

The SGX logo consists of the letters "SGX" in a bold, dark blue sans-serif font, followed by a stylized graphic of three horizontal bars in blue and yellow.

## News Release

5 February 2020

### **SGX's Asian FX futures volume rises as global participants prepare for regulatory changes**

- Strong growth in trading volumes in US and European trading hours
- Provides OTC clients with centralised clearing via its FlexC FX futures as well as an enhanced BidFX OTC platform

Singapore Exchange (SGX) remains the world's largest Asian foreign exchange (FX) futures marketplace, posting record volumes in 2019 as international investors seek trading opportunities in Asia. The heightened activity also comes as the FX industry moves toward the final stages of regulatory reforms for uncleared OTC derivatives.

#### **Rising activity among US, European participants**

Interest in SGX's suite of Asian currencies continues to grow, with record US\$1.3 trillion changing hands in 2019, up 44% from US\$914 billion in 2018. Aggregate open interest as at end December 2019 stood at US\$7.89 billion, up 90% y-o-y, underscoring strong liquidity. For January 2020, trading volume was about US\$126 billion on a notional basis, with close to 2 million contracts traded.

Notably, much of the trading activity and liquidity on SGX takes place during the overnight session, which runs from 1800 to 0445 Singapore time, covering US and European trading hours. The growth in trading volumes during non-Asian hours has outpaced the growth during Asian hours. Trading volumes from international participants – including commodity trading houses, funds, banks, proprietary trading firms as well as asset managers – increased 60% y-o-y in 2019, contributing to about 27% of total currency volumes.

KC Lam, Head of FX and Rates, SGX, said, "Asia leads global growth but it is a dynamic region with disparate country risks and trends. Our clients look for price discovery, liquidity and transparency for both OTC and listed futures trading across Asian FX. Today, on-exchange trading volume of Asian FX futures is a small fraction of the FX derivatives that are traded OTC each day. There is a huge opportunity for the OTC market to be 'futuresised', given regulatory developments and technological advancements."

#### **Preparing for global regulatory changes**

With Uncleared Margin Rules (UMR) continuing to phase in this year and next, the FX industry is gradually moving towards centralised clearing to lower margin costs and capital requirements.

SGX continues to help OTC clients bridge to centralised clearing through its customisable FlexC FX Futures, as more investors look for greater efficiencies. FlexC FX Futures is an innovative feature that allows market participants to trade customisable FX futures in a bilateral OTC manner and clear the

transactions on SGX. Since its first pilot trade last year, SGX has cleared over US\$123.2 million in FlexC FX trades. It has also recently brought onboard four new clearing members who can clear FlexC FX futures – HGNH International Financial (Singapore), INTL FCStone, SG Securities (Singapore) and UBS AG – making it 10<sup>1</sup> in total.

“We see a number of clients that have been trading OTC, also starting to trade listed FX futures as the deadline for phase 5 of the Uncleared Margin Rules draws near. FlexC FX Futures were developed in consultation with market participants, to help them enhance operational efficiencies while retaining bilateral trading relationships. To further bridge the OTC and listed futures markets, we have also just launched our suite of listed Asian FX futures alongside the OTC products offered on BidFX’s platform,” added Mr Lam.

### **Trading across FX OTC and futures on a single platform**

SGX is a strategic investor in BidFX, a specialised trading platform for global FX markets. Last month, several BidFX clients, including London-based CdR Capital Ltd, successfully traded SGX FX futures on BidFX’s OTC digital platform, with seamless clearing by SGX.

BidFX’s global clients can now access multiple pools of FX liquidity with the option to have bilateral counterparty or centrally cleared FX exposures, all in one platform and single workflow management system.

Jean-Philippe Malé, CEO of BidFX, said, “We are delighted to introduce a more efficient way to trade across both FX OTC and futures markets. This new development will not only enable our customers to access additional liquidity, but it will also connect them to a leading clearing house ahead of increased capital regulations.”

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### **About Singapore Exchange**

Singapore Exchange is Asia’s leading and trusted market infrastructure, operating equity, fixed income and derivatives markets to the highest regulatory standards. As Asia’s most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and over 80% of listed bonds originating outside of Singapore.

SGX is the world’s most liquid international market for the benchmark equity indices of China, India, Japan and ASEAN and offers commodities and currency derivatives products. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit [www.sgx.com](http://www.sgx.com).

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<sup>1</sup> The 10 clearing members are ABN Amro Clearing Bank N.V., BNP Paribas Securities Services, CGS-CIMB Securities (Singapore) Pte. Ltd., DBS Vickers Securities (Singapore) Pte Ltd, HGNH International Financial (Singapore) Pte. Ltd., INTL FCStone Pte. Ltd., OCBC Securities Private Limited, Phillip Futures Pte Ltd, SG Securities (Singapore) Pte. Ltd. and UBS AG.