Why Regulatory Changes Will Drive FX Trading Volume to Futures

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Its been my experience that many in the market are ignoring FX in the global derivatives reform debate, thinking of them as broadly exempt from new rules. This view is a bit of a red herring. Our latest research report digs into the regulations set to hit the FX derivatives market and the impact they will have on FX product selection.

Based on data gathered via over 1700 interviews with FX traders and portfolio managers and analysis of the regulatory landscape, our research finds a clear trend exists towards growing demand for FX futures in lieu of traditionally bilateral FX derivatives. The latter will continue the make up the majority of notional trading volume, but as the economics of those products change at the hand of new global regulations investors will start to look for cheaper alternatives. While the FX story has similar elements to the fixed income swap futures debate, the pro-futures argument is arguably even more compelling for FX. The report is available for all Greenwich customers, so please take a read and let us know what you think.

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