

11/02/2020

# FX SWAP MARKET

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February 2020

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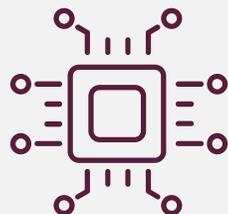
# GLOBAL FX MARKET EVOLUTION 1

## Contributors to Volume Increase



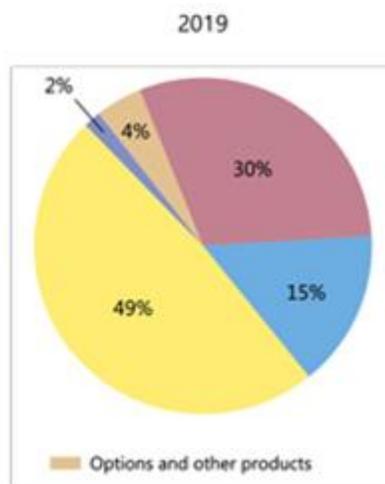
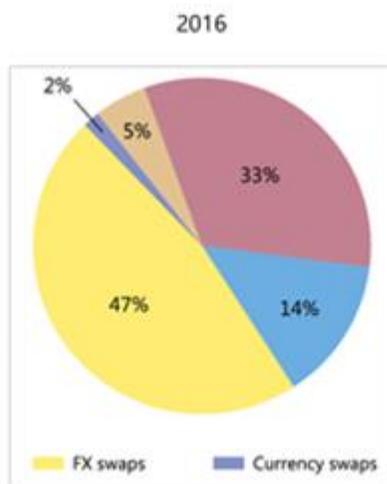
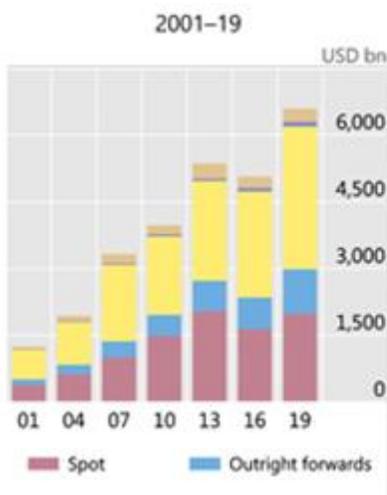
75%

FX swaps & forwards



### Electronification

Algo execution, regulatory  
constraints  
(best execution, MIFID...)



## GLOBAL FX TURNOVER

April 2019

**\$6.6 T/day**

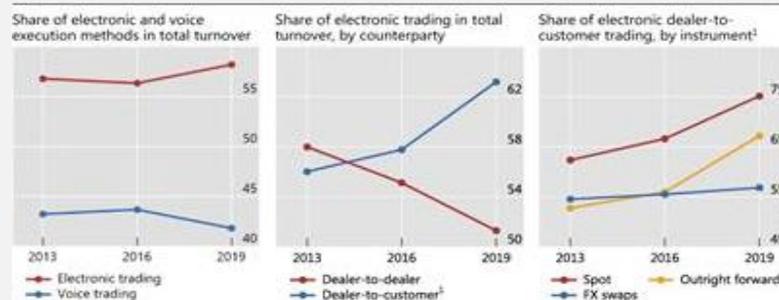
VS

April 2016

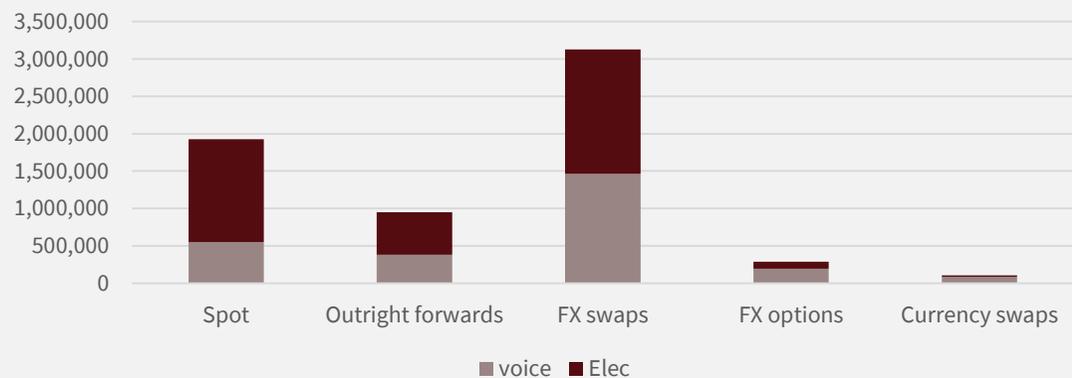
**\$5.1 T/day**

# GLOBAL FX MARKET EVOLUTION 2

## FX Market Electronification



## Global FX Volumes 2019 (m\$)



# MAIN DRIVERS FOR THE USE OF FX SWAP

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Sell Side investment Banks are trading FX swap for:

1

Balance sheet related funding needs

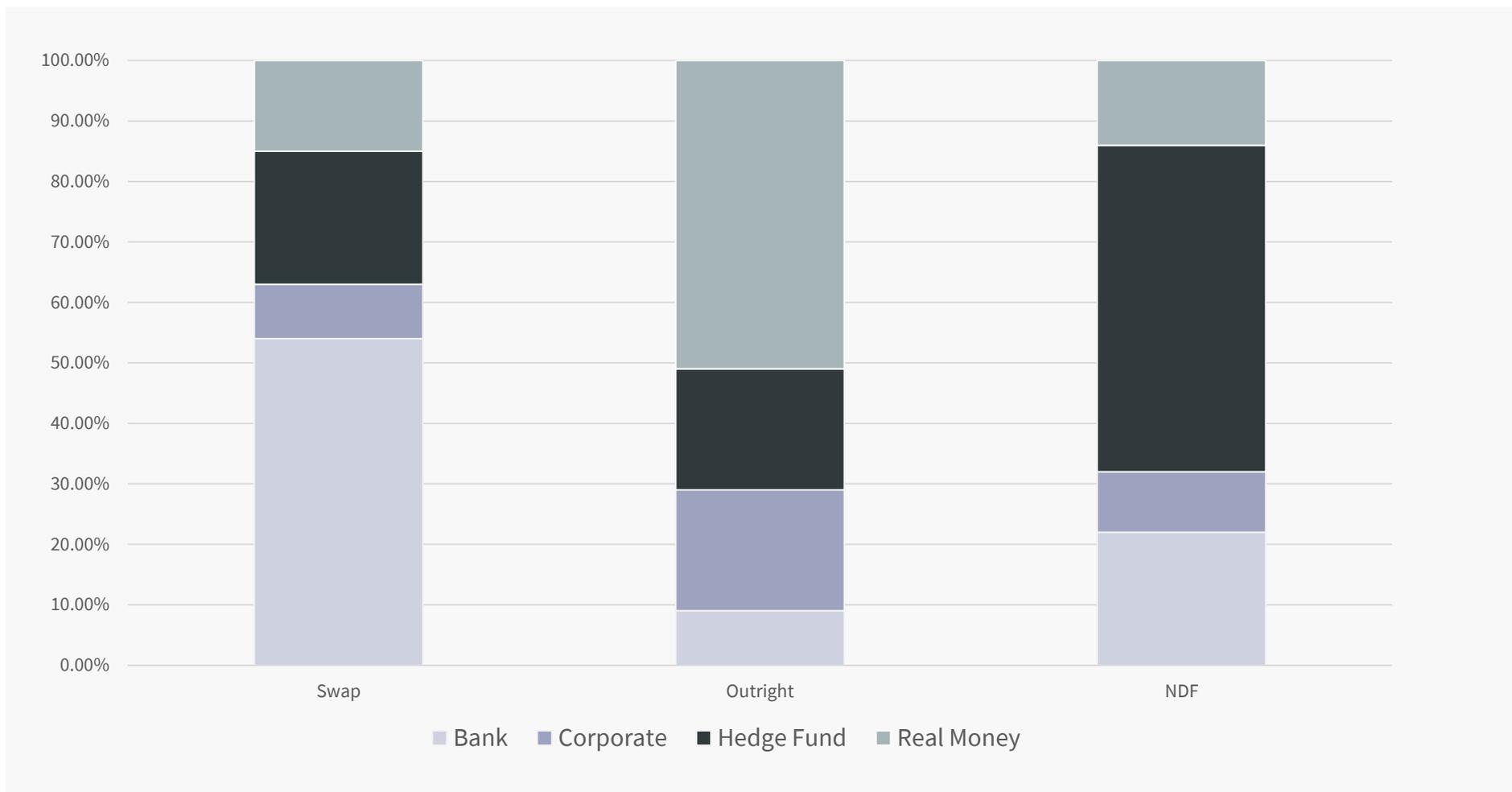
2

Offsetting hedge of an existing position (overlay, Risk Management, ...)

3

Cashflow hedging (portfolio management)

# ELECTRONIC MARKET PLAYERS



**Trading volumes are still dominated by financial institutions**

# CHALLENGES & RISKS

1

## Regulatory complexity and spread compression

- The non-bank market makers who aren't under the same regulatory pressures than sell-side investment banks are becoming more attractive to buy side

2

## Intraday Liquidity constrains

- Multiple CLS balances management
- No global settlement platforms for non liquid currencies to better manage intraday liquidity

3

## Increased cost structure:

- compression for cost of capital reduction
- need more mutualisation cross the street (outsourcing of post trade services, improve operational efficiencies, ...)

# OPPORTUNITIES

1

## FX Clearing

Clearing FX Swap & Forward could solve the credit check question and drive the liquidity on new CLOB

2

## New liquidity pools

For Swap & Forward to shift the business to be more electronic

3

## Algo offering

Extend the offers developed for spot and NDF to FX swap

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