

## MARKETS

## SPEAKERS

# Introducing FX Spot+, Connecting OTC Spot and Futures Liquidity

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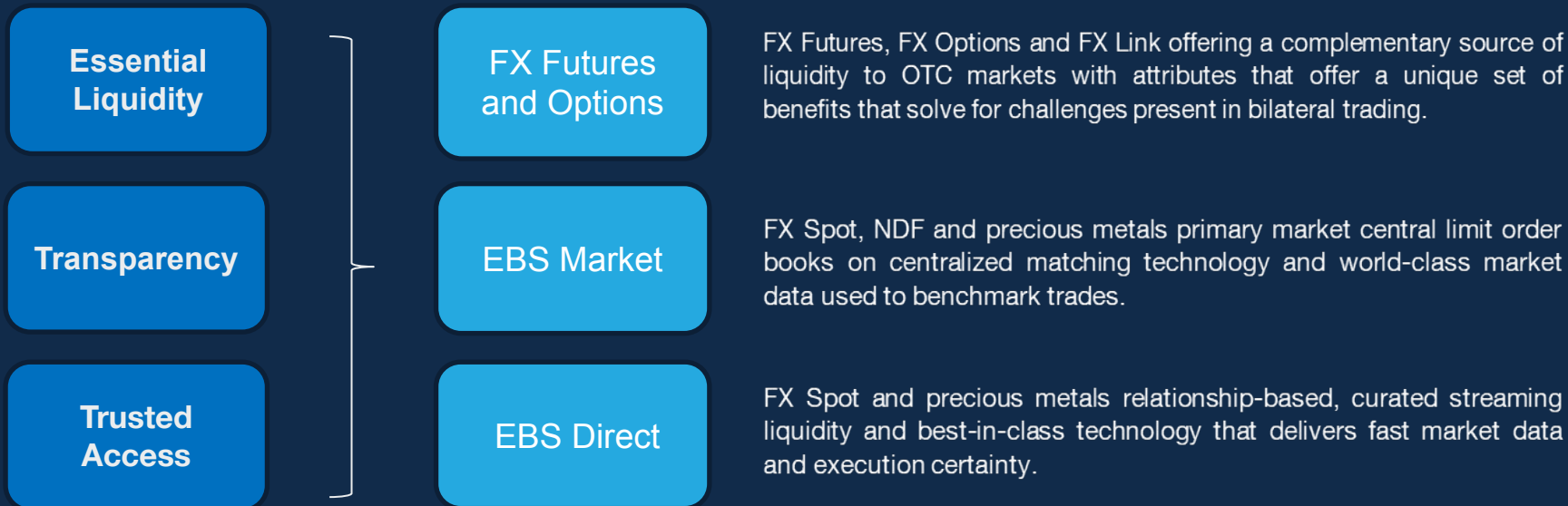
**Clinton Kong**, Director, FX Products,  
CME Group

# Agenda

- CME FX and Our Core Offering
- Trend and Opportunity
- CME FX Spot+: leveraging technology
- Quiz
- Q&A

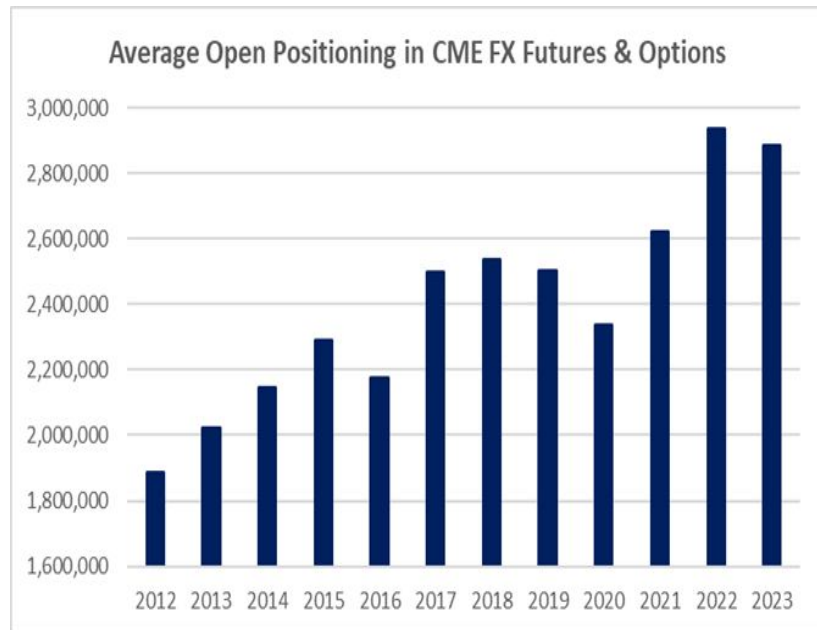
# FX Markets at CME Group: Liquid, transparent, trusted

CME Group operates the largest FX central limit order books for FX Futures, FX Spot, Non-Deliverable-Forwards and FX Options - widely used as primary marketplaces and sources of price discovery in FX, alongside world class relationship trading platforms and benchmark matching services.



# Trend: FX Futures Volumes and Adoption

***“Some LPs increasingly look to exchange-traded currency futures for reference prices and for hedging their spot activity...a growing number of market participants of all types now seems to consider currency futures traded on the Chicago Mercantile Exchange (CME) as at least a close cousin of the primary CLOBs” \****



Total CME FX Futures ADV (2023)	\$78.7 bn
Euro	\$32.3 bn
Japanese Yen	\$15.8 bn
British Pound	\$8.3 bn
Australian Dollar	\$6.9 bn
Canadian Dollar	\$6.3 bn
Swiss Franc	\$3.2 bn
New Zealand Dollar	\$2 bn
Mexican Peso	\$1.9 bn
EUR/GBP	\$491 m
EUR/JPY	\$370 m
Brazilian Real	\$301 m
Offshore Chinese Renminbi	\$185 m

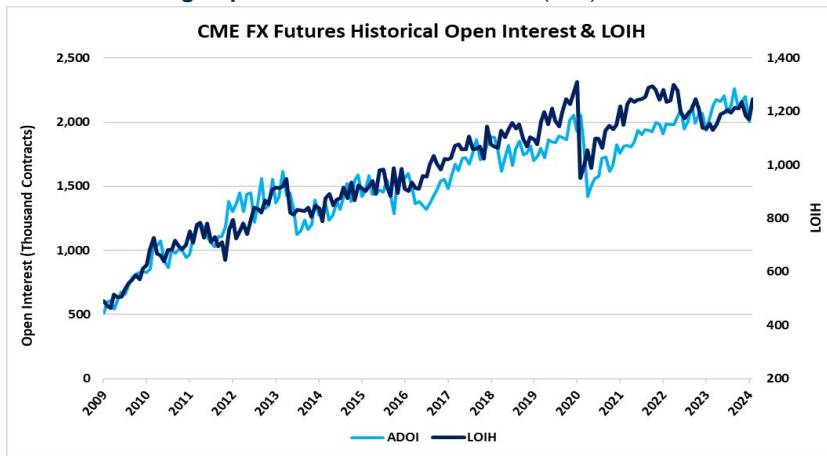
# Trend: FX Futures Open Interest, Large Open Interest Holders and Diversity of Liquidity

## Further growth...

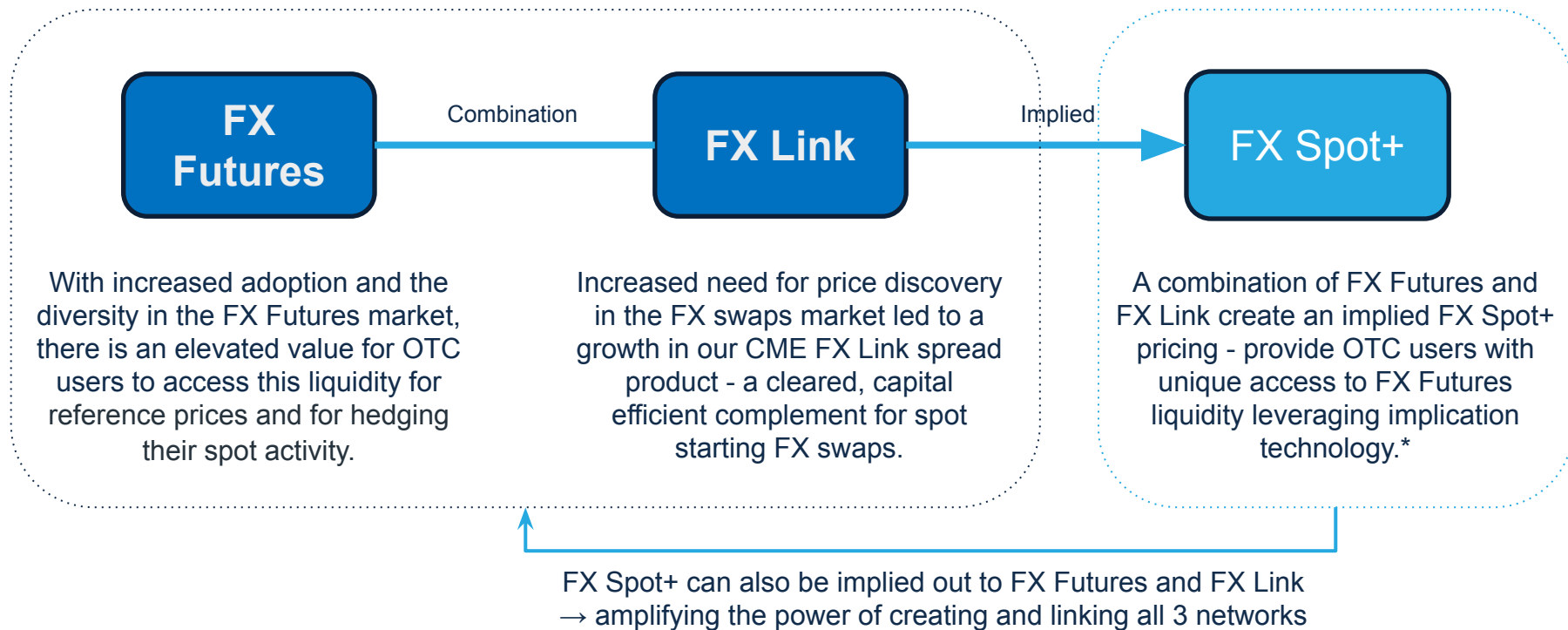
- In 2023, record Global FX Futures **average daily open interest of over 2.1m contracts, +6% YoY**
- Record **annual open interest** across multiple FX Futures products: **EUR** (756k; +9%), **AUD** (176k; +8%), **CAD** (173k; +18%), **MXN** (250k; +25%), **BRL** (54k; +1%), **ZAR** (24k; +2%) and **USD/CNH** (6.6k; +7%)
- Record **large open interest holders** in JPY (167) as of 5 Mar 2024.

- FX Futures liquidity is diversified across proprietary trading firms, hedge funds, banks, retail, asset manager and corporates.

Client Segment	Make %	Take %
PROPRIETARY TRADING FIRM	50%	50%
HEDGEFUND	66%	34%
BANK	30%	70%
RETAIL	50%	50%
Non-Member	43%	57%
ASSET MANAGER	49%	51%
CORPORATE	44%	56%



# Opportunity: Bringing FX Futures & OTC Spot closer



# FX Spot+

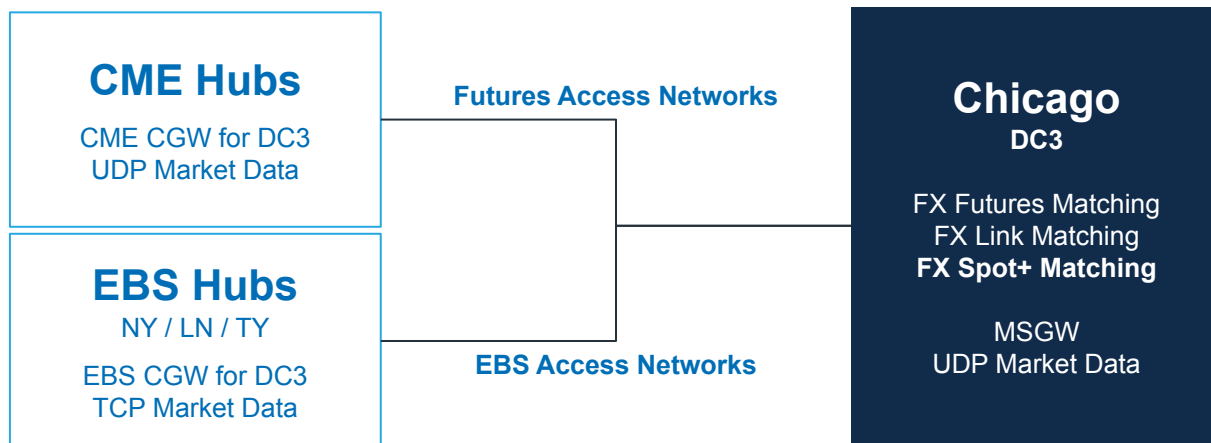
Connecting OTC Spot FX and Futures liquidity

CME Group's FX Spot+ product will enable OTC Spot FX market participants to interact with CME Group FX futures liquidity through an all-to-all, transparent central limit order book while giving FX futures users broader access to OTC liquidity.

This unique liquidity connection will be made possible by [implied matching](#) through [FX Link](#), a liquid, tradeable spread between OTC spot FX and FX futures.

# CME FX Spot+ Matching in Chicago

The existing EBS CGWs would serve the CME FX Spot+ orders just as they serve NY and LD EBS matching



MSGW: Market Segment Gateway  
CGW: Convenience Gateway

## Network Round Trip Time\*:

New York - Chicago ~16ms  
London - Chicago ~81ms  
Tokyo - Chicago ~132ms



# CME FX Spot+ Summary

	Description	
Matching	Single CME matching engine in Chicago (DC3)	
Credit	Central Counterparty	
Order Entry (iLink 3)	<ul style="list-style-type: none"> <li>• <b>MSGW</b> - Direct order entry to the matching engine. Only available in DC3</li> <li>• <b>CME CGWs</b> - Single point of order entry to CME matching engine. Customers could leverage existing CME CGWs</li> <li>• <b>EBS CGWs</b> - Customers could leverage existing EBS CGWs to route orders to Chicago</li> </ul>	
Market Data (MDP)	Real-time Market by Order	<ul style="list-style-type: none"> <li>• No conflation</li> <li>• Full order book</li> <li>• Available through CME connectivity only</li> </ul>
	Conflated Market by Price	<ul style="list-style-type: none"> <li>• 1ms interval</li> <li>• 10 levels</li> <li>• Available through EBS connectivity only</li> </ul>
Implied Match	<ul style="list-style-type: none"> <li>• Implied orders do not have time priority relative to native orders</li> <li>• Implied orders can only interact with native orders</li> <li>• Implied in to FX Spot+ from FX Future and FX Link; and Implied out from FX Spot+ to FX Futures or FX Link</li> </ul>	
Order Types	<ul style="list-style-type: none"> <li>• Limit (GTC, GTD, FAK)</li> <li>• Market Order with Protection</li> <li>• Market-Limit</li> </ul>	<ul style="list-style-type: none"> <li>• Stop Order with Protection</li> <li>• Stop-Limit</li> </ul>
Post Trade	Available via CME STP only	

# Implied Matching Demystified

Two resting orders in the correct combination will result in an implied price & quantity

- CME FX Link offers a marketplace to trade the spread between the CME FX Futures and OTC Spot FX
  - Buying Spread → Buying Future & Selling Spot
  - Selling Spread → Selling Future & Buying Spot

This FX Future price...

Futures Market	
Bid Qty	Bid Px
50	100

- Together with FX Future, an Implied Spot quote will be available for matching in FX Spot+

- *Example*

- A Future Trader is willing to **buy Future at 100**
- A Spread Trader is willing to **sell Spread at 10** on FX Link (ie buy Spot and sell Futures)
- A **90 bid Implied Spot** is available on Spot+ for matching!

...minus this FX Link price

Spread Market	
Ask Qty	Ask Px
500	10

...equals this FX Spot+ price!

Spot+ Market	
Bid Qty	Bid Px
50	90

NB: the implied price calculations above will differ depending on the quoting convention of the Futures Market.

# Implied In Matching EUR/USD Example

(Contract size: 125,000; Price Increment: 0.1 pip)

Orderbook

FX Future	
Bid Qty	Bid Px
20	1.05655

minus

FX Link Spread	
Ask Qty	Ask Px
1,000	0.001940

equals

FX Spot+	
Bid Qty	Bid Px
2.5 mio	1.05461

Implied Order:

- Price: **1.05461** = 1.05655 - 0.001940
- Quantity: **2,500,000** = Min(20, 1,000) \* 125,000

FX Futures resting order and FX Link resting order immediately matched by Globex

FX Futures trader has  
bought 8 FX Futures  
contracts at 1.05655;  
faces FCM

FX Link trader has sold 8 FX Link  
contracts at 0.001940 (i.e. sold 8 Futures  
at 1.05655 and bought 1 mio Spot at  
1.05461); faces FCM on Future, faces  
FXPB on Spot

## Match Event

FX Spot+ trader  
aggressively sells 1 mio  
FX Spot at 1.05461;  
faces FXPB

Post-Match

FX Future	
Bid Qty	Bid Px
12	1.05655

minus

FX Link Spread	
Ask Qty	Ask Px
992	0.001940

equals

FX Spot+	
Bid Qty	Bid Px
1.5 mio	1.05461

# Implied Out Matching EUR/USD Example

(Contract size: 125,000; Price Increment: 0.1 pip)

Implied Order:

- Price:  $1.05655 = 1.05461 + 0.001940$
- Quantity:  $20 = \text{Min}(2,500,000/125,000, 1,000)$

Orderbook

FX Future	
Bid Qty	Bid Px
20	1.05655

equals

FX Link Spread	
Bid Qty	Bid Px
1,000	0.001940

plus

FX Spot+	
Bid Qty	Bid Px
2.5 mio	1.05461



## Match Event

FX Future trader  
aggressively sells 8 FX  
Future contracts at  
1.05655; faces FCM

FX Link resting order and FX Spot+ resting order immediately matched by Globex

FX Link trader has bought 8 FX Link  
contracts at 0.001940 (i.e. bought 8  
Futures at 1.05655 and sold 1 mio Spot at  
1.05461); faces FCM on Future, faces  
FXPB on Spot

FX Spot+ trader has bought  
1 mio FX Spot at 1.05461;  
faces FCM

Post-Match

FX Future	
Bid Qty	Bid Px
12	1.05655

equals

FX Link Spread	
Bid Qty	Bid Px
992	0.001940

plus

FX Spot+	
Bid Qty	Bid Px
1.5 mio	1.05461

# CME FX Spot+ Product Specifications\*

	Value
Currency Pairs	EUR/USD, USD/JPY, GBP/USD, AUD/USD, USD/CAD, USD/CHF, NZD/USD
Minimum Price Increment	0.1 pip for all currency pairs
Minimum Order Size	200,000 base currency for all currency pairs
Maximum Order Size	<ul style="list-style-type: none"><li>• 5 million base currency for EUR/USD, USD/JPY, GBP/USD, AUD/USD, USD/CAD</li><li>• 3 million base currency for USD/CHF, NZD/USD</li></ul>
Minimum Order Increment	10,000 base currency for all currency pairs
Auto-Cancellation Threshold	200,000 base currency for all currency pairs

# Thank you