

# Opening the door to Asia

AN ANALYSIS OF THE GROWTH OF OTC DERIVATIVES IN APAC

Parameta  
Solutions

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# Contents

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DISCLAIMER 2

INTRODUCTION 4

▶ Growth in OTC markets

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CHAPTER ONE 5

▶ Market Drivers

▶ Overseas attraction

---

CHAPTER TWO 8

▶ Market Conditions

▶ Regulatory reform

▶ Focus on Japan

▶ Supportive infrastructure

▶ Nurturing talent

▶ Advancing technology

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CONCLUSION 18

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ABOUT PARAMETA  
SOLUTIONS 19

## INTRODUCTION

# A growing market for OTC Derivatives

The Asia-Pacific (APAC) region continues to be a global growth engine for financial markets, driven by economic expansion, market liberalisation and increasing investor participation.

Rapidly growing populations are fuelling both economic activity and the growth of the investment and savings sector. The region has approximately 4.7 billion people, roughly 62% of the world's population, with China, India and Indonesia totalling 3.1 billion.<sup>1</sup>

Such burgeoning financial markets demand sophisticated tools to manage risk and enhance returns, and as such, over the counter (OTC) derivatives are increasingly used to help investors reduce risks, tailor exposures and efficiently access markets.

Indeed, Asia Pacific held a market share of around 23% of the global OTC markets revenue with a market size of USD 4497.54 million in 2024,

and is predicted to grow at a compound annual growth rate of 6% by 2031<sup>2</sup>.

Our latest report [Navigating OTC derivatives markets in 2025](#) highlights just how central APAC is to future expansion for market participants.

More than 68% of participants in the OTC derivatives market surveyed say they plan to expand their operations in or into Asia, with one-quarter expecting to expand significantly while 42% will do so moderately.

This report looks at what is driving interest in APAC's OTC derivatives markets, what the region has to offer, and what challenges it is yet to overcome.

1. <https://www.isda.org/a/FSbgE/Derivatives-Usage-and-the-Buy-Side-Asia-Pacific-Perspectives.pdf>  
2. [https://www.cognitivemarketresearch.com/triennial-otc-derivatives-market-report?srsId=AfmBOo1RwWADAwTAWsDK-W2XtYo1\\_EGLr-olIQhH-f\\_s2ION\\_JTa](https://www.cognitivemarketresearch.com/triennial-otc-derivatives-market-report?srsId=AfmBOo1RwWADAwTAWsDK-W2XtYo1_EGLr-olIQhH-f_s2ION_JTa)



CHAPTER ONE

# Market drivers

A key function of OTC derivatives is to help market participants hedge currency to mitigate risk and uncertainty from changes in interest rates, equities or currencies.

As central banks across the US, UK and Europe attempted to combat rapidly rising inflation by raising interest rates, that has created a ripple effect across APAC.

Many countries have seen capital outflows as investors seek higher returns in developed markets with rising rates. To prevent significant depreciation of their currencies and maintain financial stability, APAC central banks have followed suit by raising their own interest rates to attract capital and stabilise exchange rates.

Rhys Spencer, Head of Asia Sales at Parameta Solutions, says: "Overall derivatives exposure grew in 2024 due to increased interest rates and market volatility, forcing clients to more aggressively manage risk through derivatives, but also providing trading opportunities to risk takers."

Respondents in APAC were the most likely of all global regions to say they would increase their OTC derivatives operations in Asia, reflecting an increased demand from domestic

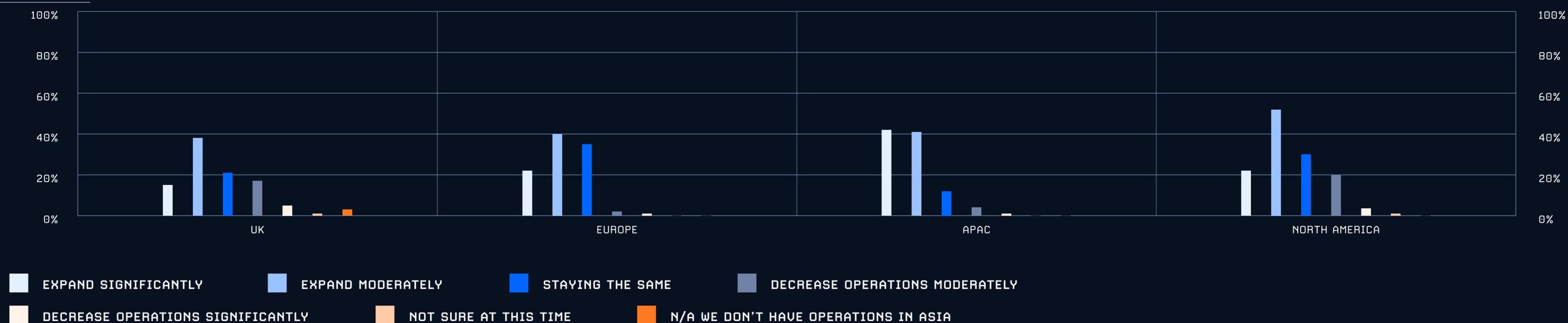
market participants for support with managing increased interest rate and currency risk.

The expansion of Asia's market access to retail investors and trading has been a notable driver in the expansion of OTC derivatives operations in APAC.

For example, in India where retail investors now account for 41% of country's overall derivatives trading volumes, compared with just 2% in 2018.<sup>3</sup>

## DO YOU PLAN TO EXPAND OR DECREASE YOUR DERIVATIVES OPERATIONS IN ASIA?

### REGIONS



<sup>3</sup> <https://www.fia.org/marketvoice/articles/explainer-meteoric-rise-indias-equity-derivatives-volume#:~:text=Retail%20investors%20now%20account%20for, trading%20accounts%20in%20April%202019.>

# Overseas attraction

APAC is also an increasingly attractive region for operational expansion from overseas organisations.

74% of US-based respondents say they are expanding their OTC operations in Asia, likely attracted by the growing institutional and retail investor base.

Furthermore, APAC is home to many multinational corporations, as well as domestic firms with global operations, that require complex financial solutions to manage risks. US firms, with their global expertise, are well-positioned to provide these corporations with customized OTC derivatives strategies.

Rhys says: “US investors want diversification into APAC’s growth trajectory.”

By way of example, in November 2024, Morgan Stanley received approval from the China Securities Regulatory Commission to establish Morgan Stanley Futures (China), enabling it to serve both domestic and offshore investors in China’s futures market.

A banker based in Asia notes: “The US and even the UK’s OTC derivatives markets are much more mature and has a bigger presence than those in APAC, which is still very much a growth area.”



“US investors want diversification into APAC’s growth trajectory.”

**HEAD OF ASIA SALES,  
PARAMETA SOLUTIONS**

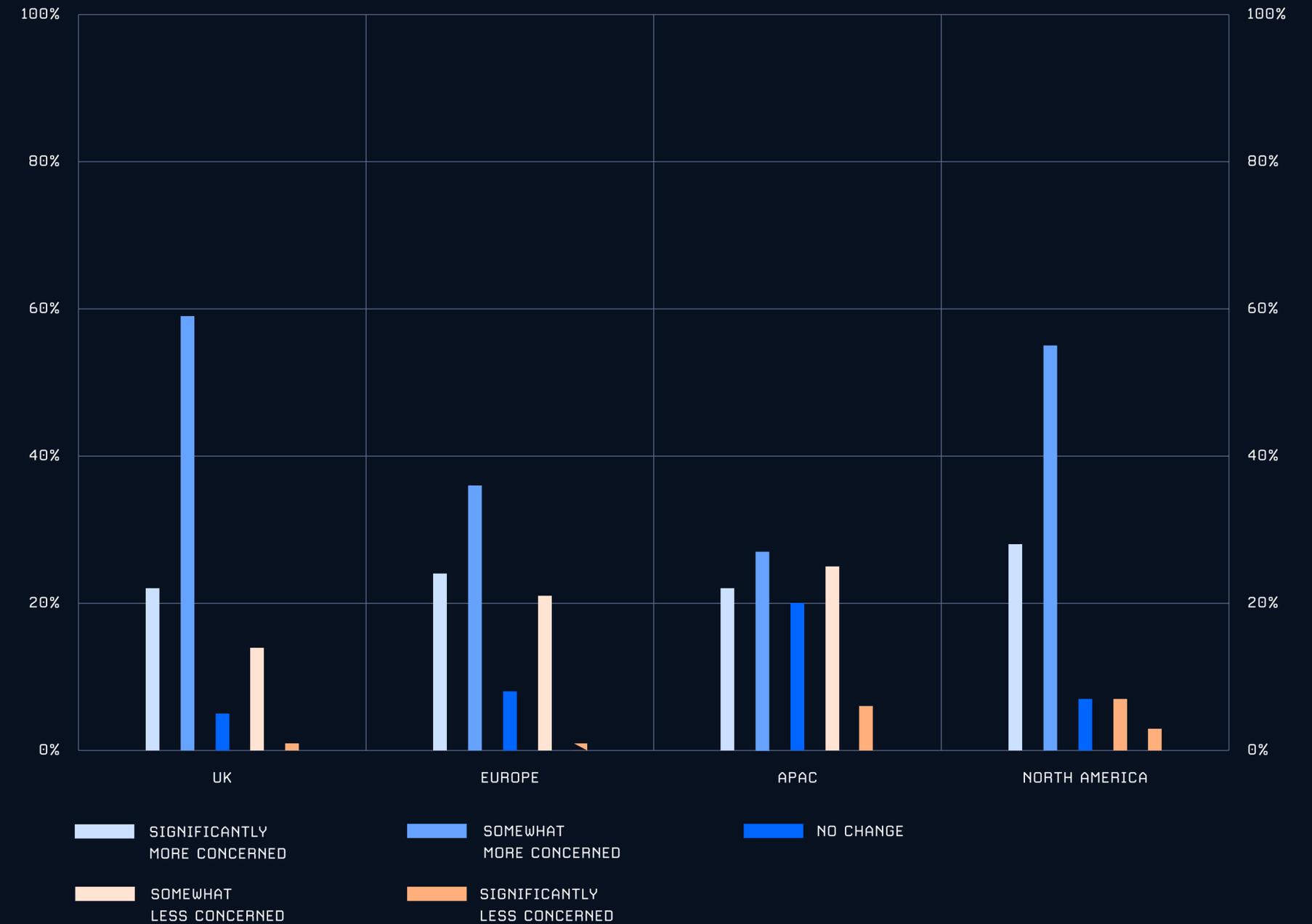
CHAPTER TWO

# Market conditions

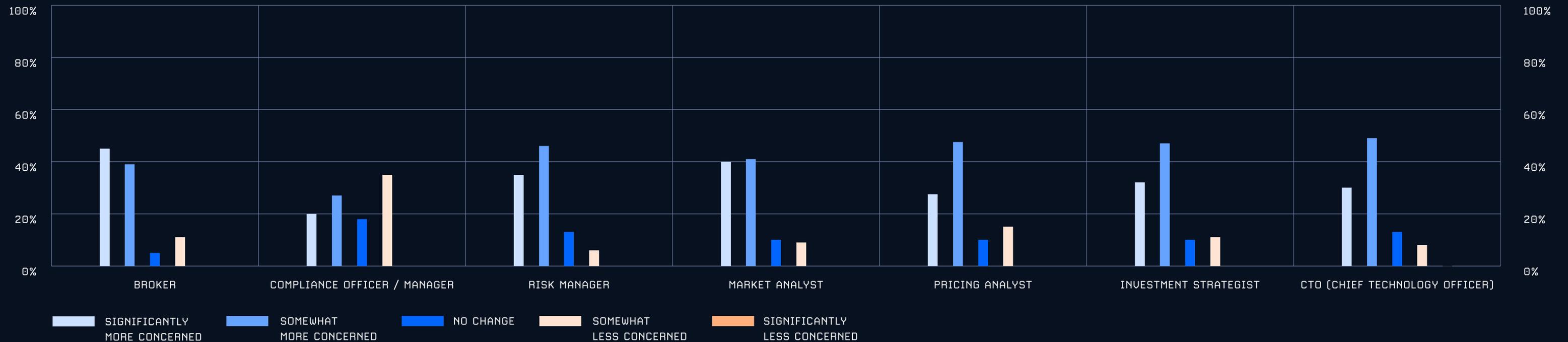


COMPARED TO THREE YEARS AGO, HOW HAS YOUR LEVEL OF CONCERN ABOUT LIQUIDITY CHANGED?

Of all the regions covered in the survey, respondents from APAC showed the least concern about liquidity. When asked how they feel about how levels of liquidity have changed over the past year, 56% of APAC respondents say they are more concerned compared to more-than two thirds (68%) of respondents overall.



## COMPARED TO LAST YEAR, HOW HAS YOUR LEVEL OF CONCERN ABOUT MARKET VOLATILITY CHANGED?



Liquidity grew significantly in 2024, with volumes on major derivatives venues consistently outperforming previous years.

Access to market liquidity varies across jurisdictions and is largely dependent on the level of sophistication of the financial hubs in each country.

Major financial centres like Hong Kong, Singapore, Tokyo, and Sydney typically offer higher liquidity for OTC derivatives trading. Singapore for example, is a leading centre for FX derivatives, particularly in the G10 and emerging market currencies in the region. Meanwhile, Sydney, offers liquidity for interest rate derivatives, FX, and commodity derivatives,

driven by demand from local institutions and commodity producers.

In contrast, emerging markets such as Indonesia, Thailand, Malaysia, and Vietnam, often face lower liquidity for OTC derivatives due to smaller market sizes, less developed financial infrastructure and lower levels of foreign participation. These markets may experience wider bid-ask spreads, fewer market participants and higher trading costs, particularly for complex or less standardised products.



“Liquidity is often tied into depth of the market and for a lot of OTC products, they haven’t been made electronic, yet which means trading is often very informal.”

**BANKER, FROM APAC**

APAC respondents are also less concerned about volatility than their peers elsewhere in the world.

61% of survey participants in APAC say they are more concerned about volatility today than a year ago, versus 73% of participants overall.

In general, volatility is positive for trading in derivatives markets because it means larger and more frequent execution for risk management purposes as well as providing additional execution opportunities.

Throughout 2024 and into 2025, Parameta Solutions has seen greater demand for execution services for rates and FX volatility products, and more robust data solutions for innovative structured product issuances in regulated environments.



# Regulatory reform

Several APAC jurisdictions place restrictions on the use of derivatives by buy-side firms such as banning derivatives on certain asset classes and limiting transaction sizes.

ISDA says these restrictions can have “adverse economic consequences” and notes that as the demand for risk management solutions rise, barriers to OTC derivatives use will need to come down.<sup>4</sup>

Financial regulators across APAC are reforming regimes to make them more attractive for OTC derivatives operations.

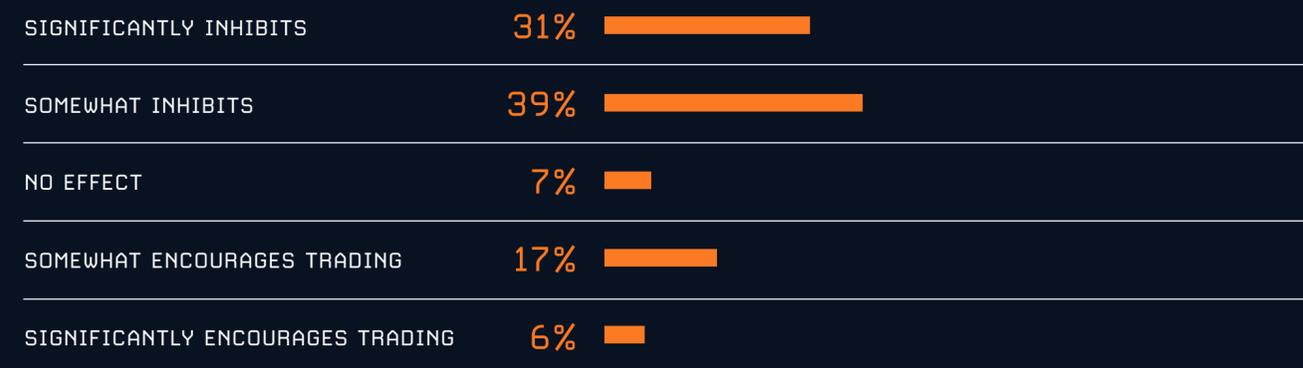
88% of APAC respondents say OTC markets are an easier place to operate compared to three years ago, which is in part attributable to significant shifts in the transparency of OTC markets.

This has primarily been driven by regulation but supported by client demand which provided opportunities for more informed trading, and improved risk management through the delivery of better data solutions.

For example, the Australian Securities and Investments Commission (ASIC) mandated that all OTC derivatives trades be reported to trade repositories. Meanwhile, the Hong Kong Monetary Authority and the Monetary Authority of Singapore implemented trade reporting requirements to improve transparency in the OTC derivatives market.

Notably the Derivatives Services Bureau reports that an ever-growing number of entities in APAC are registering unique product identifiers (UPIs) which enable aggregation of OTC derivatives transactions reported to trade repositories so that authorities can monitor the build-up of systemic risk at a global level.<sup>5</sup>

## TO WHAT EXTENT DOES GOVERNMENT REGULATION OF CURRENCY INHIBIT OR ENCOURAGE YOUR ABILITY TO TRADE DERIVATIVES IN ASIA?



There is a continued push, since 2008, for transparency, objectivity and accurate liquidity management by regulators. This is proving helpful to financial institutions by filling gaps in market understanding and removing blind spots in their risk profiles.”

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4. <https://www.isda.org/a/FSbgE/Derivatives-Usage-and-the-Buy-Side-Asia-Pacific-Perspectives.pdf>

5. <https://www.anna-dsb.com/2024/10/17/with-upi-reporting-to-launch-in-apac-region-dsb-reveals-data-on-industry-readiness/>

Many APAC countries have aligned their regulatory frameworks with the G20's commitments on OTC derivatives reform, which include mandatory reporting, central clearing and margin requirements for non-cleared derivatives. This alignment helps ensure that APAC markets integrate seamlessly with global financial markets.

For example, Japan has implemented mandatory central clearing through Japan Securities Clearing Corporation (JSCC) for interest rate swaps and certain credit default swaps (CDS).

Central clearing simplifies the administrative burden of OTC markets. The clearing company LCH has consistently added Asian currency FX and Rates products into clearing, and enhanced service around compression, in order to facilitate standardised post trade processing.

However, participants in the study believe that regulatory reform is far from complete.

85% of respondents say they would welcome regulatory reform to make it easier to trade in Asia. That figure rose to 93% of participants in APAC.

The US and Europe have set high regulatory standards for markets. There is definitely a need to ensure everyone is on their best behaviour, but regulators must also be cautious not to stifle innovation. In the capital markets there are significant obligations of financial institutions in several areas that have yet to really materialise in APAC and should be considered, including trade surveillance rules and oversight requirements; liquidity risk management and stress testing; and best execution across asset classes.

The survey also identifies concerns about government regulation of currency which 70% of respondents say inhibits their ability to trade derivatives in Asia. 31% say regulations are significantly inhibitive.



There's less data around new markets because there are less resources to compile the data from. For established markets you can just get the information. But when they're new markets, those processes need to be set up."

ASSET MANAGER, US

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# Focus on Japan

The Japanese OTC derivatives market has experienced several notable developments in recent years, most notably the latest Japanese Financial Services Agency (JFSA) rewrite, which aims to ensure that Japan's financial laws and regulations are more accessible and aligned with global standards.

The JFSA rewrite should streamline compliance processes for OTC derivatives trading by clarifying rules on trade reporting, central clearing and risk management and create greater harmony with regimes in the US and Europe.

97% of survey respondents agree that the new JFSA regulations will improve transparency for OTC market participants in Japan.

However, the JFSA rewrite demands market participants must report a broader range of OTC derivatives transactions, including details on non-cleared derivatives.

Further, participants are now required to submit transaction details in near-real-time to registered trade repositories.

Unsurprisingly these stipulations have made reporting requirements more challenging. 52% of those surveyed say the JFSA rewrite has made reporting extensively more challenging, while 45% say it has made it somewhat more challenging.

One investment manager in Japan says: "The JFSA has tightened the rules because they don't want to see more complex products being marketed to investors who don't understand them."

Respondents say the JFSA rewrite has resulted in additional expenditure with 93% saying they are investing in new technology to comply with the updated regulations.



# Supportive infrastructure

Alongside regulatory reform, countries across APAC are building stronger systems and processes to support OTC derivatives operations.

This infrastructure includes burgeoning stores of data and analytics that are essential to successful OTC derivatives businesses.

64% of respondents say data and third-party support providers are more than adequate for the region. However, one-third say the coverage is sufficient but with some gaps.

This reflects the reality that Asia Pacific has all the complication of the developed Americas and EMEA markets, but less of the integration.

This fragmented market prevents standardisation of products, which in turn prevents growth to the scale. Partnering with wholesale operators who cover many markets under a common framework can plug gaps, although there is rarely a one size fits all solution.

One APAC asset manager says expectations for good quality, reliable data are growing:



Firms spend a lot of money on data, sometimes spending millions of dollars on data per year, and we expect it to be as reliable as possible.”

ASSET MANAGER, APAC

## ARE THERE SUFFICIENT DATA PROVIDERS AND THIRD-PARTY SUPPORT SERVICES AVAILABLE FOR DERIVATIVES TRADERS IN ASIA?





# Nurturing talent

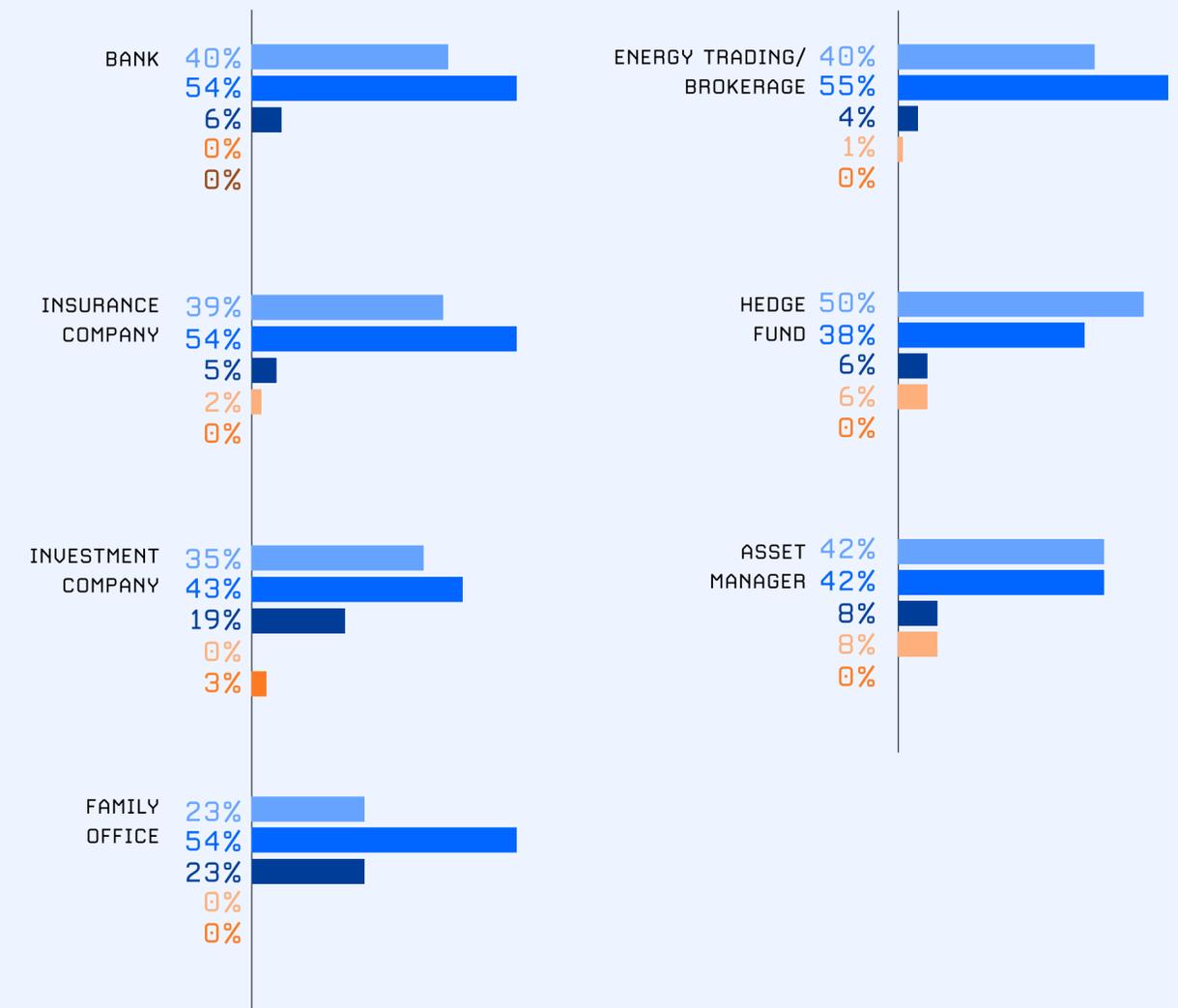
Turning to human resources, 39% of respondents say there is more than enough talent on the ground in APAC.

52% say talent is sufficient while only 7% say there is not enough human resource in the region.

Talent is not just about numbers but also about capability and location. In Asia, where there are enough people, the level of skill and capability is maybe absent, and where skill levels are high, there are often not enough people to fill all roles.

In OTC markets specifically, there is definitely a need to educate and upskill junior talent to understand the complex environment OTC markets creates, particularly on a regional level.

## IS THERE ENOUGH LOCAL TALENT IN ASIA TO SUPPORT DERIVATIVES TRADING OPERATIONS?



■ YES, MORE THAN ENOUGH   
 ■ YES, SUFFICIENT   
 ■ NO, NOT ENOUGH TALENT  
■ THERE IS TALENT, BUT THEY DON'T HAVE THE RIGHT SKILLS   
 ■ NOT SURE

\*Respondents who have operations in Asia

# Advancing technology

Technology has played a crucial role in transforming the OTC derivatives market in the Asia-Pacific (APAC) region, helping market participants manage risks, improve operational efficiency, comply with evolving regulatory requirements and access liquidity.

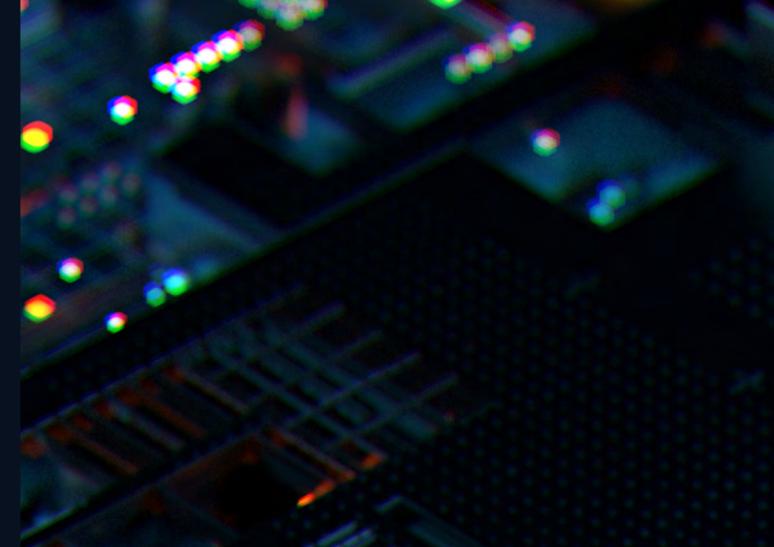
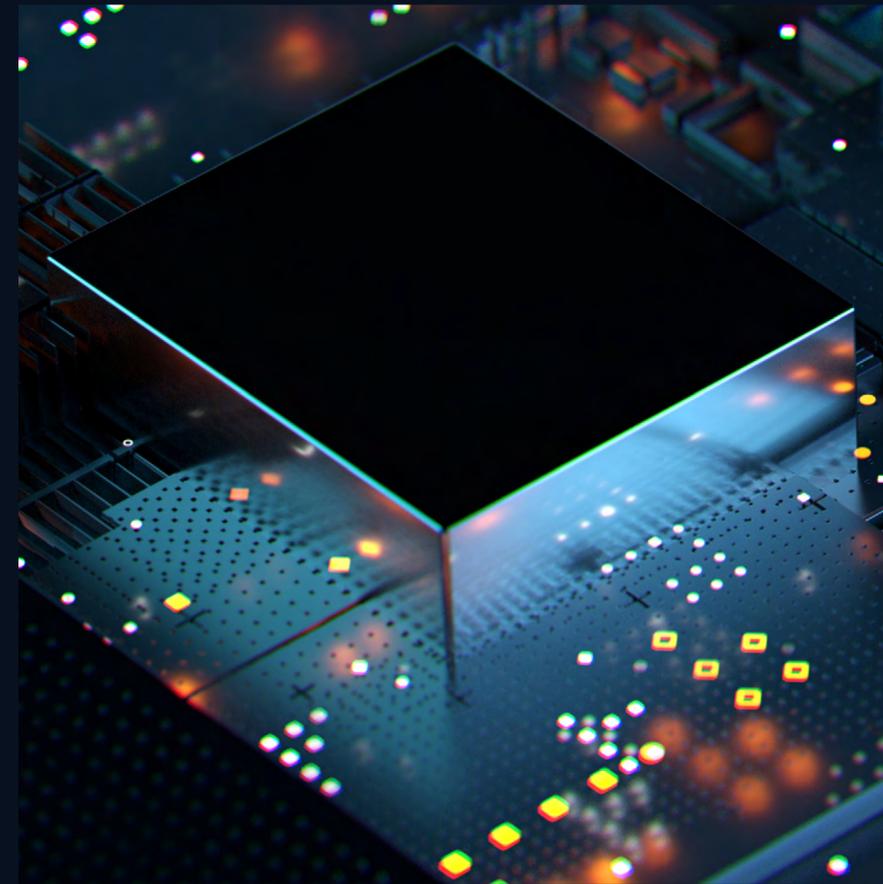
Notably the survey identifies an increasing reliance on artificial intelligence (AI).

91% of respondents in APAC say they are using AI models in derivatives trading which is marginally higher than the 85% of respondents overall.

Survey participants from APAC also showed high level of confidence in the data to support those trades with 95% saying they trust the information they input.

The adoption of technology for price discovery, execution and post trade settlement hugely simplifies the derivatives market, improving cost and allowing greater risk management.

Asian regulators, and in particular Singapore and Hong Kong, are making inroads. They have proactively participated in the new technology revolution by permitting regulatory sandboxes where ideas can be experimented – and often funded – without regulatory risk. Singapore also hosts the world's largest FinTech festival, as well as huge events related to AI and cryptocurrency markets.





# Conclusion

APAC OTC derivatives markets look set to take off as firms both from within the region and outside look to capitalise on the huge growth potential available.

Survey participants are confident in the infrastructure to support their operations in the region and while regulation is still in need of reform, the study shows regulations are moving in the right direction.

The widespread use of technology to improve efficiency and ensure best execution services is accelerating the use of derivatives and increasing the confidence of investors to use the tools for risk management.

At the same time greater depth of markets will provide more data with which to inform more efficient and effective trading.

However, there remain some hurdles to overcome. The region is not homogenous, and firms will need to be able to adapt to a fragmented market in which regulatory regimes differ, and levels of sophistication vary.

As the market evolves, greater cross-border cooperation, regulatory harmonisation, and product innovation will support a more integrated and competitive OTC derivatives market across the APAC region.

# About Parameta Solutions

Parameta Solutions is a leading financial technology company delivering market data, indices, and analytics solutions that empower the world's financial professionals. Our unique multi-asset class data - spanning OTC, cash, and derivatives - helps clients seize opportunities in the world's most opaque markets. With extensive coverage across interest rates, FX, money markets, fixed income, equities, commodities, and digital currencies, we provide the clarity and confidence needed to drive smarter trading, manage risk effectively, and stay ahead of regulatory demands.

Parameta is part of the TP ICAP Group and the exclusive provider of TP ICAP market data. With 2,600 brokers trading in 28 countries, TP ICAP's network provides access to deep liquidity pools.

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