

CME FX: Presentation for the CFEC

June 2024

Cash Primary Venues and FX Futures are important, complementary

“Primary venues remain an integral part of the FX Market where the prices published and critically printed, are of greater importance than their share of volume”

HSBC - 2024

“A growing number of market participants of all types now seem to consider currency futures traded on the Chicago Mercantile Exchange (CME) as at least a close cousin of the primary [spot] CLOBs.”

Bank of International Settlements (BIS)

FX primary venues provide:

- Firm, anonymous, global price discovery mechanism distilling information from a fragmented marketplace
- Certainty of firm, anonymous and reliable liquidity - typically during periods when it's needed most
- Simplicity and efficiency of managing FX risk with a centralized pool of liquidity

Primary Venues Support Liquidity During Periods of Market Volatility

April 29 EBS USD/JPY Activity:

Between 0400 and 0800 GMT

- ~850 orders >50m, max order size of 355m
- Over 300 deals done for 20m+ notional
- Max trade size of 165m
- Avg TOB & order sizes were ~2.5x usual

Other Notable EBS Market Activity

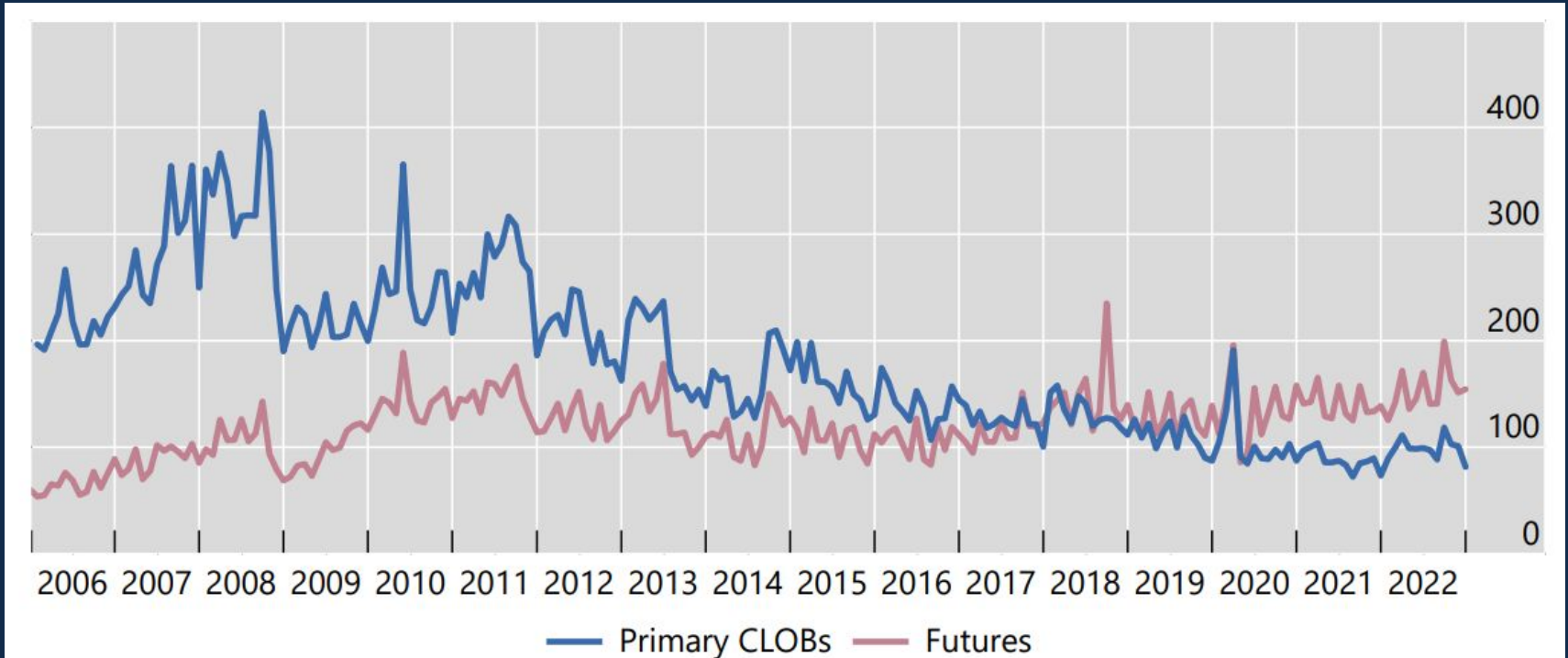
- USD/CNH: over \$20B on March 22, alongside with ~\$13B on 1-month NDFs
- INR 1M: >\$4B on May 31, and ~\$10B on June 3 and 4 in total

USD/JPY supported orderly trading of over \$70BN amidst strong price action on April 29



Source: CME Group; all figures as of April 2024.

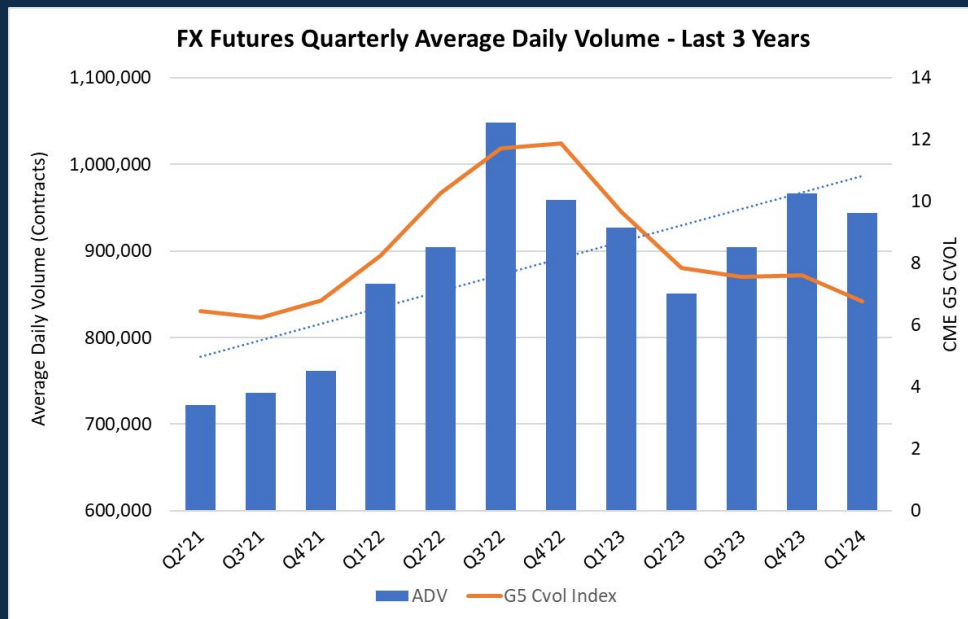
Volumes: Primary CLOBs and FX Futures



Source: BIS paper from April 2023: <https://www.bis.org/publ/work1094.pdf>

CME FX Futures Volumes

FX Futures volumes have grown at a 3-year compound annual rate of 8%, while FX volatility has reverted to lower levels last seen in 2021

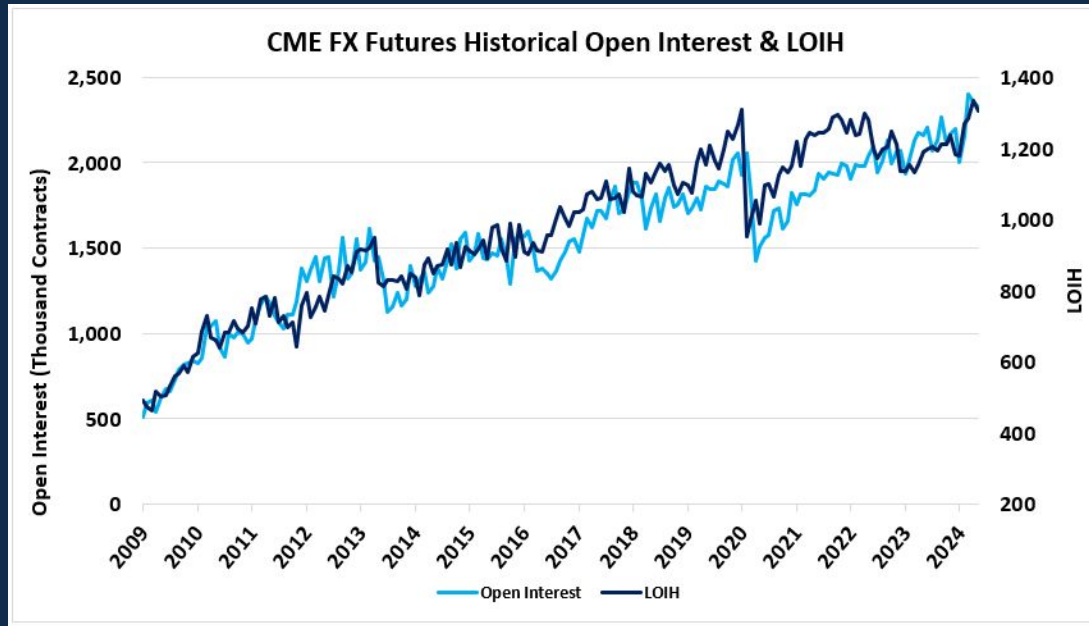


Total CME FX Futures ADV (2024)	\$82.7 bn
Euro	\$32.8 bn
Japanese Yen	\$14.7 bn
British Pound	\$9.1 bn
Australian Dollar	\$7.4 bn
Canadian Dollar	\$7.1 bn
Swiss Franc	\$4.5 bn
Mexican Peso	\$2.4 bn
New Zealand Dollar	\$2.1 bn
EUR/GBP	\$478 m
EUR/JPY	\$448 m
Brazilian Real	\$400 m
Offshore Chinese Renminbi	\$295 m

CME FX Futures - Liquidity Metrics Summary

	Front Quarterly Outright TOB Spreads (OTC Pips)	TOB Depth (\$Mn Notional)	3rd-Level Cumulative Depth (\$Mn Notional)
Total FX Futures	--	--	—
EUR Futures	0.60	\$7.2	\$33.2
JPY Futures	1.32	\$4.1	\$21.6
GBP Futures	1.20	\$4.2	\$25.9
AUD Futures	0.64	\$2.4	\$15.7
CAD Futures	1.10	\$5.3	\$35.9
CHF Futures	0.77	\$0.7	\$4.0
MXN Futures	32.0	\$2.7	\$20.3
NZD Futures	0.72	\$1.0	\$5.5
BRL Futures	16.3	\$2.8	\$13.0

CME FX Futures - A Diverse and Growing Ecosystem



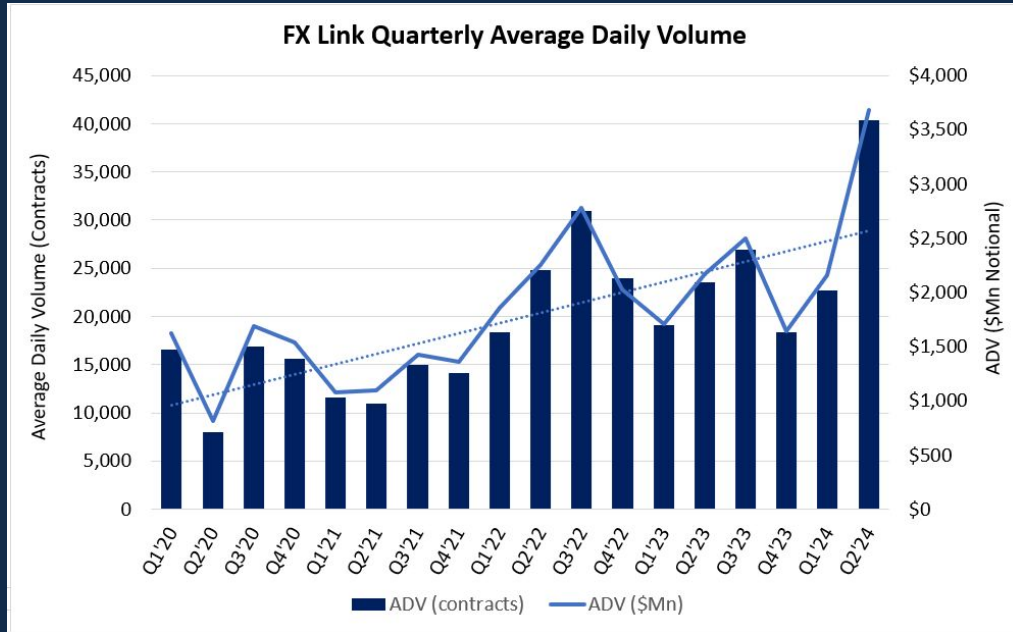
Increased Adoption of FX Futures Driven by Asset Managers

- Record number of FX Futures Large Open Interest Holders (LOIH*) of 1,336 on April 30th.
- In 2024 YTD, record number of LOIH across several currency pairs: CAD, JPY, MXN and ZAR Futures.
- Increased adoption has been driven by Asset Managers, with record gross notional positioning of ~\$160bn on April 2, 2024.

*Chart Source: CFTC Commitment of traders report. The CFTC tracks and reports Large Open Interest Holders on a weekly basis, defined as participants having at least 400 open contracts in Major FX currency pairs and at least 100 open contracts in Emerging Market pairs.

CME FX Link: Growing Volume and Participation

CME FX Link is the first ever anonymous, automated central liquidity pool for efficiently managing a wide range of FX swap, forward, and basis risk exposures



Source: CME Group; chart updated through May, 2024; volume data as of June, 12, 2024.

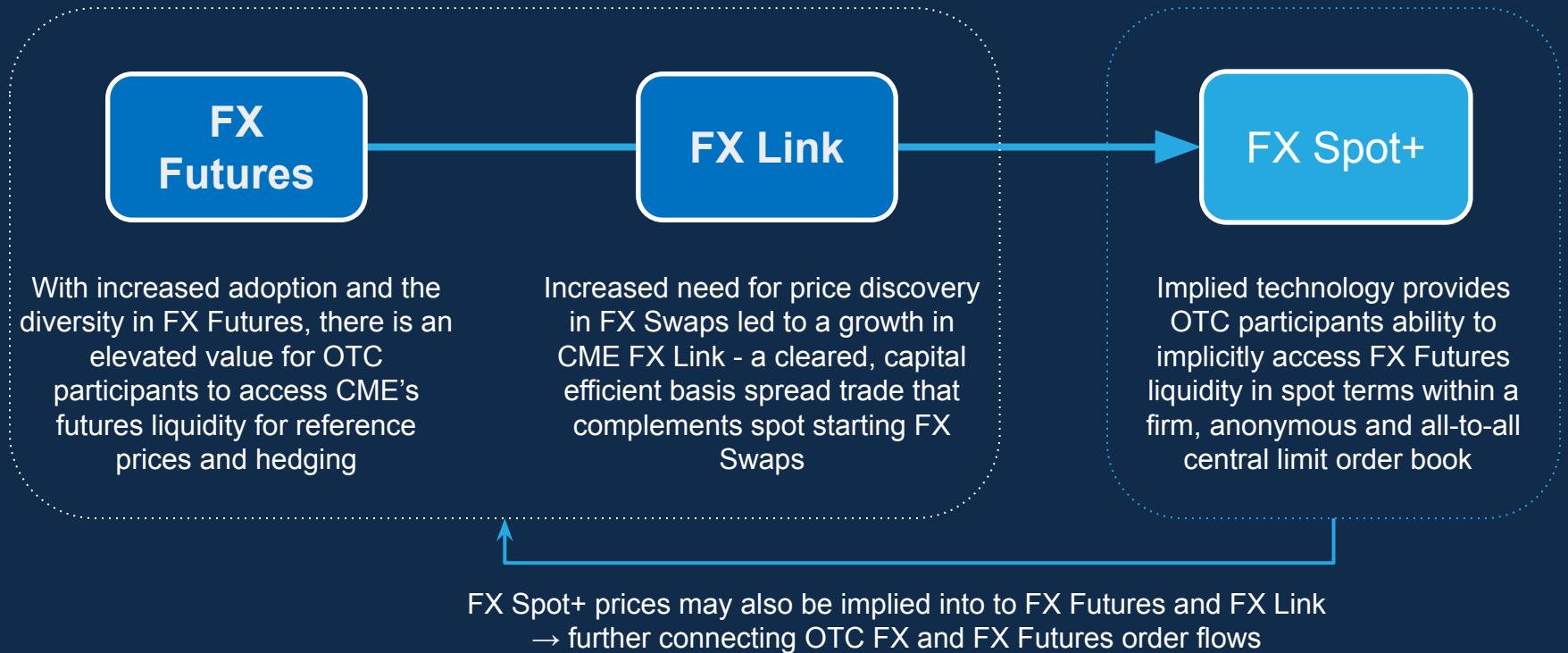
- FX Link provides a central limit order book on CME Globex for trading spreads between OTC FX Spot and CME FX futures.
- FX Link recently traded a new single-day volume record of over 113,000 contracts (~\$10bn) on June 12, 2024.
- A central prime broker intermediates the OTC Spot FX transactions resulting from the spread, leveraging existing OTC FX credit relationships and supporting anonymity of trading.
- Current scope includes spreads between OTC Spot FX and the front two serial and quarterly expiries in: EUR/USD, GBP/USD, AUD/USD, NZD/USD, USD/JPY, USD/CAD, USD/CHF, USD/MXN & USD/ZAR.

CME FX Link and EFRPs Support Adoption, Use of FX Futures

Use Cases	FX Link CLOB	Bilaterally Traded EFRPs
Capital Efficient FX Swap Alternative	Anonymous, central limit order book allowing transaction of the spot-futures basis (IMM FX swap proxy) as an atomic spread transaction on CME Globex	Privately negotiated transaction (subject to CME Group rules)* facilitating exchange of spot or forward dated OTC FX risk for a related position in cleared FX Futures
Margin Optimization	Allows participants to manage basis and optimize margin between FX Futures and OTC FX, relevant for any firms who are already active in both FX Futures and OTC FX.	
OTC Credit Management	Can be used to move OTC FX positions into a cleared futures position to free up credit lines and/or for balance sheet optimization.	
Position Conversion	Move existing risk from OTC into Futures, allowing participants to close out Spot FX and roll it into a cleared and netted FX Futures contract.	

*See rule 538 MRAN: <https://www.cmegroup.com/rulebook/files/cme-group-Rule-538.pdf>

Forthcoming *CME FX Spot+** can support the role, relevance of FX Futures



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