



**TOPICS:**

Market Risk

**SOURCE:**

International Swaps and Derivatives Association

## ISDA: Global FX Derivatives Market Overview - Size, Structure and Uses

- The paper provides a structured analysis of the global **foreign exchange (FX) derivatives market**, focusing on market size, composition, participants and functional uses.
  - Global FX derivatives **activity has expanded significantly**, with average daily turnover reaching \$6.6 trillion in April 2025 - approximately double 2013 levels. Growth has been driven primarily by outright forwards and FX options, while FX swaps remain the dominant product, accounting for 61.2% of activity (down from over 70% previously).
- **Market activity is highly concentrated** both geographically and by currency. The US dollar is involved in the majority of transactions, with USD/EUR, USD/JPY, and USD/GBP the most traded pairs. Trading is also concentrated in key financial centres, with the UK accounting for 37.7% of turnover, followed by the US and EU, while Asia-Pacific's share has grown to nearly 30%, reflecting regional market development.
- From a counterparty perspective, **reporting dealers and financial institutions dominate activity**, collectively accounting for over 95% of turnover, while non-financial corporates represent a small and declining share. Additionally, the maturity profile is heavily skewed toward **short tenors**: over 75% of FX swaps and forwards mature within one month, underscoring their role in short-term liquidity and hedging.
- Functionally, **FX derivatives are essential risk management tools**. They are used for hedging currency exposures, managing cross-currency funding and liquidity, mitigating balance sheet and transaction risks and enabling currency positioning. These uses span corporates, financial institutions, and sovereigns.

