

Global Over-the-Counter (OTC) Market Overview: A Whitepaper

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Abstract

This whitepaper provides an overview of the global Over-the-Counter (OTC) market, which includes a wide range of financial securities traded directly between parties without a centralized exchange, as well as non-prescription pharmaceutical products. The scale, market size, and key trends of this diverse marketplace are highlighted.

1 Introduction

The global over-the-counter (OTC) market refers to financial securities traded directly between parties without a centralized exchange. It encompasses a wide range of products, including derivatives, equities, fixed income, and currencies. While some OTC transactions may occur on alternative trading systems, they generally lack the standardized structure and transparency of exchange-traded products. Furthermore, the term “OTC” can also refer to over-the-counter pharmaceuticals, which are non-prescription drugs sold to consumers directly.

2 Market Sizing of the Global OTC Market

2.1 OTC Derivatives Market

- The notional value of OTC derivatives globally was estimated at \$632 trillion as of 2022, according to the Bank for International Settlements (BIS). This includes interest rate derivatives, foreign exchange derivatives, credit default swaps, and others.
- Interest rate derivatives dominate the OTC derivatives market, accounting for approximately 80% of the total notional outstanding.

2.2 OTC Equities and Fixed Income

- The OTC equity market is smaller compared to derivatives but still significant. In 2023, the OTC Markets Group (which operates platforms like OTCQX and OTCQB) reported over 12,000 securities listed, with a total market capitalization exceeding \$2 trillion.
- Fixed-income securities traded OTC include corporate bonds, municipal bonds, and government securities. The global bond market is valued at over \$133 trillion, with the majority of trading happening in OTC markets.

2.3 Foreign Exchange (Forex) Market

- The foreign exchange market is the largest segment of the OTC market, with a daily trading volume of approximately \$7.5 trillion as of 2022, according to BIS data.

2.4 OTC Pharmaceuticals Market

- If referring to the over-the-counter pharmaceutical sector (non-prescription drugs), its global market size was valued at approximately \$157 billion in 2022 and is projected to grow at a CAGR of 5–6% through 2030.

3 Key Trends Driving Growth

- **Increased demand for customized financial instruments:** Investors and institutions seek bespoke derivatives to manage specific risks.
- **Growth in emerging markets contributing to higher trading volumes:** Emerging economies are experiencing increased participation in OTC trading.
- **Regulatory reforms improving transparency in OTC markets:** Post-financial crisis regulatory measures aim to reduce counterparty risk and increase market transparency.

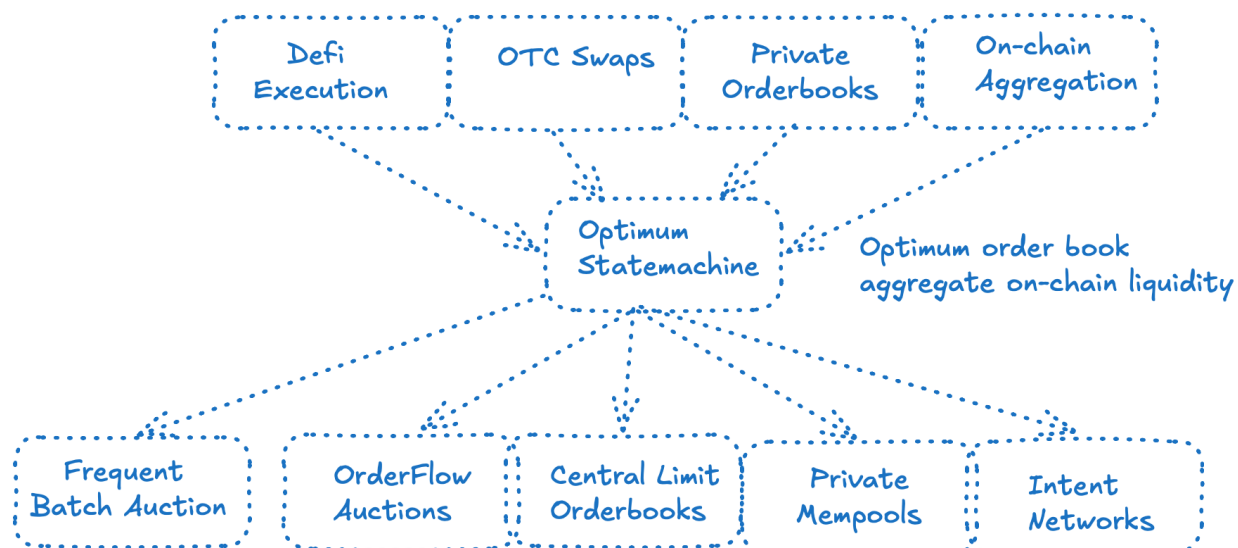


Figure 1: How does LRT yield stacking look like?

Composable Product	Description	Key Features
Routing-as-a-Service	Provides DeFi protocols with an outsourced solution for trade routing. Utilizes Optimum's off-chain matching layer and liquidity aggregation to ensure optimal execution prices and minimize slippage.	<ul style="list-style-type: none"> • Outsourced trade routing • Intent-based trade framework • Optimized execution across liquidity sources
Structured Products	Combines multiple assets and derivatives to create tailored investment opportunities (e.g., yield-enhanced tokens or risk-hedged portfolios). Developers leverage Optimum's infrastructure for complex asset interactions.	<ul style="list-style-type: none"> • Combines assets and derivatives • Integrates with DeFi protocols like DEXes and lending platforms • Customizable for specific risk profiles
Yield Optimization Strategies	Automated strategies designed to maximize returns from DeFi activities such as liquidity provision, staking, and incentive programs. Adjusts dynamically based on market conditions and user preferences.	<ul style="list-style-type: none"> • Automated yield optimization • Adapts to changing market conditions • Broad integration with DeFi protocols
Arbitrage Bots	Bots leveraging price discrepancies across DEXs and AMMs to generate profits. Optimum's high-frequency trading infrastructure ensures efficient arbitrage execution.	<ul style="list-style-type: none"> • Real-time arbitrage opportunities • Operates across various DeFi protocols • High-frequency trading support

Table 1: Overview of Composable Product Offerings