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The FX market in 2025: Managing risk and regulation

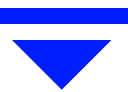
lseg.com/fx



Introduction

FX market participants are facing numerous challenges, from world events and their effect on markets to the need to keep pace with new technology and regulatory developments. This report unpacks how FX professionals are tackling the uncertainty of 2025 – from risk and regulation to navigating emerging markets – based on insights from 400 professionals worldwide. By examining the focus areas cited by FX trading firms, it allows market participants to benchmark themselves against broader market trends and identify solutions available to drive growth and remain competitive.

This, the first paper in a two-part series, looks at risk management, regulatory compliance, emerging markets and clearing – all identified as important themes by our respondents. The second paper will be published later this year and will focus on technology spend, innovation and next-gen solutions, managing liquidity fragmentation and automating FX workflows.

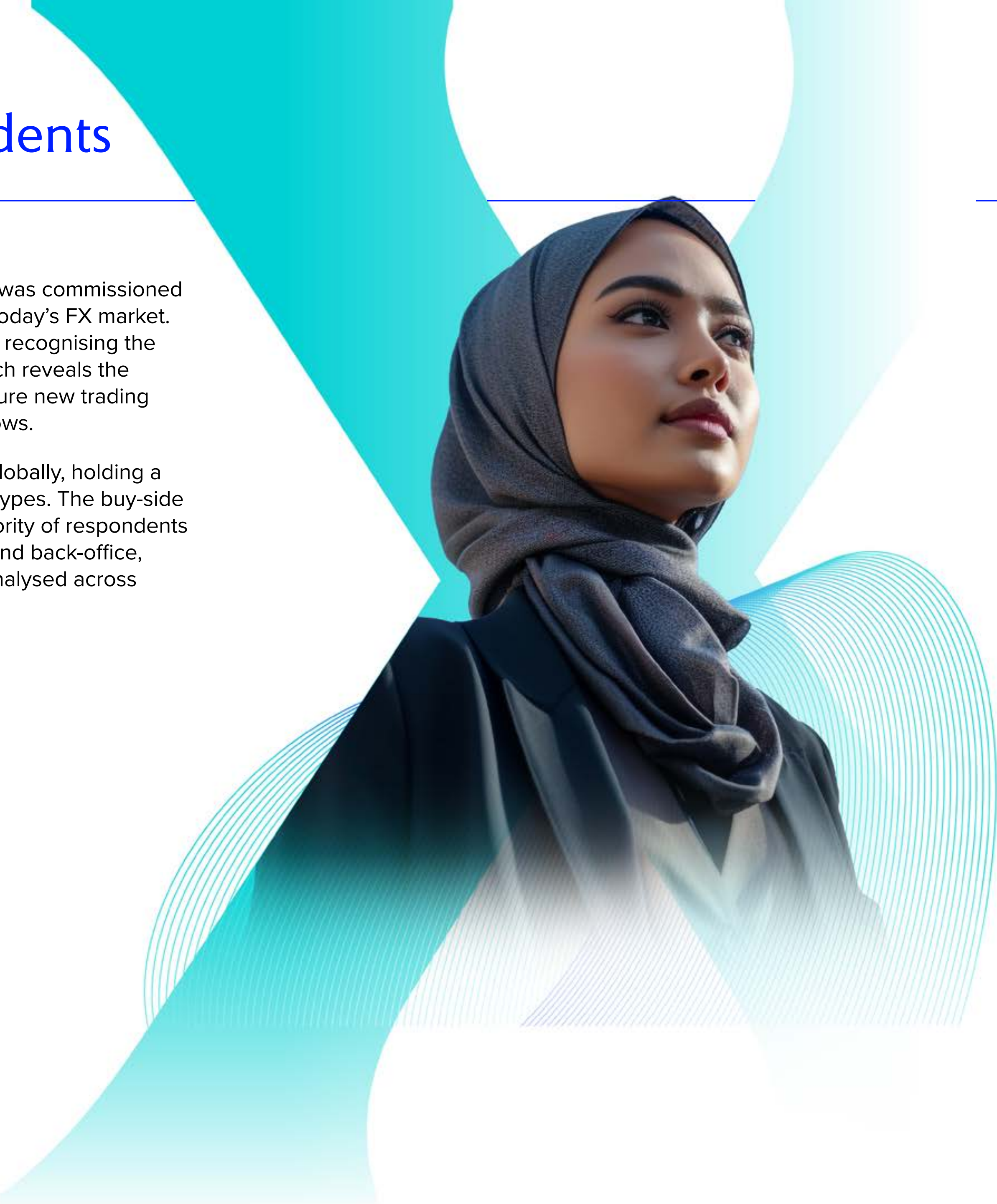


Methodology and respondents

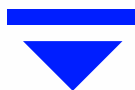
The LSEG FX market research was conducted in Q4 2024. It was commissioned to provide detailed insight into the trends and challenges in today’s FX market. By identifying the issues faced by FX market participants and recognising the key areas of investment needed to address them, the research reveals the appetite of FX trading institutions to better manage risk, capture new trading opportunities, deploy new technology and streamline workflows.

Survey respondents comprised 400 FX market participants globally, holding a variety of roles across a range of functions and organisation types. The buy-side represented 62% of respondents and sell-side 38%. The majority of respondents worked in FX trading, with other roles including risk, middle and back-office, technology, FX sales, and corporate treasury. Results were analysed across regions, organisation types and company size.

For the profile of respondents, see [Appendix](#).



Key findings



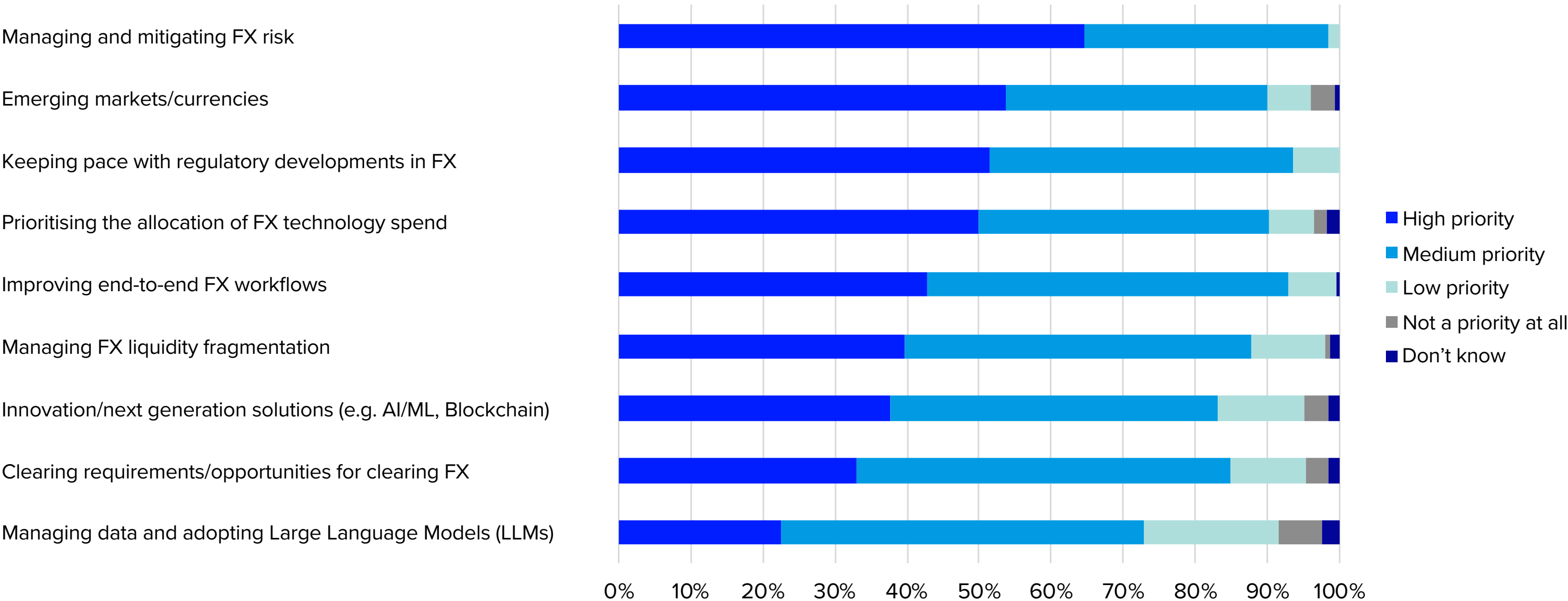
Key findings

Top focus areas for firms in the FX market

- This is the year of risk management**
With economic and geopolitical uncertainty showing no signs of slowing, 65% of respondents said managing and mitigating FX risk was their number one priority. Risk management featured highly throughout multiple parts of the study.
- Regulation is a high priority (again)**
Identified as important by market participants over many years, keeping pace with regulation is ranked third highest priority by survey respondents (52%). Complying with regulation is no longer a ‘tick box’ exercise to keep in line with new regulatory demands. The pace and scope of change in regulation over the past few years has cemented its position as central to all areas of FX.
- An opportunity to capitalise on clearing?**
Small and mid-cap firms are trying to catch up with larger firms by prioritising clearing and margin solutions. But there is an opportunity for a broader understanding of clearing’s cost and efficiency benefits across FX roles as the market continues to evolve.
- Navigating emerging markets is vital**
Whether to capture growth or manage currency fluctuations, a large proportion (54%) of firms place emerging markets and emerging markets currencies among their top priorities. This is driven by expected market volatility, combined with lower global trade volumes and higher US yields. However, it is vital that firms are equipped with the right tools to manage the risk and volatility associated with these currencies.

Chart 1: Managing and mitigating FX risk is the highest priority

Question: To what extent are the following areas a priority for your organisation?



Strategic priorities in 2024 and 2025

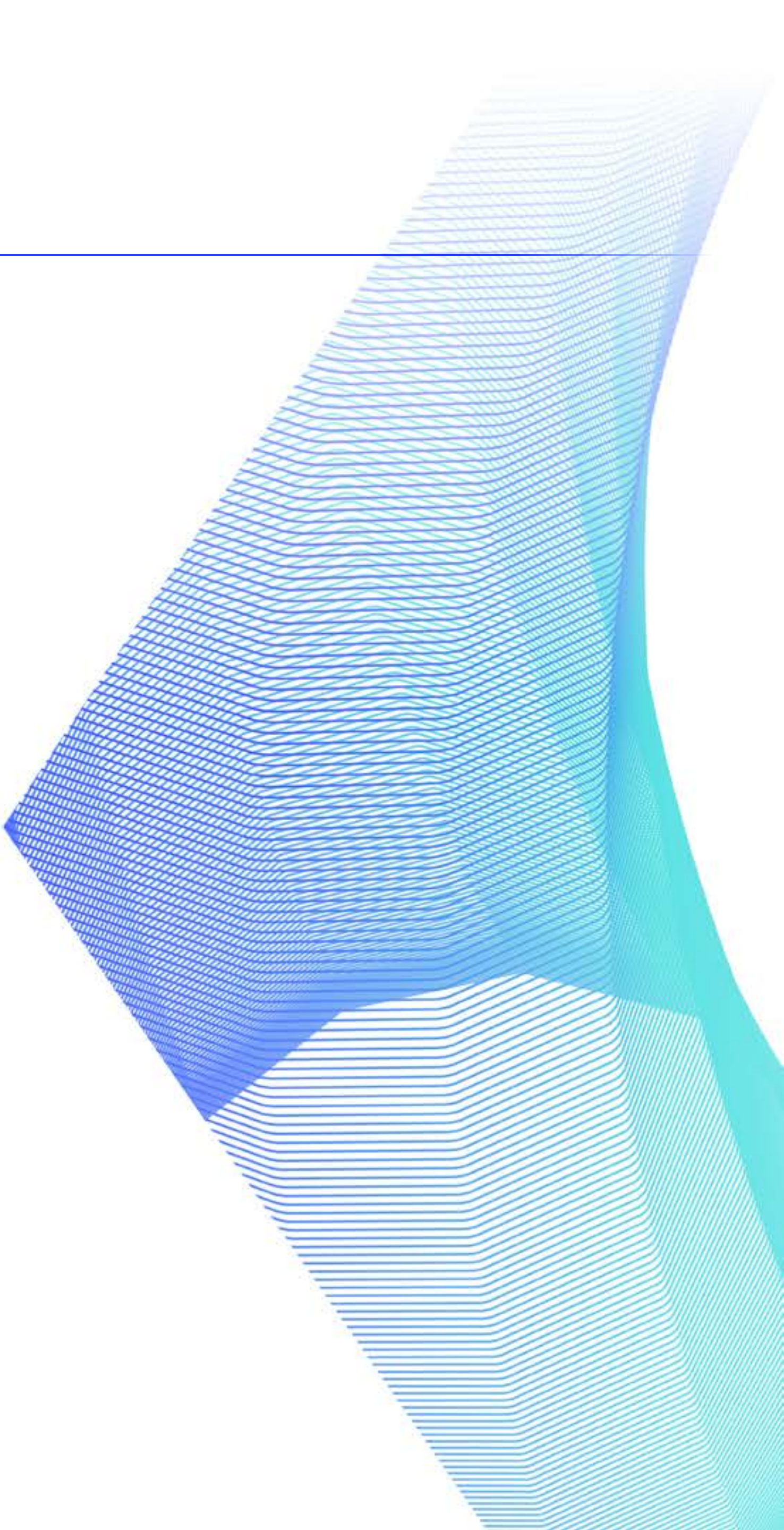
Three areas identified as high priorities in 2024 and 2025 are managing risk, navigating emerging markets and currencies, and keeping pace with regulation.

Strategic priorities are unchanged over two years

2024	2025
Managing and mitigating FX risk	Managing and mitigating FX risk
Emerging markets and currencies	Emerging markets and currencies
Keeping pace with regulatory developments	Keeping pace with regulatory developments

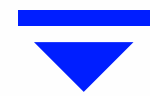
Improving fundamental services while targeting areas of growth

Trading firms of all sizes and types identified risk management and regulatory compliance as crucial. It is unsurprising that risk and compliance are seen as fundamental functions for both buy-side and sell-side firms, as both need to manage risk to trade FX and comply with regulations to stay in business. In addition, a large number of respondents see significant opportunity in implementing new risk management strategies, trading emerging market currencies and the cost and operational benefits of adopting clearing.



Priority 1:

Risk management and mitigation



Priority 1: Risk management and mitigation

Key investment areas are regulatory compliance solutions and advanced data analytics and AI.

The research highlighted the importance of managing and mitigating FX risk amid economic and geopolitical uncertainty. This was recorded as the highest priority in 2024 and the second highest priority in 2025.

However, with extreme market volatility related to trade tariffs, the importance of risk management has never been higher. In the week following President Trump’s announcement of trade tariffs, LSEG FX venues saw daily FX transactions increase. In these volatile markets, risk management’s importance cannot be overstated.

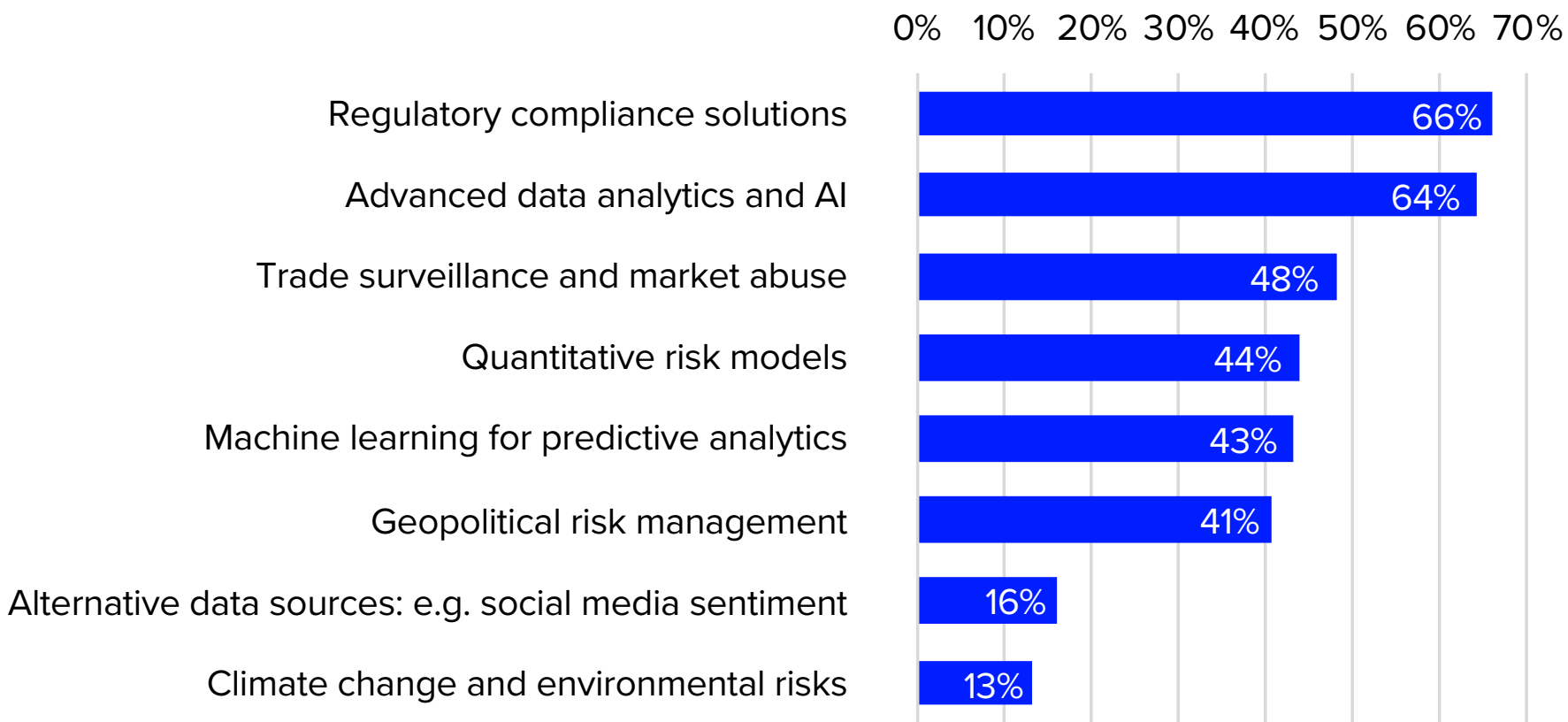
Two-thirds of all respondents globally cited risk management as their highest priority (see chart 1), with respondents commenting that there continues to be volatility in the FX markets. As we have already seen this year, volatile markets can lead to sudden and unexpected changes in currency values, meaning that it is crucial for firms to remain updated on world events and able to adjust risk management strategies quickly and efficiently.

In these volatile markets, firms are required to constantly adapt risk management and mitigation strategies, and respondents across the globe agreed that challenges lie in ensuring that the data employed in trading and risk management is accurate and reliable. Poor visibility into cashflows can result in inaccurate forecasting, complicating risk management strategies and potentially leading to significant financial losses.

“ Challenge lies in ensuring that the data employed in trading and risk management is both accurate and reliable.”
FX professional, Germany

Chart 2: Regulatory compliance solutions and advanced data analytics/AI are key risk management investment areas

Question: Which of the following areas is your organisation focused on or investing in to manage and mitigate risk?



Base: All respondents stating managing and mitigating risk is a priority

Priority 1: Risk management and mitigation

In the area of risk management, two main investment priorities emerged: 66% of respondents cited **regulatory compliance solutions** with almost as many focused on **advanced data analytics and AI** (see chart 2). The latter was a more important focus for larger companies (those with revenue greater than US\$1bn/AUM), as they have the necessary resources to implement this technology to manage risk. As more firms adopt AI solutions, analytics are likely to aid decision-making and empower domain specialists without coding skills by quickly capturing and analysing cross-asset data from multiple sources to identify risks and opportunities. We see AI playing the role of a decision-making ‘FX co-pilot’, unlike Generative AI, which remains too unpredictable and therefore problematic in risk management and regulatory scenarios.

Across all job functions there was overall interest in **quantitative analysis** (44%) and **machine learning for predictive analytics** (43%). However, those respondents with middle and back-office roles had the greatest interest in these areas, at 56% and 57% respectively.

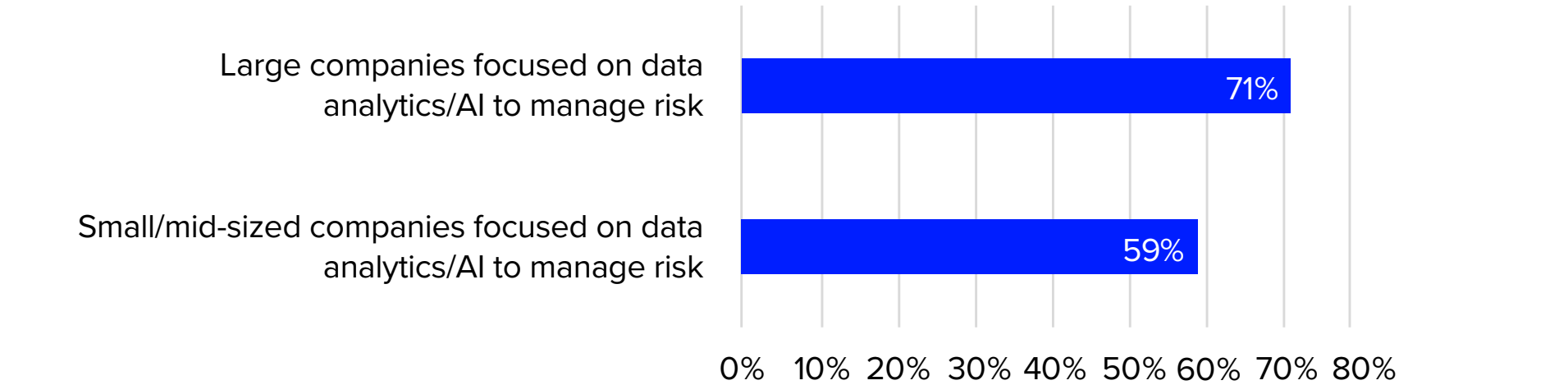
“ Geopolitical tensions such as military conflicts have the potential to lead to abrupt changes in currency exchange rates. Therefore, it is crucial to remain updated on worldwide events and adjust our strategies promptly.”
FX professional, UK

Thirteen percent of respondents mentioned **climate change** and **environmental risks**. As sustainability becomes more ‘established’ and clients increasingly asking for sustainable trading options, firms are exploring more product offerings aligned to environmental and sustainability goals. This shift brings a growing need to manage associated risks, comply with environmental regulations and demonstrate that compliance clearly.

Risk management is likely to assume even greater importance in the future given the ongoing volatility in the FX market, which is driven by factors such as inflation, trade tariffs and geopolitical uncertainty.

Chart 3: Advanced data analytics and AI a greater priority for larger companies

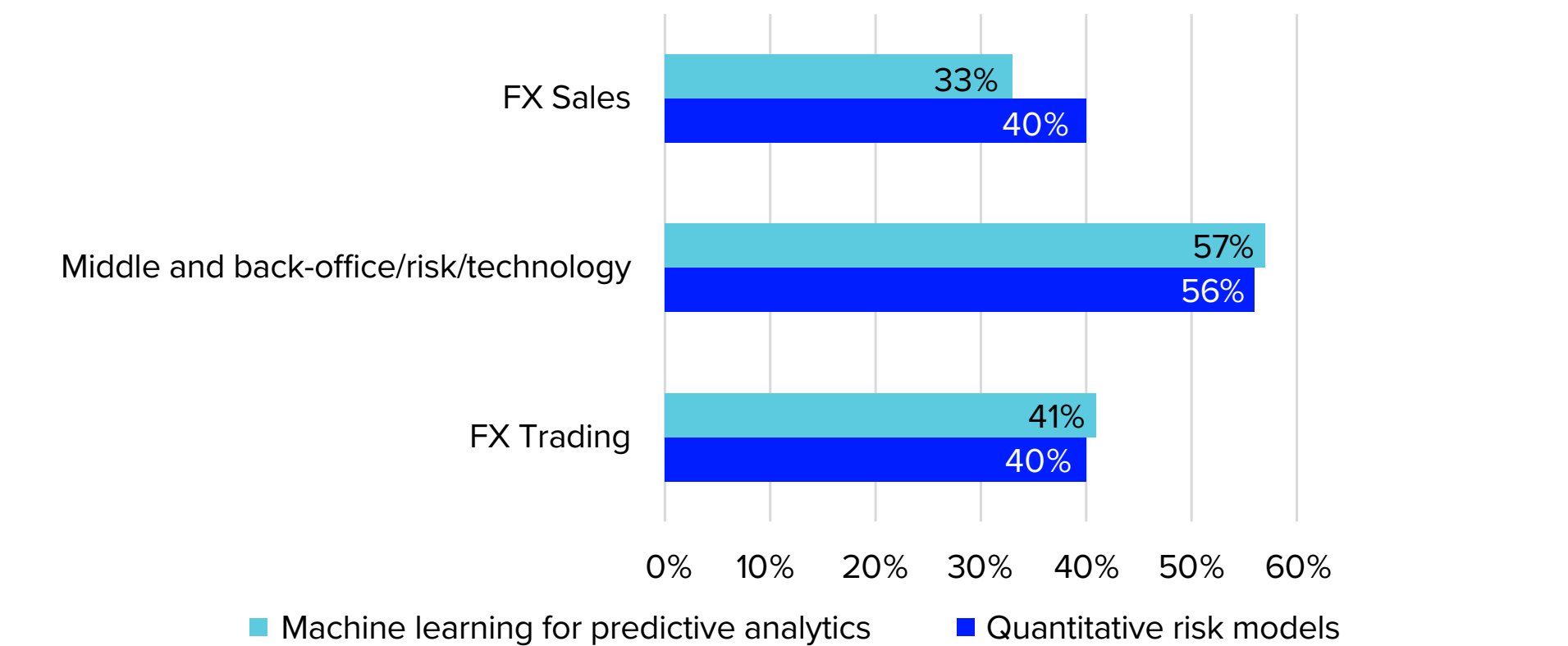
Question: Which of the following areas is your organisation focused on or investing in to manage and mitigate risk?



Base: All respondents stating managing and mitigating risk is a priority

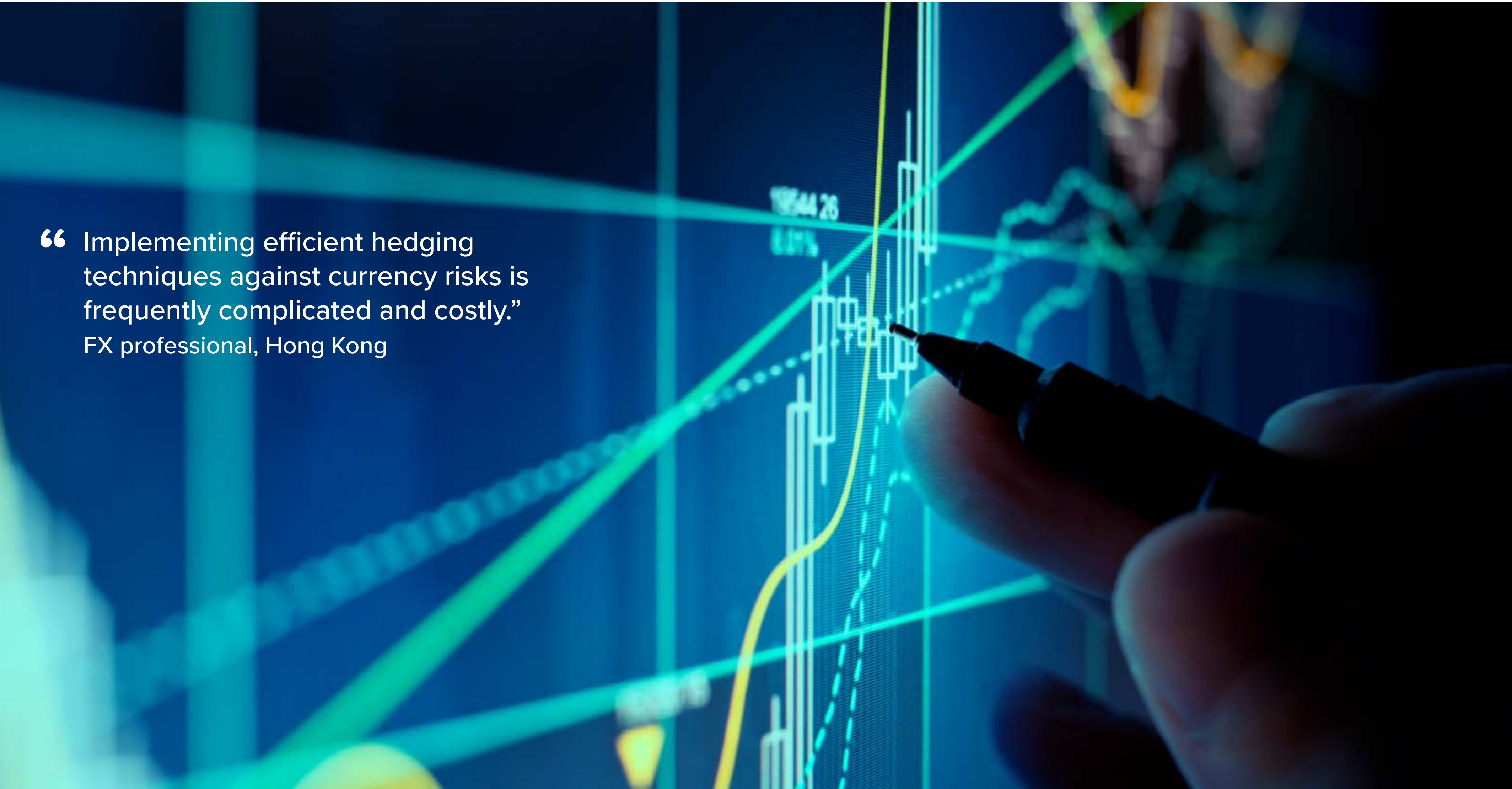
Chart 4: Middle and back-office focused on quantitative analysis and machine learning to manage risk

Question: Which of the following areas is your organisation focused on or investing in to manage and mitigate risk?



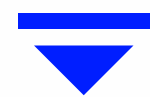
Base: All respondents stating managing and mitigating risk is a priority

Priority 1: Risk management and mitigation



Priority 2:

Emerging markets and currencies



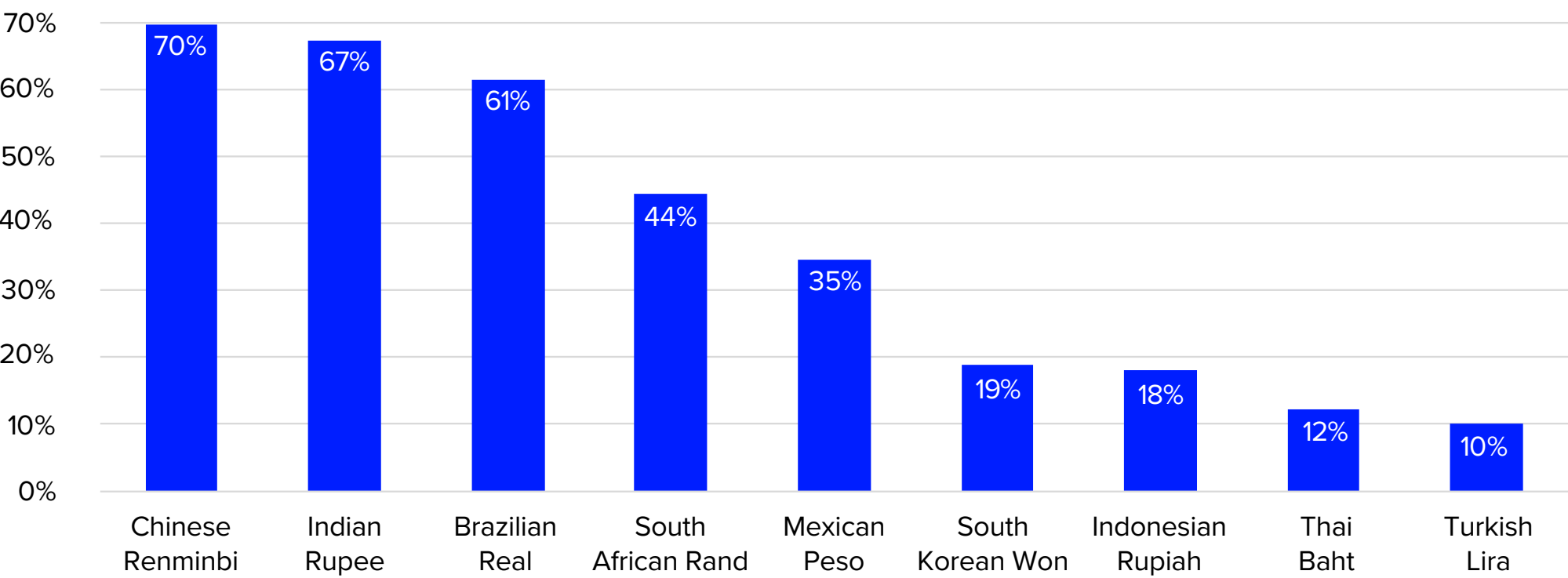
Priority 2: Emerging markets and currencies

Chinese renminbi, Indian rupee, Brazilian real and South African rand dominate the list of currencies attracting interest, reflecting growth in these markets.

Managing emerging markets and currencies ranked as the second most important focus for respondents (54% – see chart 1), but many expect it to take top spot in 2025 as technology improves access and transparency, and firms seek potentially higher returns beyond G20 currencies.

Chart 5: BRICS dominate the emerging currencies of interest

Question: Which emerging markets currencies are you most interested in?



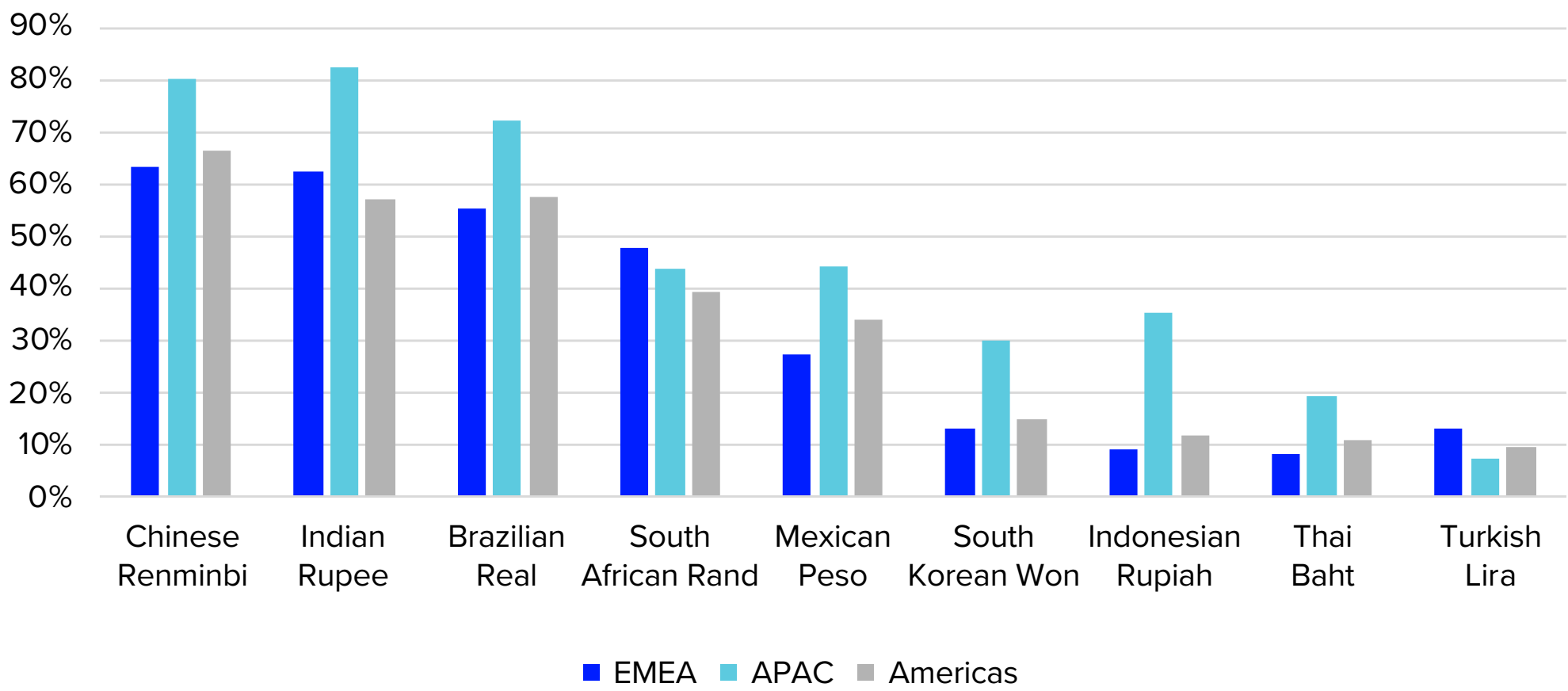
Base: All respondents stating emerging markets/currencies as a priority

Firms are looking to diversify their portfolios and grow by capturing opportunities in new markets and trading emerging markets currency pairs. With the combined economies of China, India, Brazil and South Africa alone worth US\$23.68tn – approximately 23% of the world’s economy¹ – it is unsurprising that respondents have most interest in these emerging markets currencies.

¹Source: World Bank/OECD February 2024

Chart 6: APAC-based firms more focused on BRICS currencies

Question: Which emerging markets currencies are you most interested in?



Base: All respondents stating emerging markets/currencies as a priority

Larger companies in particular identified emerging markets as a key focus (61%), as they have the resources to manage exposures more efficiently. For many firms, the main challenge has been price discovery – driving more volume toward those emerging markets currencies that are liquid and transparent.

Among the major emerging markets currencies, 70% of all global respondents – and 80% in APAC – showed the most interest in the **Chinese renminbi**, followed by the Indian rupee – reflecting the two countries’ positions as the world’s largest and fastest-growing economies. APAC-based firms are even more focused on BRICS currencies than those in other regions (see chart 6). Conversely, issues with credit and market access mean that Turkish lira is the emerging markets currency currently generating the least interest from respondents.

Political and economic forces reshaping the globalisation agenda are likely to drive future interest in emerging markets currencies. These currencies are expected to evolve rapidly in the coming years, as regional trade blocs actively form and strengthen in response to a shifting global trade landscape.

Priority 3:

Keeping pace with regulatory developments



Priority 3: Keeping pace with regulatory developments

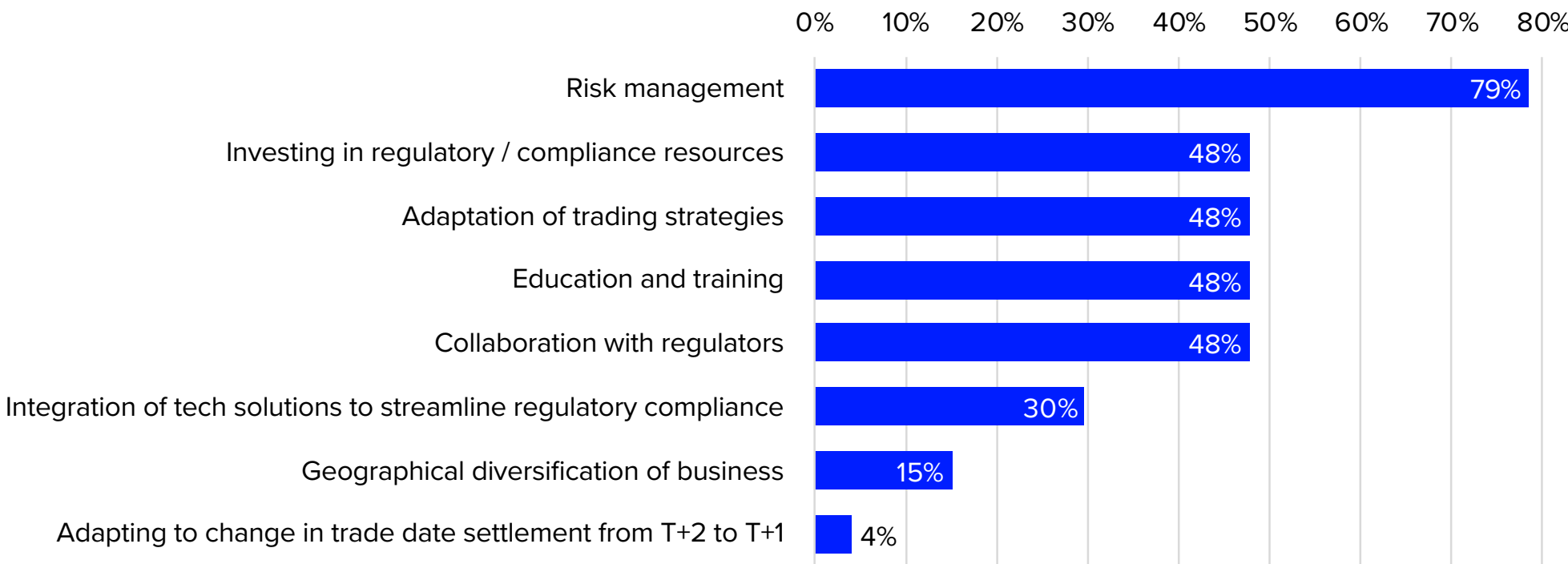
Firms remain focused on regulatory compliance, with resources and technology deployed to meet regulatory requirements.

Keeping pace with regulation is a multi-year theme in the FX market and this is unlikely to change. Even as the Trump administration looks to roll back some financial regulations, global trading activity continues to drive a strong focus on compliance.

The survey highlights a shared challenge across firms: keeping up with the pace of regulatory change and adapting to developments across multiple jurisdictions. In this area, 79% of respondents cited **risk management** as a key focus.

Chart 7: Firms are focused on managing risk to keep pace with regulatory developments

Question: How is your organisation looking to keep pace with regulatory changes and developments in the next 12 months?

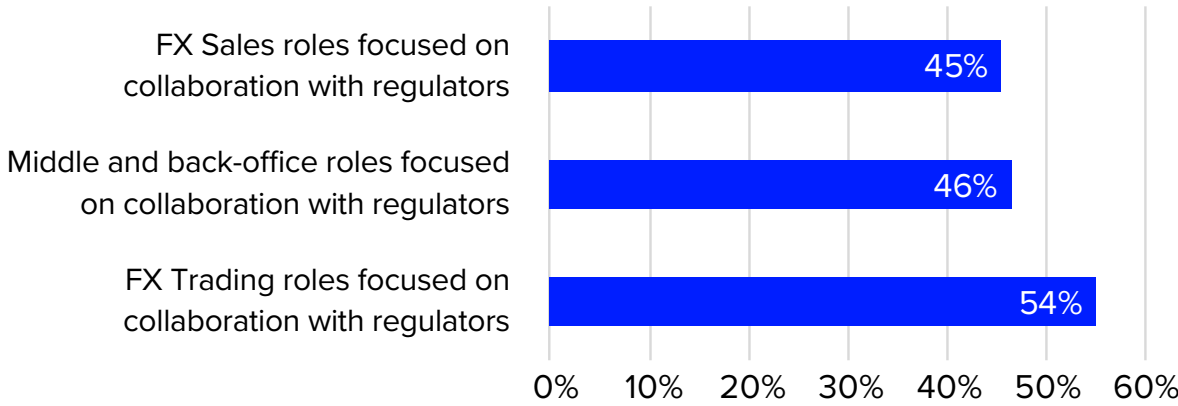


Base: All respondents stating keeping pace with regulatory developments in FX as a priority

Other strategies for staying compliant – each noted by 48% – included **adapting trading strategies, collaborating with regulators** (especially among those in FX trading roles – see chart 8), and **investing in regulatory and compliance resources. Education and training** were particularly important for buy-side firms (see chart 9), while sell-side firms placed less emphasis here, as compliance training is already embedded in their internal programmes.

Chart 8: FX traders focused on collaboration with regulators

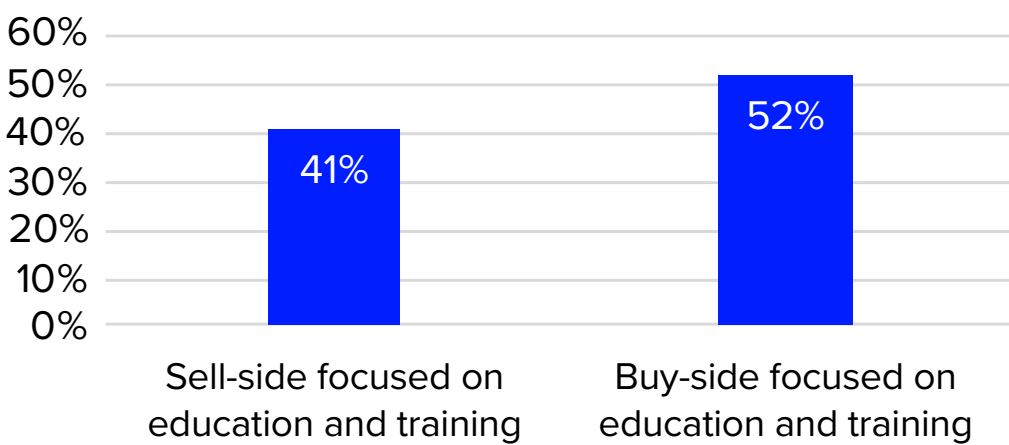
Question: How is your organisation looking to keep pace with regulatory changes and developments in the next 12 months?



Base: All respondents stating keeping pace with regulatory developments in FX as a priority

Chart 9: Education and training particularly important to buy-side

Question: How is your organisation looking to keep pace with regulatory changes and developments in the next 12 months?



Base: All respondents stating keeping pace with regulatory developments in FX as a priority

Priority 3: Keeping pace with regulatory developments

With numerous pieces of legislation, directives and regulatory bodies to monitor and adhere to, respondents cited T+1, EMIR, MiFID, KYC and Basel as the main regulatory developments impacting their firms.

Perhaps surprisingly there was no mention of the FX Global Code, suggesting firms see regulation as more important than the Code. It is also the case that take-up of the code has largely been limited to sell-side firms. The Global Foreign Exchange Committee (GFXC) updated the FX Global Code in January 2025 (after this survey was conducted in October 2024) – to strengthen guidance on FX settlement risk and improve transparency around FX transactions.

Although **T+1** was not identified as a high priority overall (4% of respondents overall, which rose to 16% in the US and Canada), this was likely due to the US transition working efficiently and the fact that in FX markets T+1 can be achieved without significantly changing T+2 processes. This research also predates ESMA’s proposal for a European transition by 2027 and the UK Government’s announcement that T+1 would take effect from 11 October 2027. As a result, we expect to see T+1 identified as a higher priority in the future.

While better risk management remains the main driver of regulatory focus, regulators are also paying closer attention to **new technology** like **AI, data privacy, customer protection** and – increasingly – to **sustainability**. All these areas were highlighted as contributing to the focus on regulation, impacting firms of all sizes and types and, in many cases, requiring significant investment.

“ Compliance with regulations is a major responsibility that requires extensive resources and investment.”
FX professional, US

Respondents agreed that **additional time and employee resources** are often needed to ensure compliance, especially where audits and compliance assessments require high levels of manual intervention. Many firms are also turning to **technology to help monitor and manage** compliance processes - for example, using automation to reduce data complexity and streamline processes, thereby reducing operational risk and improving responsiveness to regulatory changes. It was also widely acknowledged that firms must maintain **client service levels** amid regulatory changes and help educate clients so they fully understand their rights and responsibilities.

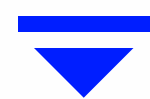
“ Regulators are focusing more on the business risks connected to FX operations.”
FX professional, Hong Kong

On a positive note, respondents commented that a regulatory emphasis on enhancing market resilience is changing the operating environment for FX firms, with co-operative regulation helping to create a more stable FX environment for all. In our experience, market participants recognise the benefits of regulation in promoting open and transparent FX trading.

“ Keeping up with the fast pace of regulatory changes can be really challenging for organisations, making it essential to constantly adapt and provide ongoing training.”
FX professional, UK

Priority 4:

Adapting to clearing and margin requirements



Priority 4: Adapting to clearing and margin requirements

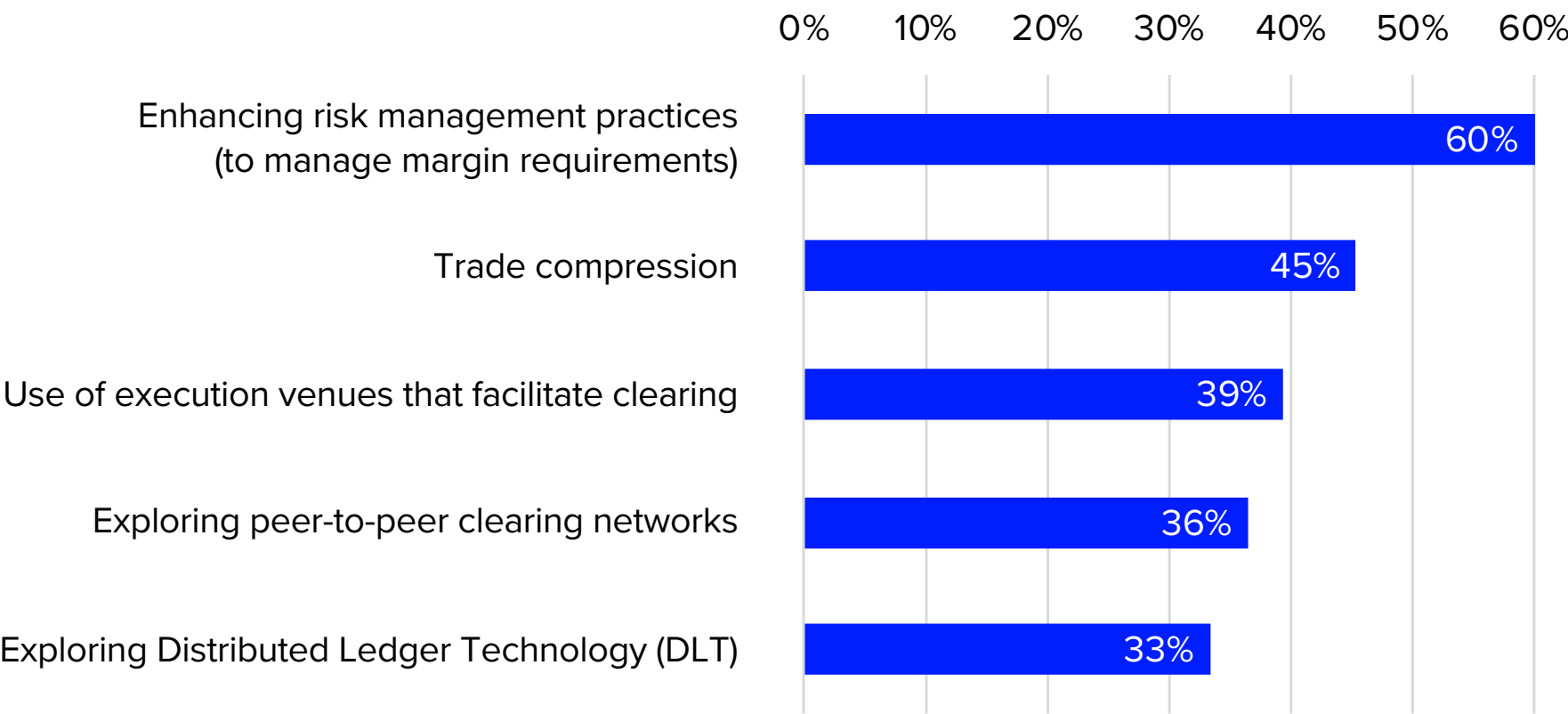
Enhanced risk management and trade compression are the main areas of interest.

As the FX market evolves, clearing continues to grow – a trend reflected in this research. LCH ForexClear, for example, reported US\$37trn notional cleared in 2024, up 34% vs 2023. This has been driven by the cost of capital and the operational and capital efficiencies created by post trade optimisation solutions like Quantile.

Clearing emerged as a higher priority for small and mid-cap firms, while larger organisations, typically already have more advanced processes in place.

Chart 10: Enhanced risk management and trade compression are top tactics used to adapt to clearing

Question: How is your organisation looking to address changes to clearing and margin requirements in the next 12 months?

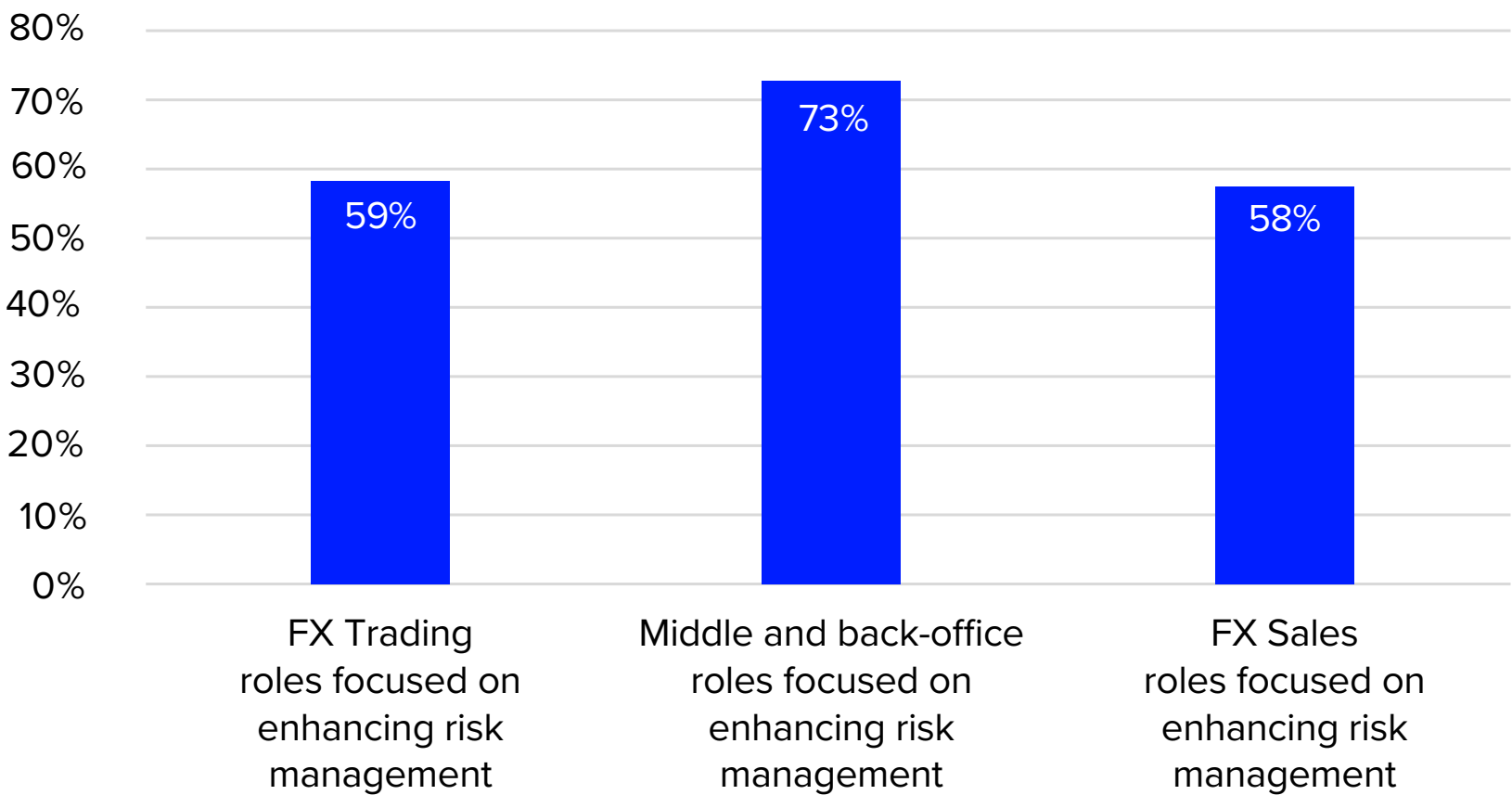


Base: All respondents stating clearing and margin requirements/opportunities for clearing FX as a priority

Sixty percent of respondents reported that they were **enhancing risk management practices to manage margin requirements** (see chart 10). Among respondents in risk, middle- and back-office roles, this figure rose to 73% (see chart 11).

Chart 11: Risk, middle and back-office roles enhance risk management practices

Question: How is your organisation looking to address changes to clearing and margin requirements in the next 12 months?



Base: All respondents stating clearing and margin requirements/opportunities for clearing FX as a priority

Today, clearing tends to attract limited interest from traders and FX salespeople, as cost savings are rarely attributed at the desk level. XVA desks, on the other hand, have a strong grasp of the benefits tied to efficient clearing processes and margin management. As more products – such as FX Forwards and FX Options – move into the cleared space, broader awareness across all FX roles is likely to grow.

Priority 4: Adapting to clearing and margin requirements

Trade compression strategies were cited by 45% of respondents, with stronger interest from small- and mid-cap companies (54%) compared to larger organisations (43%).

Chart 12: Small and mid-cap companies express greater interest in trade compression

Question: How is your organisation looking to address changes to clearing and margin requirements in the next 12 months?

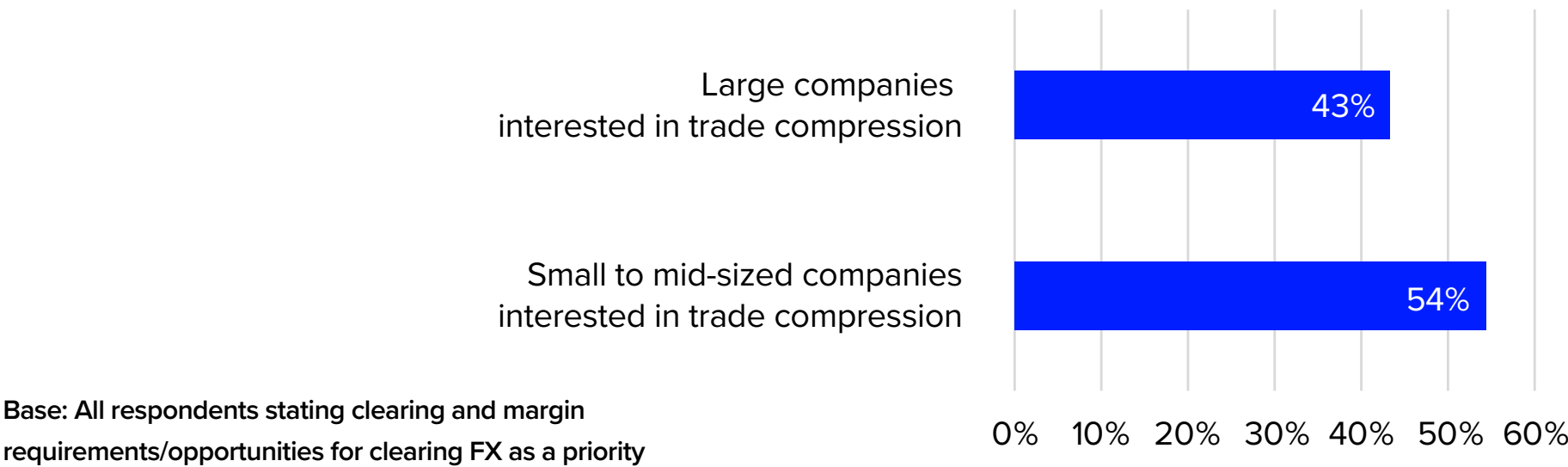
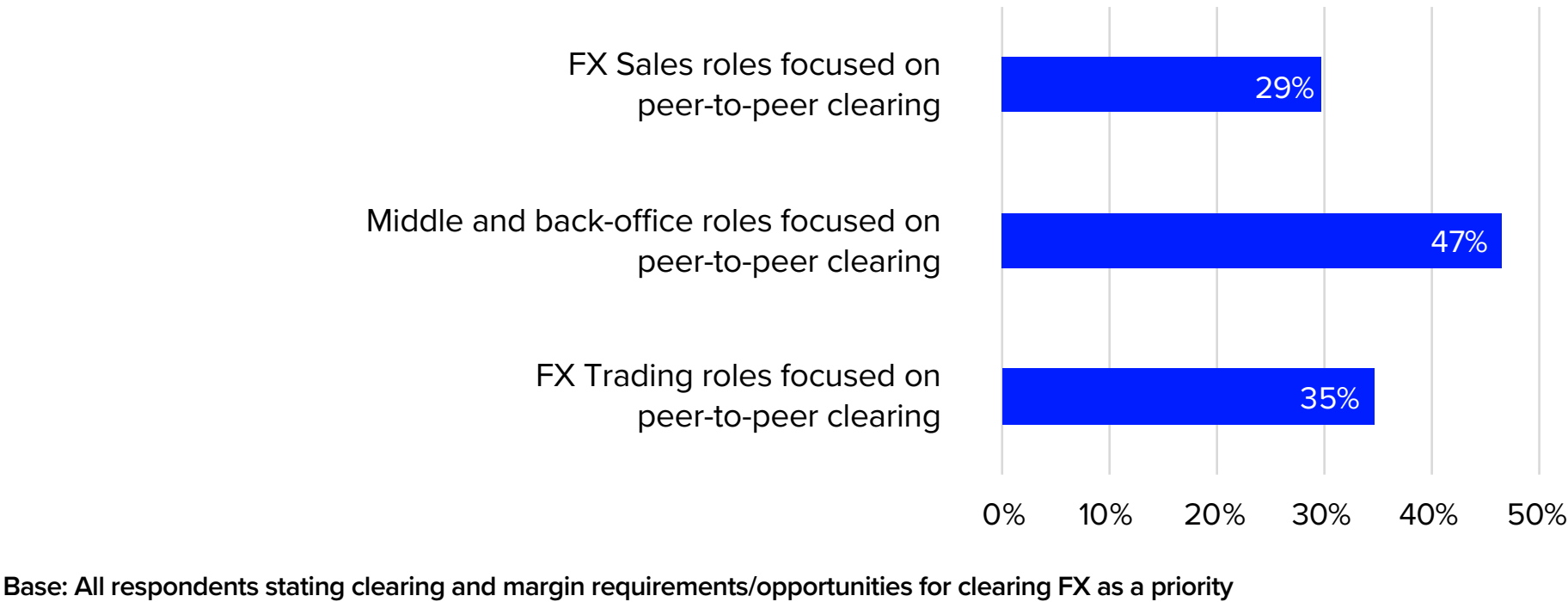


Chart 13: Risk, middle and back-office focused on peer-to-peer clearing

Question: How is your organisation looking to address changes to clearing and margin requirements in the next 12 months?



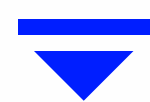
Respondents in risk, middle- and back-office roles also showed greater focus on **peer-to-peer clearing networks** than other functions – 47% vs 36% overall – though this remains an unproven model.

“Our firm needs to adhere to clearing and reporting requirements, affecting how we manage trades and counterparty risk.”
FX professional, US

“Increased margin requirements for certain assets or transactions may lead companies to modify their strategies to incorporate margin trading.”
FX professional, Hong Kong

“Alterations to the clearing cycle and asset safeguarding have affected our operations in the FX sector.”
FX professional, Singapore

Driving growth and staying competitive in FX



Driving growth and staying competitive in FX

Looking to the future, the survey identified five main growth drivers:

1. Investing in technology to enhance speed and efficiency

Firms stressed the importance of leveraging advanced trading platforms and analytical tools to make trading more efficient. Respondents also highlighted the role of AI/machine learning in evaluating market conditions and improving trading decision-making, along with adopting low latency solutions to speed up trading.

“Implementing algorithms and model driven techniques support an organisation in evaluating market conditions.”
FX professional, US

“Leveraging advanced trading platforms and analytics tools can enhance trading efficiency and speed.”
FX professional, Hong Kong



Driving growth and staying competitive in FX

2. Utilising data and insights to inform decisions and mitigate risk

Respondents emphasised the need for real-time data and news to respond effectively to market movements. Traders placed high importance on quality economic data and forecasting, research and analysis to anticipate market conditions. Many also noted that access to unique insights and expert opinions add value and help to drive market growth.

At LSEG FX, we’re seeing growing customer interest in analytics that bring greater transparency to the FX market in the form of trade cost modelling, pre-trade decision intelligence and post-trade execution quality analytics.

- “ Quick access to timely information enables traders to respond effectively to market shifts.”

FX professional, France
- “ Unique insights have helped to drive growth in the FX market.”

FX professional, US



Driving growth and staying competitive in FX

3. Diversifying and adapting strategies to stay competitive and mitigate risk

Diversifying portfolios by spreading investments across different currencies remains a key strategy for managing risk and staying competitive. Entering new markets can offer unique trading opportunities with less competition, but firms also need to stay agile and adapt quickly to market shifts to grow their FX business profitably.

“An important aspect of remaining competitive is diversification, which involves spreading investments across different currencies to help manage risk.”
FX professional, UK

“Staying adaptive in a continuously changing market context is vital for profitable growth.”
FX professional, Germany



Driving growth and staying competitive in FX

4. Nurturing client relationships

Respondents placed strong emphasis on client relationships and customer service. This includes providing regular feedback, market updates and tailored services – underpinned by transparency, trust, deep market knowledge and a clear understanding of each client’s business.

“ Strong client relationships and superior customer service are vital components for promoting growth and ensuring client retention in the FX market.”

FX professional, France

“ Regularly updating clients on market conditions and company news will enhance engagement and hence earn client trust.”

FX professional, India



Driving growth and staying competitive in FX

5. Implementing AI

AI and machine learning are playing an increasingly important role in driving efficiency and transparency in FX markets. For example, natural language processing (NLP) supports price discovery and trade execution, while AI enhances precision and reduces false positives in eDiscovery. We see significant value in NLP tools that surface trusted data and insights for FX professionals, without requiring any coding.

Although the use of AI in FX is not yet transformational, most agree that it will become essential. Unlike technologies that require widescale industry adoption, AI can be deployed in isolated use-cases and without advanced programming skills. It is most likely to enhance FX processes and aid better decision-making by automating manual, time-consuming tasks and freeing up skilled staff for higher-value work.

As adoption increases, AI will also affect risk management, compliance, training and technology upgrades.

“As there is an increase in the adoption of artificial intelligence technologies, new regulatory changes are being developed to manage risks associated with AI use which our company has to follow.”
FX professional, UK

“Adapting to advancements like algorithmic trading and AI requires ongoing training and investment.”
FX professional, France



Conclusion

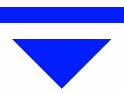
With volatility still a major challenge in FX markets, it is no surprise the LSEG FX survey shows that risk management, emerging markets and regulation remain participants’ top three priorities – led by strong demand for regulatory compliance solutions.

Managing emerging markets and their currencies remains a key focus, as firms seek to diversify and capture increased trading opportunities beyond G20, particularly in fast-growing economies such as China and India. To succeed, they need tools that can handle the associated risk and volatility.

As regulatory compliance takes on greater importance, firms are investing in additional resources and technology, not just to stay in business, but to put robust risk management strategies at the centre of their operations.

Looking ahead, investment in risk management is expected to rise, reflecting firms’ concerns about the financial losses which can result from failing to properly assess risks, especially amid geopolitical upheaval, uncertainty and market shocks.

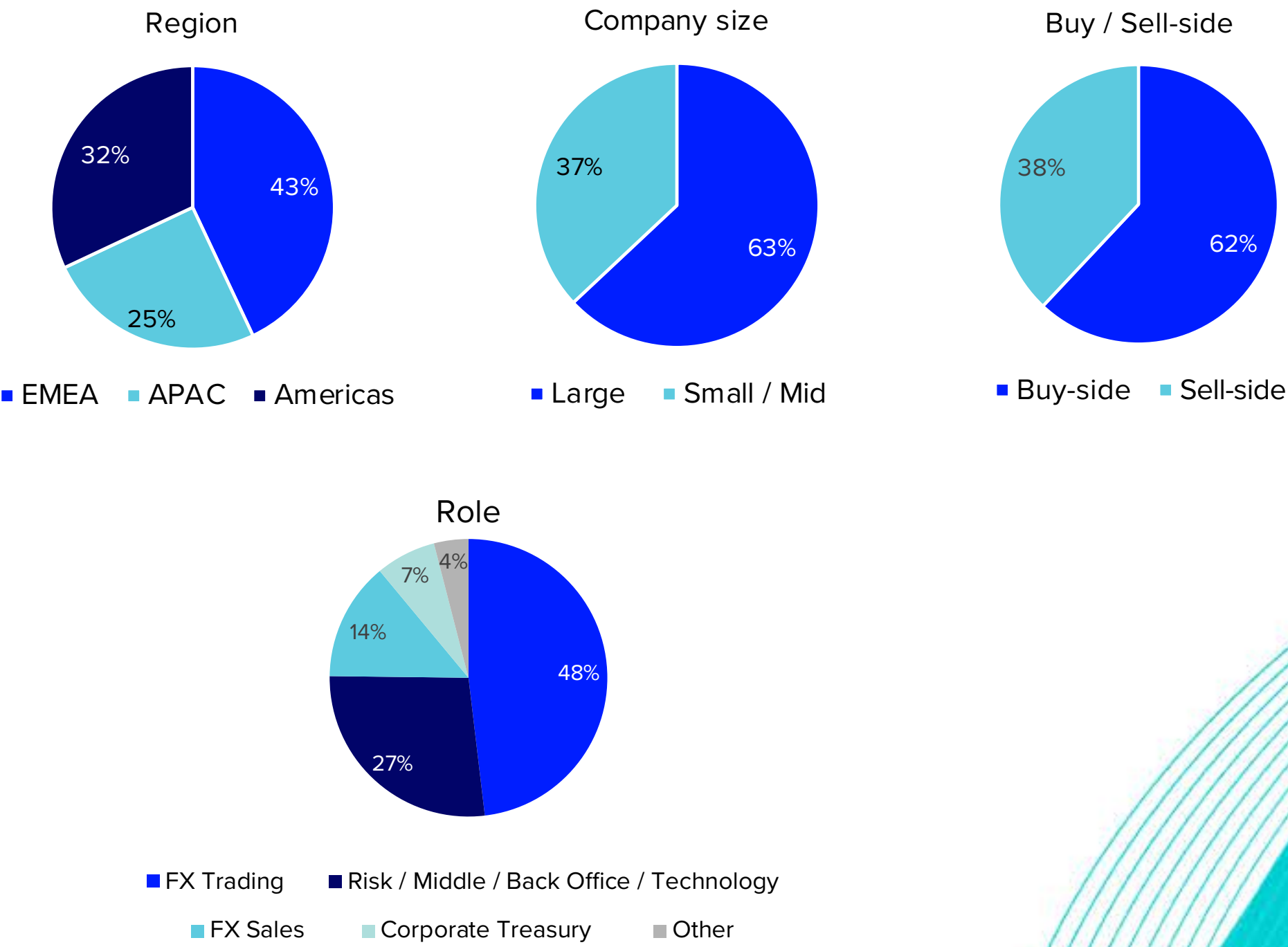
Although the FX market continues to evolve, the LSEG FX survey reveals a consistent global outlook: managing emerging markets, FX risk and regulation will remain at the core of firms’ strategies in 2025 and beyond.



Appendix

The LSEG FX market research was conducted in Q4 2024. It was commissioned to provide detailed insight into the trends and challenges in today’s FX market. Survey respondents comprised 400 FX market participants globally.

Sample profile



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Key findings

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About LSEG FX

LSEG FX offers the world’s leading independent source of trusted FX market insight, interbank and dealer-to-client electronic trading venues, workflow management, and post-trade and regulatory support for both sell-side and buy-side market participants.

The LSEG FX portfolio includes:

LSEG Workspace

Pre-trade analytics, news, pricing and other expert insight to help inform trading strategies and decisions. LSEG Workspace provides access to indicative market rates, currency indices and FX benchmarks.

FXall

Dealer-to-client trading and workflow solutions for more than 2,300 institutions worldwide, including asset management firms, banks, broker-dealers, corporations and hedge funds, with liquidity from more than 200 bank and non-bank market makers.

FX Matching

Anonymous central limit order book for spot and FX swaps trading for the dealer-to-dealer community, with over 1,000 subscribers and spot matching in over 80 currency pairs.

Electronic Trading

Powerful e-commerce solutions adopted by over 300 banks across 60 countries to shape, configure and automate FX price flows, whilst streamlining risk management to meet the growing demand for electronification.

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Deal Tracker

Deal Tracker captures every FX trade deal on all major foreign exchange platforms around the world, so you can take control of your conversational deals, confirmed tickets and post-trade notifications before, during and after trading.

Compliance Archive

Reconstruct, supervise and analyse your message and trade activity in an efficient and compliant way, in one unifying portal.

PriceStream

Organise off-venue SEF and NDF trading through PriceStream’s efficient and standardised interface.

Advanced Dealing

Advanced Dealing brings together messenger and dealing communities to deliver a collaborative trading workflow.

Trade Notification

A high-speed messaging hub designed to manage post-trade requirements across a wide range of trade types and asset classes. Connect seamlessly with counterparties worldwide through our venue-agnostic network.