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Sapient Global Markets Survey Reveals Industry Concerns Surrounding Derivatives Clearing

Industry utility model cited as a potential solution to overcoming operational cost, complexity and commoditization of clearing services.

BOSTON--(BUSINESS WIRE)-- [Sapient Global Markets](#), a division of Sapient (NASDAQ: SAPE), and leading global provider of business technology and consulting services for the capital and commodity markets, today announced the findings of a new survey it conducted examining industry attitudes towards changes in derivatives clearing.

The survey, which saw a total of 153 qualified respondents, was conducted during the 2014 FIA Expo in Chicago, and revealed three significant themes. A total of 81% of respondents cited their greatest concerns as being the uncertainty caused by regulations, the cost of compliance associated with new clearing mandates and implementing a new technology solution. To relieve some of these pressures, more than half of those surveyed also indicated positive interest in the establishment of purpose-built market utilities.

- **Compliance Uncertainty**

Central clearing mandates are overwhelming firms' ability to generate the required reporting due to sheer volume and complexity. The Sapient survey revealed 41% of exchanges, a similar number of broker dealers and 43% of HFT terms agreed that continued regulatory uncertainty and the lack of understanding of changing rules were the area of greatest concern.

- **Cost of Clearing**

The central clearing environment is creating more challenges for businesses to reach their revenue targets and make the necessary investments to meet new and evolving regulatory mandates. In the Sapient survey, 40% of FCMs and 37.5% of sell-side firms reinforced this, highlighting the cost related to new clearing regulations as their greatest concern. Sell-side firms are especially affected because it ultimately costs more for them to stay in the business, placing greater pressure on their current business models.

- **Potential of Clearing Utilities**

Operations and infrastructure is highly commoditized from one firm to the next, and there is little strategic advantage or opportunity to differentiate services or increase revenue. As a result, market participants, regulators and exchanges are beginning to recognize the idea of clearing utilities as the answer to reducing the cost of complying with central clearing mandates and improving business profitability. 50% or more of buy-side firms, FCMs, proprietary HFT and sell-side firms surveyed were interested in using a purpose-built utility to address unique buy-side clearing requirements.

"Regulation is placing tremendous pressure on the clearing community, with conversations inevitably focused on the costs involved and how to potentially alleviate them," commented Jim Bennett, managing director at Sapient Global Markets. "As a result, the industry is on the brink of transformation, as firms search for new ways to differentiate their clearing offerings while commoditizing the processes that either fail to offer competitive advantage or require decoupling due to regulatory requirements. This is especially true as firms consider how to increase efficiencies, reduce costs and improve returns while addressing the global nature of these regulations."

To download a full copy of the survey results, please visit the [Sapient Global Markets Clearing paper](#).

About Sapient Global Markets:

Sapient Global Markets, a division of Sapient® (NASDAQ: SAPE), is a leading provider of services to today's evolving financial and commodity markets. We provide a full range of capabilities to help our clients grow and enhance their businesses, create robust and transparent infrastructure, manage operating costs, and foster innovation throughout their organizations. We offer services across Advisory, Analytics, Technology, and Process, as well as unique methodologies in program management, technology development, and process outsourcing. Sapient Global Markets operates in key financial and commodity centers worldwide, including Boston, Calgary, Chicago, Dusseldorf, Frankfurt, Houston, London, Los Angeles, Milan, New York, Singapore, Washington D.C. and Zurich, as well as in large technology development and operations outsourcing centers in Bangalore, Delhi, and Noida, India. For more information, visit www.sapientglobalmarkets.com.

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