to risk transfers particularly in times of market volatility or stress and excludes compression, roll (March is an IMM month) and portfolio maintenance trades as those trades tend to be more operational in nature.

BSEF : A Quick Look at March Volumes and Volatility

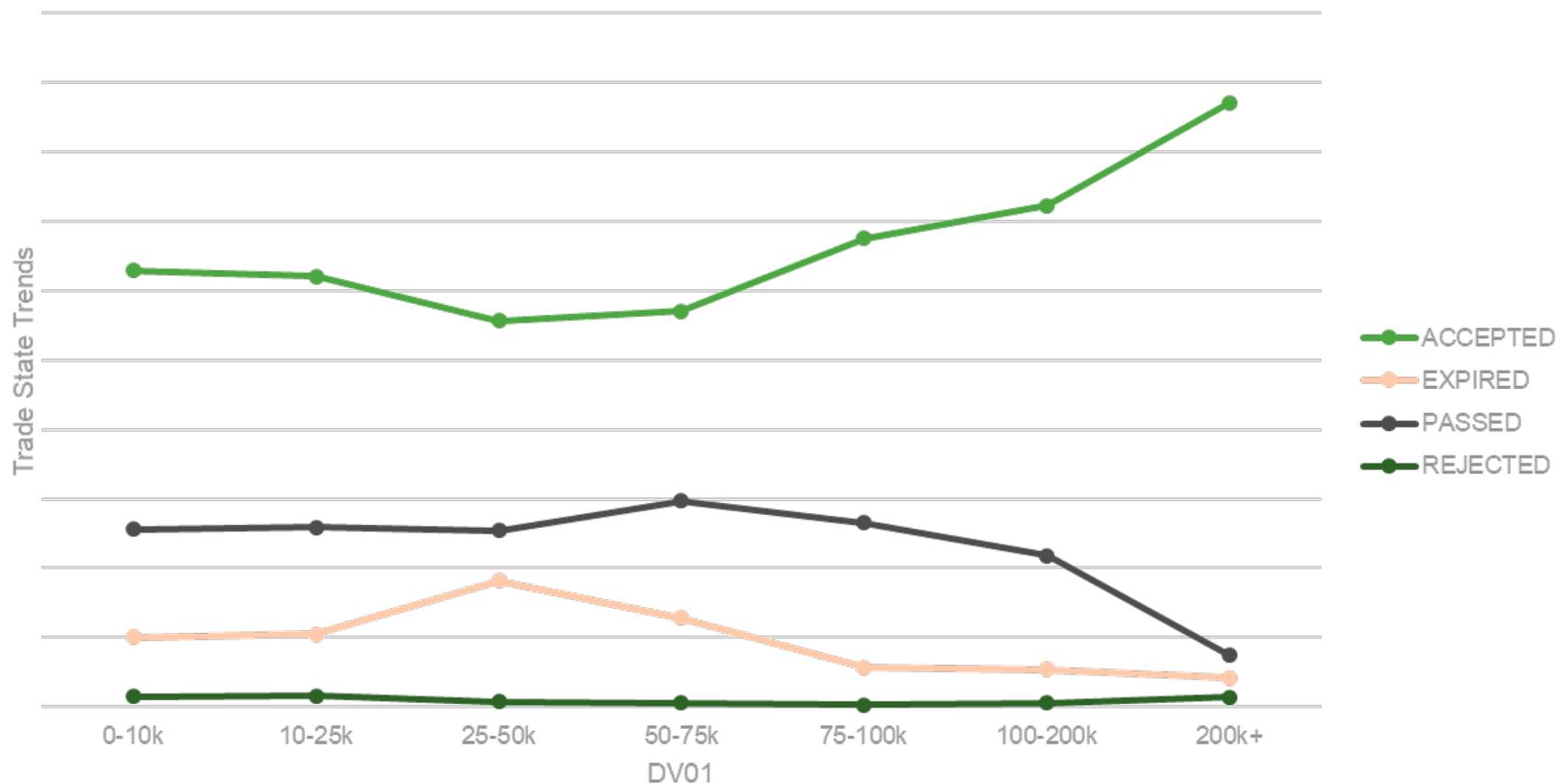
Interest Rate Volatility March 2019 compared to March 2020



Observations:

- Using the YLDVUS index, interest rate volatility peaked during the week of March 9th-13th 2020 compared to March 2019.
- As a result, BSEF also experienced peak trading volumes and increases when compared to March 2019:
 - Gross Notional (ex lists): +16%
 - DV01: +16%
 - Tickets: +42%
 - RFQ was the preferred execution method with an increase in the number of LPs in comp

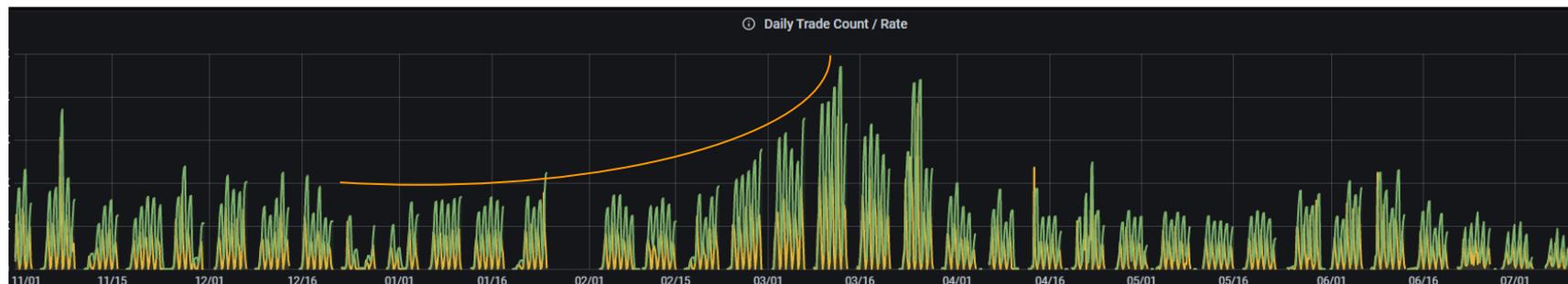
BSEF : March 2020 Accepted Trades By DV01 Buckets



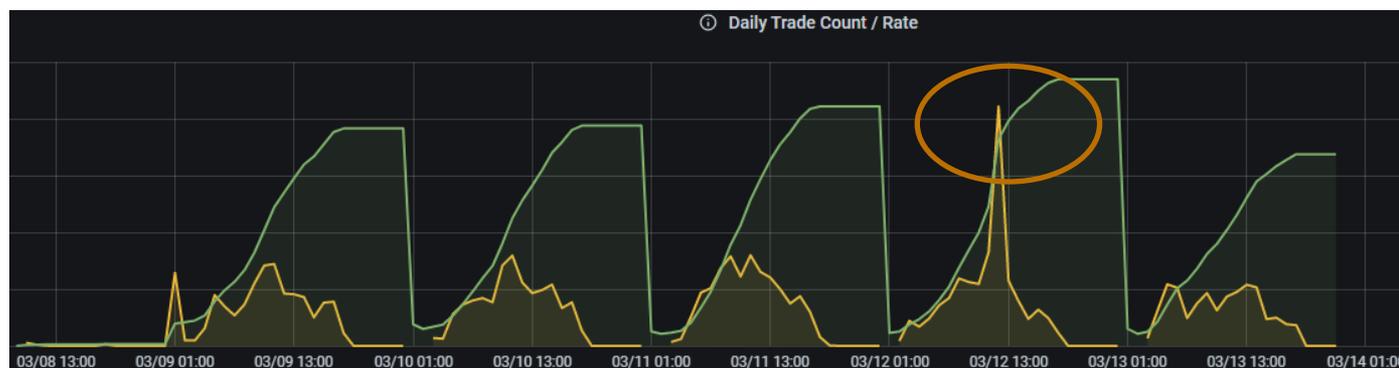
Observations:

- As DV01 increased, accepted trades increased, implying strong platform performance for large size trades
- Trade rejects were minimal across all buckets.
- BSEF observed a slight increase in “passed” trades, as expected during times of market uncertainty.

BSEF : BSEF Trade Submission Performance



*Figure 1: All trades submitted and processing Rate



*Figure 2: Processing Rate increase for week of 3/9-3/13

Observations:

- Figure 1: BSEF daily trade count more than doubled during peak volatility.
- Figure 2: BSEF trade processing request increased to more than 2000 trades/minute.

BSEF : Conclusion

- March represented an unexpected market event, leading to a +220% increase in volatility as compared to March 2019, testing the SEF framework of execution, clearing and reporting.
- BSEF believes that the current market structure of the swaps market performed well under stress.
- BSEF also values the consistent dialogue with participants, industry groups like ISDA and engagement with the CFTC. We look forward to continued conversations throughout the remainder of this year.
- Thank you!