

Whitepaper

The Profitability Squeeze Driving FX Swaps Modernization

Executive Summary

The sustained expansion of the global FX Swaps market is placing mounting pressure on the profitability of banks' trading operations, arriving at a moment when rising operational costs, intensifying regulatory demands, and increasingly stringent capital requirements are already presenting significant economic headwinds for these institutions.

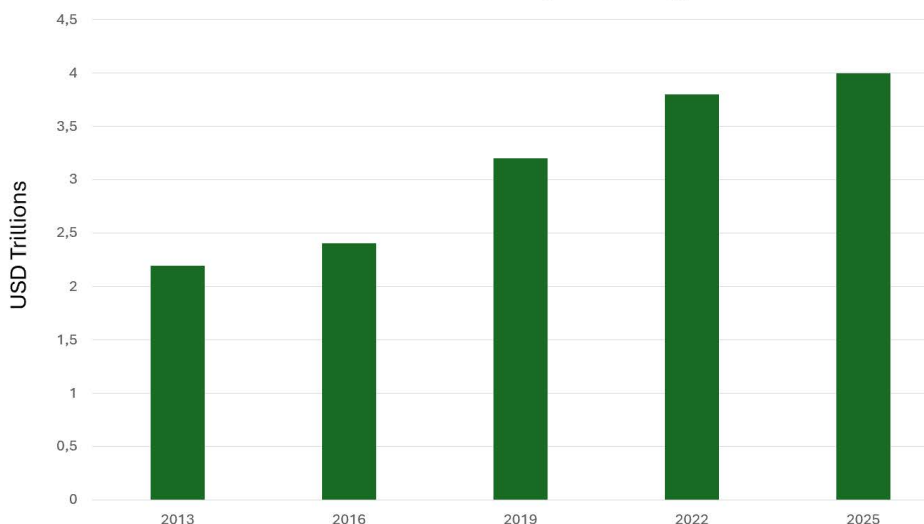
Data published by the Bank for International Settlements (BIS) illustrates the scale of this growth. In 2016, the average daily notional volume of FX Swaps traded globally stood at \$2.4 trillion. By 2025, that figure had risen to \$4 trillion — a 67% increase in under a decade — with FX Swaps now accounting for 42% of all global FX trading activity.

Yet despite this remarkable growth, the mechanisms, infrastructure, and technology underpinning FX Swaps trading have remained largely static. The BIS estimates that only 55% of transactions are conducted electronically — and even this adoption has been uneven. The client-facing market has electronified at a far faster pace than the interdealer market, yet it is the latter that has grown more rapidly in absolute terms. In many respects, the interdealer market has failed to modernize in proportion to its own expansion.

This report contends that banks are now arriving at an inflection point. As trading volumes continue to rise and margins compress, institutions are increasingly recognizing that the status quo is no longer tenable, and that meaningful progress requires a concerted effort to reduce execution costs, streamline credit management, and drive operational efficiency.

Against this backdrop, the report examines the key structural drivers of change currently reshaping the FX Swaps market, and explores how these forces are accelerating the interbank market's transition toward greater automation and digitization.

Growth of Global FX Swaps Trading Volumes



Source: BIS Triennial OTC FX Survey 2025

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Drivers of Change in FX Swaps Modernization

Data

As is the case elsewhere in the currency markets, having access to high-quality market data is becoming increasingly important in the FX Swaps marketplace to improve price discovery and formation, optimize trading and make more informed decisions, in addition to fueling automation and powering analytics tools.

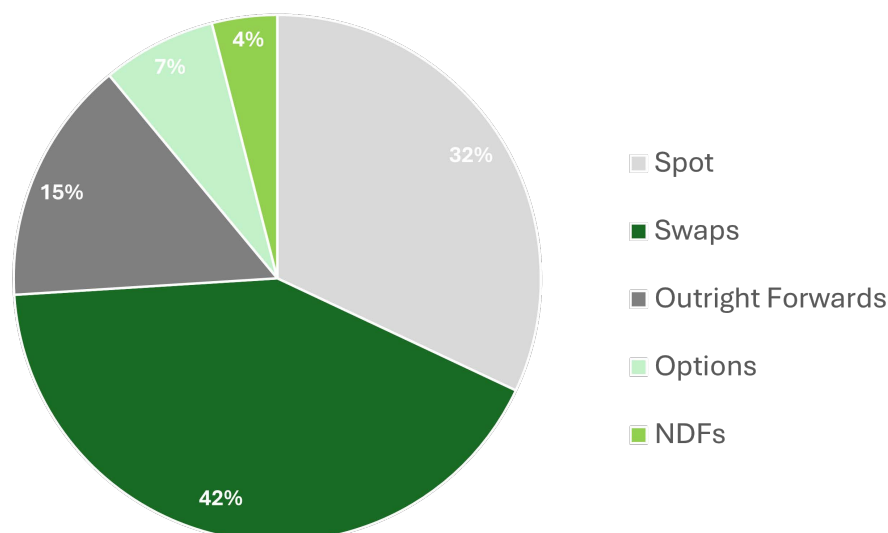
High-quality data is also needed to help firms comply with regulatory requirements, such as trade reporting and best execution standards, and to help ensure capital is being managed and allocated efficiently in response to recently introduced regulations.

Electronification

More FX Swaps trading continues to shift towards electronic channels, bringing improved price transparency across an expanded range of tenors/dates and currency pairs. A byproduct of this is that electronic price data is easier to capture, sanitize and package to help market participants further enhance their trading capabilities.

The electronification of this market also reduces the administrative burden of FX Swaps activity and provides enhanced workflow efficiencies, allowing trading desks to increase their productivity and handle larger volumes.

Global Daily FX Volumes by Instrument in 2025



Source: BIS Triennial OTC FX Survey 2025

Liquidity Increase

This shift to electronic trading has opened up access to the global FX Swaps market and to a broader range of participants, deepening the pools of liquidity available. Another significant driver of growth has been the trend of more market participants using these instruments as a source of funding instead of repos as they have much lower margin and capital requirements associated with them.

Drivers of Change in FX Swaps Modernization

Cost/Risk Reduction

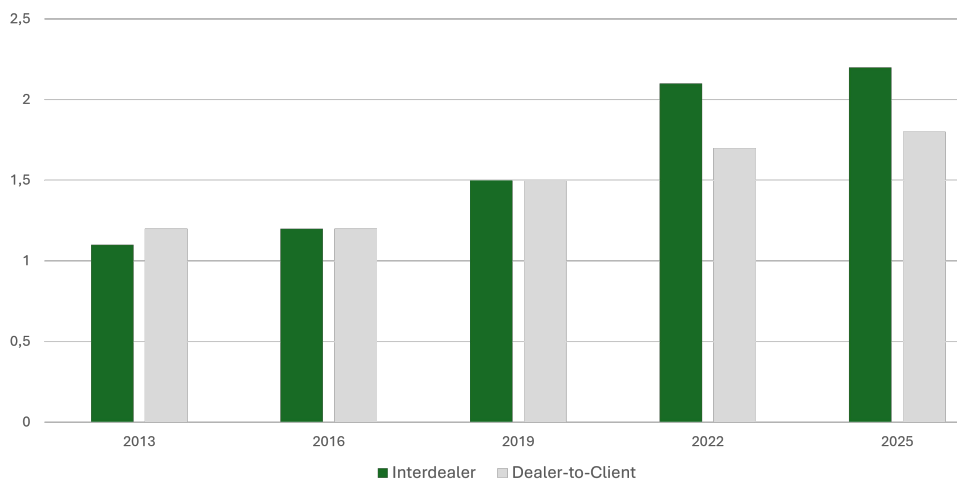
With narrow margins and regulatory demands, market participants are focused on reducing both costs and risks. Automation and process efficiency are critical here, as they reduce operational overhead and improve trade execution accuracy. Risk management tools are also in high demand, allowing firms to better manage credit, market, and operational risks associated with FX Swaps.

Credit optimization is also a key theme following the introduction of Basel III and the adoption of the Standardized Approach for Counterparty Credit Risk (SA-CCR). Both of these have altered the economic considerations for how banks and large financial institutions manage and allocate capital and introduce compliance risks if they are not adhered to properly.

Credit Facilitation

There is demand for more effective credit facilitation within FX Swaps to enable market participants to interact with a broader range of liquidity and therefore make it easier to execute large transactions with minimal price impact. It is also recognized that effective credit facilitation can minimize counterparty risk by ensuring credit limits are appropriately managed and monitored, often by using collateralization or netting arrangements.

Global Interdealer vs. Dealer-to-Client FX Swaps Growth



Source: BIS Triennial OTC FX Survey 2025

Credit Automation

Even as more FX Swaps trading shifts towards electronic channels, credit remains a bottleneck for the marketplace. A traditional reliance on the manual checking of credit limits by both counterparties at the point of trade has proven to be inefficient, can delay the execution of the trade and adds operational risks. As a pre-requisite for the market to evolve towards

API-based trading, and to minimize the risk of trade failures, automated credit must be available in real-time. This is an essential component to enabling the broader automation of FX Swaps trading, which in-turn will help further drive liquidity growth and open the door to auto-hedging, aggregation and even algorithmic execution — all of which represent the next stage in the evolution of this marketplace.

Demand For A Primary Market

There is growing recognition amongst major banks that the interdealer FX Swaps market would benefit significantly from a primary venue with a recognized reference rate. Historically, the market has been fragmented and voice-driven, with large trades negotiated bilaterally, pricing dependent on dealer runs, and execution vulnerable to information leakage. This made it difficult to achieve both efficiency and robust benchmarking simultaneously. A liquid primary venue that matches risk at a reliable mid-rate would change this dynamic entirely, enabling participants to trade directly against a neutral reference point rather than navigating a dispersed and opaque landscape.

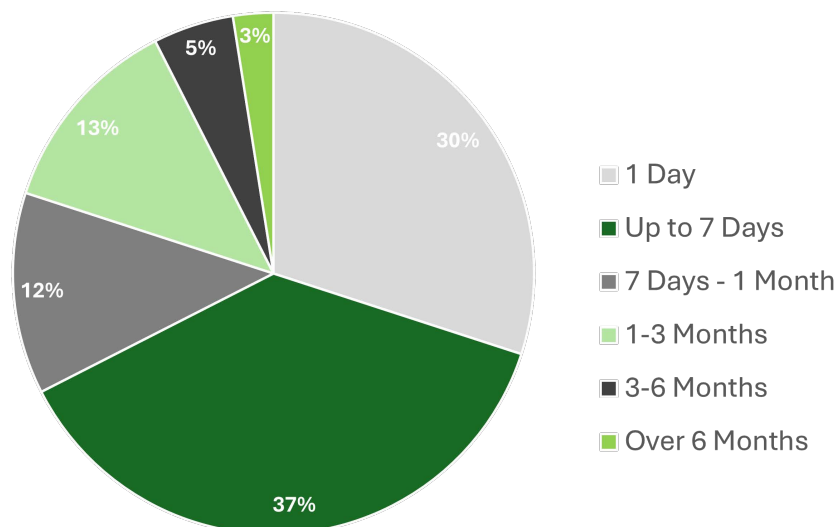
360T Solutions

Swaps Data Feed (SDF)

The award-winning SDF, created in partnership with DIGITEC, meets the growing demand for high-quality, accurate FX Swaps market data. It is a truly unique product that provides an accurate mid-market streaming price from O/N out to ten years across over 40 currency pairs (including key broken and central bank dates), giving real-time market data in an extensive number of crosses in G10, LM and non-deliverable (NDF) currency pairs.

An important differentiator for the SDF is that it is integrated with the Forward Trading Desk pricing engines of 20+ top FX banks, receiving price feeds devoid of credit considerations or client specific spreads, which are then aggregated. In addition to aiding price discovery, trading analytics and fueling automated trading, the SDF provides the mid-market rate for 360T SUN.

Maturity of FX Swaps Traded Globally in 2025



Source: BIS Triennial OTC FX Survey 2025

360T SUN as a Matching Platform

In addition to replicating many of the tools and functionalities that voice brokers currently employ, 360T SUN as a platform delivers numerous new innovations to the FX Swaps market. One of these is the ability to offer dark pool risk exchange at mid-market. Another is to enable both GUI and API users to post resting bids and offers, using a choice of different automated credit models that remove the risk and latency of soft-matching.

As the first Multilateral Trading Facility (MTF) to offer fully automated API connectivity and a continuous streaming mid-price for FX Swaps, 360T SUN provides a more deterministic trading experience and enables banks to auto-price these products more efficiently for their clients and hedge their own risk better. 360T SUN supports the electronification of this marketplace, boosting available liquidity, reducing costs and risks for market participants.

The emergence of 360T SUN as a primary venue for FX Swaps price formation also creates the foundation for broader innovation. As the experience of the FX Spot market demonstrates, establishing electronic venues with recognized reference rates enables the development of execution algorithms, automated workflows, and sophisticated analytics. Applying the same model to FX Swaps would unlock similar advances — allowing banks to scale execution, reduce operational friction, and trade more efficiently.

Credit APIs for Full Automation & Risk Mitigation

360T SUN offers a suite of credit solutions, including FIX and REST APIs, and has partnered with industry utilities, such as Cobalt, to launch a sophisticated credit limit monitoring service.

These options cover the majority of use cases and have helped to set the industry on a path to fully automated credit for FX Swaps trading, enabling trade confirmations in fractions of a second and making the process highly deterministic. They also deliver much-needed credit efficiencies at a time when credit and its related capital costs are a strong area of focus for banks and other large financial institutions.

Futures as an Additional Liquidity Source

The introduction of SA-CCR has, in many cases, made it more capital intensive for banks to trade OTC derivatives bilaterally, including FX Swaps and Forwards, forcing market participants to re-evaluate their FX portfolios from a capital cost perspective.

Through our partnership with Eurex, 360T can facilitate access to Listed and Centrally Cleared FX Futures liquidity alongside 360T SUN, enabling banks to execute via whichever channel they determine is the most capital — and therefore cost — effective.

Cost Analysis

By pursuing a pro-active and strategic response to the evolution of the FX Swaps market, 360T has been able to deliver a platform that directly addresses the most important needs of banks trading these instruments today. Crucially, it offers significant cost benefits that go far beyond simple price improvement.

- 1)** The automation of FX Swaps within 360T SUN can enable the cost reduction of low value trades, allowing traders knowledge, experience and expertise to be re-deployed where it can make the biggest difference.
- 2)** Banks executing intraday via the 360T SUN mid-book can experience lower execution costs through reduced market impact as no one except the other counterparty knows the trade has occurred.
- 3)** In some instances regulations can increase the cost of credit, putting pressure on banks to utilize it more effectively. The automated credit solutions offered by 360T SUN assist with this, efficiently bringing down the overall cost associated with trading.
- 4)** The credit models offered by 360T SUN can help reduce compliance costs by eliminating outtrades and preventing limits from being broken.
- 5)** Banks increasingly must factor in more than price to the overall cost of FX Swaps trading. In many instances they might want to get out of a position at mid in order to reduce balance sheet exposure rather than trying to fractionally increase the profitability of that trade — 360T SUN can enable them to achieve this.
- 6)** The ability to access listed and centrally cleared products alongside OTC FX Swaps via 360T SUN gives banks the flexibility to execute trades in a manner which they determine is most effective when factoring in the cost of capital and holding bilateral OTC exposures on their books.
- 7)** The automation of existing manual processes helps to reduce operational risks, and the costs that are associated with these.

Conclusion

The FX Swaps market is entering a critical phase of its evolution. Sustained growth in volumes, combined with tightening margins, rising capital costs and increasing regulatory scrutiny, is placing structural pressure on traditional trading models. At the same time, the core infrastructure underpinning the market has not kept pace with this expansion, creating inefficiencies that are becoming progressively harder for participants to absorb.

As this report has outlined, several converging forces are now driving change. The increasing importance of high-quality data is reshaping price discovery and decision-making. Continued electrification is enhancing transparency and workflow efficiency, while expanding liquidity pools. Meanwhile, cost and risk considerations — particularly around credit and capital — are elevating the importance of automation, deterministic execution, and more sophisticated credit management frameworks.

Against this backdrop, the direction of travel for the market is clear. Greater automation, real-time credit facilitation, and data-driven execution are no longer optional enhancements, but necessary components of a scalable and sustainable FX Swaps ecosystem. The ability to reduce operational friction, optimize capital usage, and execute with precision will increasingly define competitive advantage.

In response, 360T SUN was purpose-built to deliver the next phase of market evolution, built on direct engagement with the world's leading banks to ensure it addresses the structural challenges the market can no longer defer. The platform combines high-quality, independent mid-market data with automated credit models and efficient matching mechanisms, reflecting a collective recognition across the industry that the infrastructure underpinning interbank FX Swaps trading must modernize and a shared commitment to making that happen.

Ultimately, the firms best positioned to navigate this changing landscape will be those that embrace this shift, adopting more automated, data-driven and capital-efficient trading frameworks, and engaging with solutions that are designed to meet the realities of a modern FX Swaps market.

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About 360T

360T is a regulated, global marketplace for FX. As Deutsche Börse Group's powerhouse FX unit, 360T provides a broad range of trading solutions and related services to both buy-side and sell-side firms. Since its inception in 2000, the company has developed and maintained a state-of-the-art multi-bank portal for foreign exchange, cash and money market products. It has recently expanded its instrument offering to include crypto NDFs and crypto Spot and commodities (metals and energy).

With over 3,000 buy-side customers and more than 200 liquidity providers across 80 different countries, 360T is uniquely positioned to connect the global FX industry.

Further information can be found at www.360t.com.

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