

Research Note

US FX Derivatives Review: Non-deliverable Forwards Take the Lead

ISDA has expanded its SwapsInfo website to include data on US foreign exchange (FX) derivatives, extending the platform's coverage beyond interest rate and credit derivatives to a third over-the-counter (OTC) derivatives asset class.

The new FX coverage includes trading activity from the first quarter of 2024 (the earliest period for which data is available to ISDA) across FX forwards, swaps and options, with breakdowns by product type, currency pair, tenor and execution method. The FX dataset includes transactions publicly reported to the Depository Trust & Clearing Corporation (DTCC) swap data repository (SDR) under US Commodity Futures Trading Commission (CFTC) regulations.

KEY HIGHLIGHTS

FX derivatives trading activity reported in the US grew steadily from the first quarter of 2024 to the second quarter of 2026¹. Traded notional rose by 27.1% to \$19.4 trillion, with trade count nearly doubling to 3.4 million transactions.

- Non-deliverable forwards (NDFs), a sub-category of forwards concentrated in emerging market currencies, were the fastest-growing product in the FX derivatives market. NDF traded notional increased by 37.1% to \$10.2 trillion in the second quarter of 2026 from \$7.5 trillion in the first quarter of 2024. NDFs accounted for 52.7% of FX derivatives traded notional in the second quarter of 2026 versus 48.9% in the first quarter of 2024 and represented 48.1% of total notional traded over the period.
- Forwards, which comprise NDFs and deliverable forwards, increased by 28.3% to \$10.9 trillion in the second quarter of 2026 from \$8.5 trillion in the first quarter of 2024. Traded notional in options rose by 26.3% to \$7.4 trillion from \$5.8 trillion and swap notional grew by 19.0% to \$1.0 trillion from \$0.9 trillion.
- EUR/USD was the largest currency pair by traded notional, climbing by 59.4% to \$2.4 trillion in the second quarter of 2026 from \$1.5 trillion in the first quarter of 2024. Its share of total notional increased to 12.6% from 10.1% over the same period.
- Emerging market pairs posted broad growth from the first quarter of 2024 to the second quarter of 2026, led by USD/KRW, which rose by 73.6%. USD/COP grew by 63.3%, USD/IDR increased by 60.2%, USD/BRL rose by 55.4% and USD/CLP climbed by 20.7% over the same period.

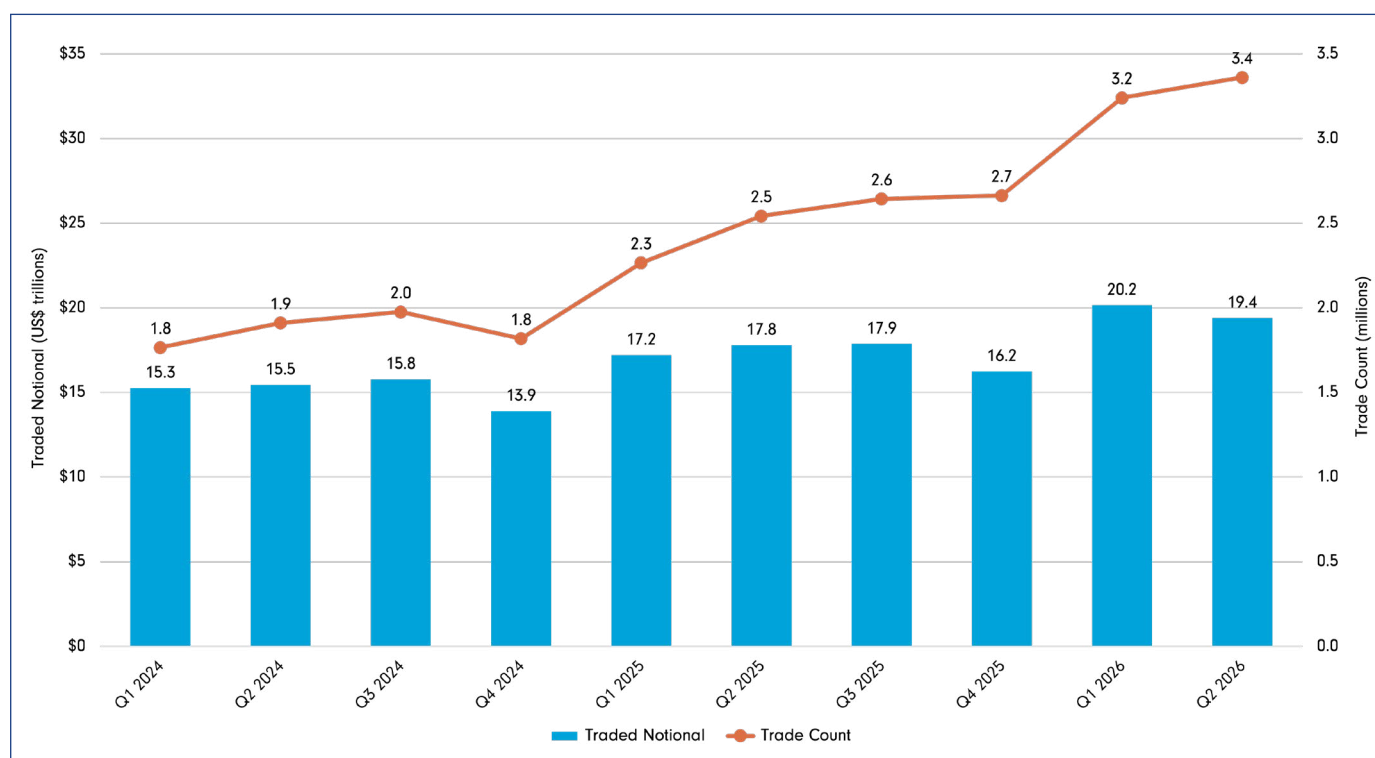
¹This analysis covers the first quarter of 2024, the earliest period for which foreign exchange (FX) derivatives data was available to ISDA to the second quarter of 2026. ISDA aggregated traded notional and trade count on a quarterly basis by product taxonomy and by currency pairs. FX data is available at www.swapsinfo.org

FX DERIVATIVES TRADING ACTIVITY

US-reported FX derivatives traded notional underwent a broadly upward trajectory from the first quarter of 2024 to the second quarter of 2026, with a seasonal decline in the fourth quarter of each year. Traded notional rose by 27.1% to \$19.4 trillion in the second quarter of 2026 from \$15.3 trillion in the first quarter of 2024² (see Chart 1).

Trade count grew more consistently from the first quarter of 2024 to the second quarter of 2026, rising in nine of the 10 quarters. It climbed by 90.4% to 3.4 million transactions in the second quarter of 2026 from 1.8 million in the first quarter of 2024, compared with 27.1% growth in notional over the same period. This divergence reflects a decline in average trade size as growth was concentrated in NDFs, which trade in smaller average sizes than other FX products.

Chart 1: FX Derivatives Traded Notional and Trade Count



Source: DTCC SDR

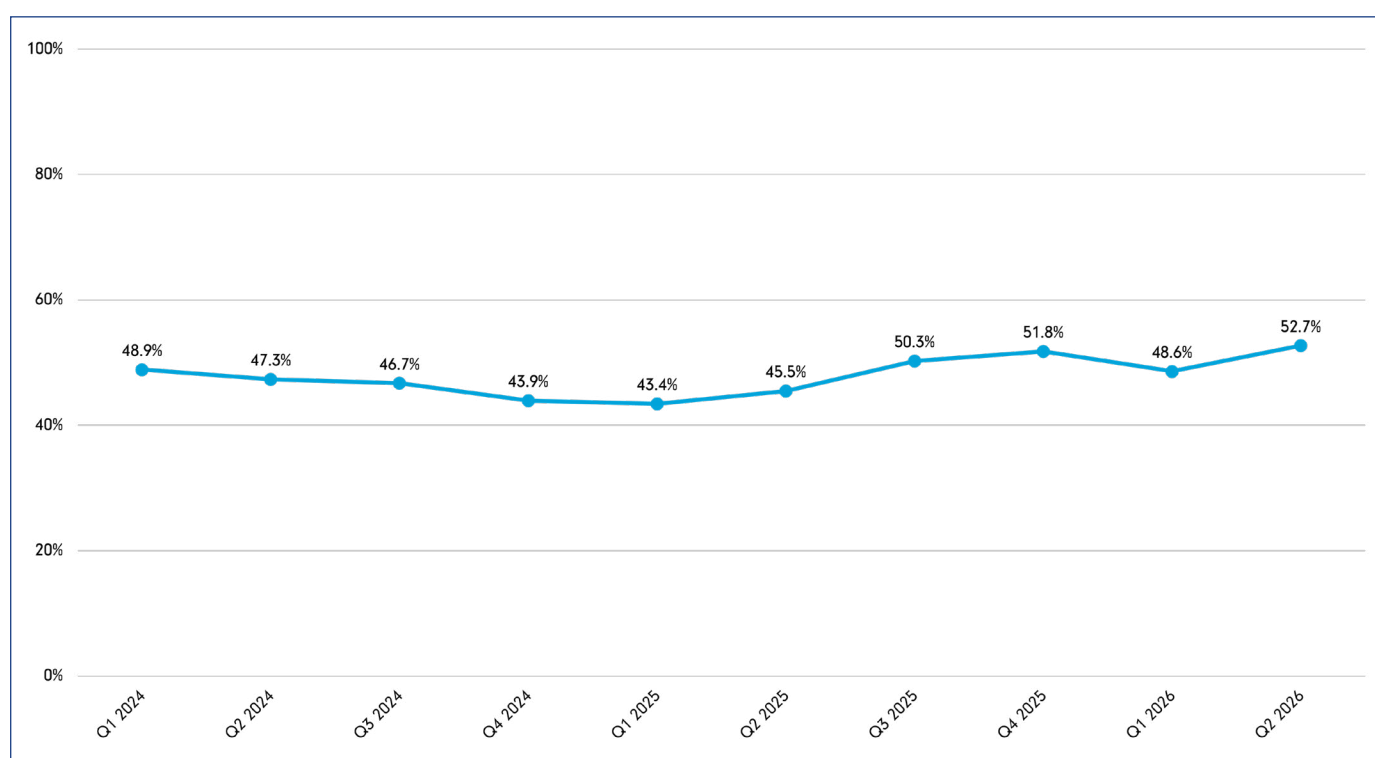
² This pattern is consistent with a seasonal reduction in FX market liquidity and positioning that typically occurs at calendar year-end, as bank balance-sheet management ahead of regulatory reporting dates and reduced holiday-period participation weigh on activity

NON-DELIVERABLE FORWARDS

Growth in FX derivatives was driven primarily by NDFs, a sub-category of forwards and the largest FX product type. NDFs are cash-settled in a single currency at maturity as opposed to being physically exchanged, and are typically used to hedge exposure to currencies subject to capital controls or limited offshore liquidity. NDFs accounted for \$81.1 trillion of the \$169.1 trillion in total FX derivatives notional traded from the first quarter of 2024 to the second quarter of 2026 – 48.1% of the cumulative total. NDFs represented 52.7% of traded notional in the second quarter of 2026, up from 48.9% in the first quarter of 2024 (see Chart 2).

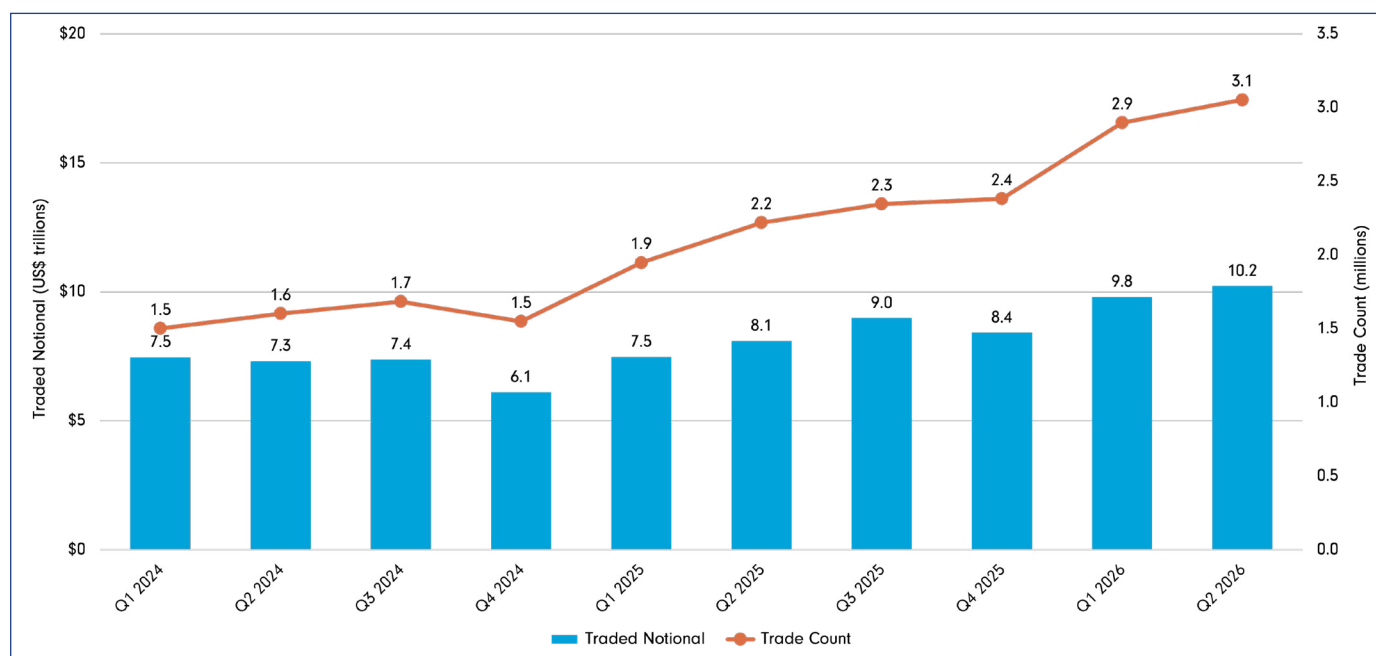
Approximately 86% of NDF traded notional in the second quarter of 2026 was in currencies for which capital controls or limited offshore liquidity restrict physical settlement, such as the Brazilian real. The remaining 14% referenced deliverable currency pairs – mainly G-10 currencies, including EUR/USD and GBP/USD. NDF activity in these pairs represents a small share of their overall forward trading and typically reflects individual firms' preference to cash-settle for operational convenience.

Chart 2: NDF Share of Total FX Derivatives Traded Notional



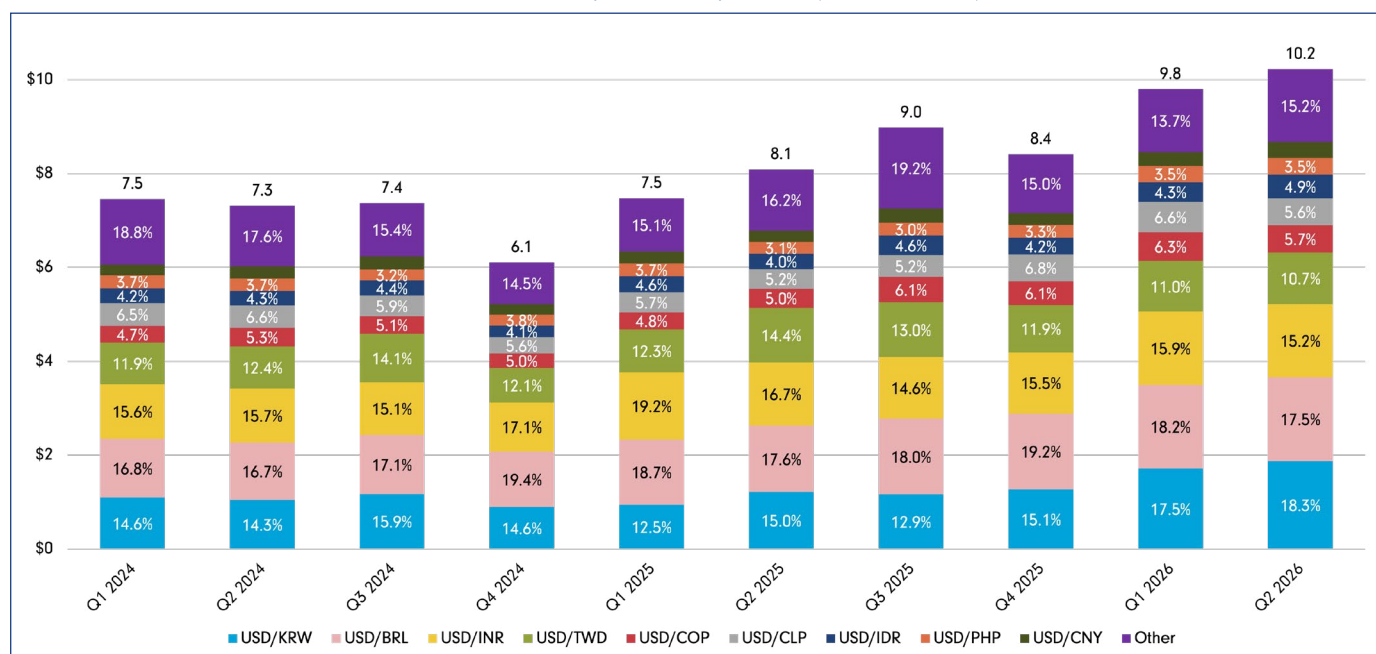
Source: DTCC SDR

NDF traded notional increased by 37.1% to \$10.2 trillion in the second quarter of 2026 from \$7.5 trillion in the first quarter of 2024. Trade count more than doubled over the same period, rising by 103.3% to 3.1 million from 1.5 million, reflecting a decline in average NDF trade size (see Chart 3).

Chart 3: NDF Traded Notional and Trade Count

Source: DTCC SDR

NDF activity was concentrated in a small number of currencies pairs. USD/KRW, USD/BRL, USD/INR and USD/TWD together accounted for 61.8% of NDF traded notional in the second quarter of 2026, up from 58.9% in the first quarter of 2024. USD/KRW drove most of this increase, growing to 18.3% of NDF notional from 14.6%, while USD/INR and USD/TWD each declined slightly (see Chart 4).

Chart 4: NDF Traded Notional by Currency Pairs (US\$ trillions)

Source: DTCC SDR

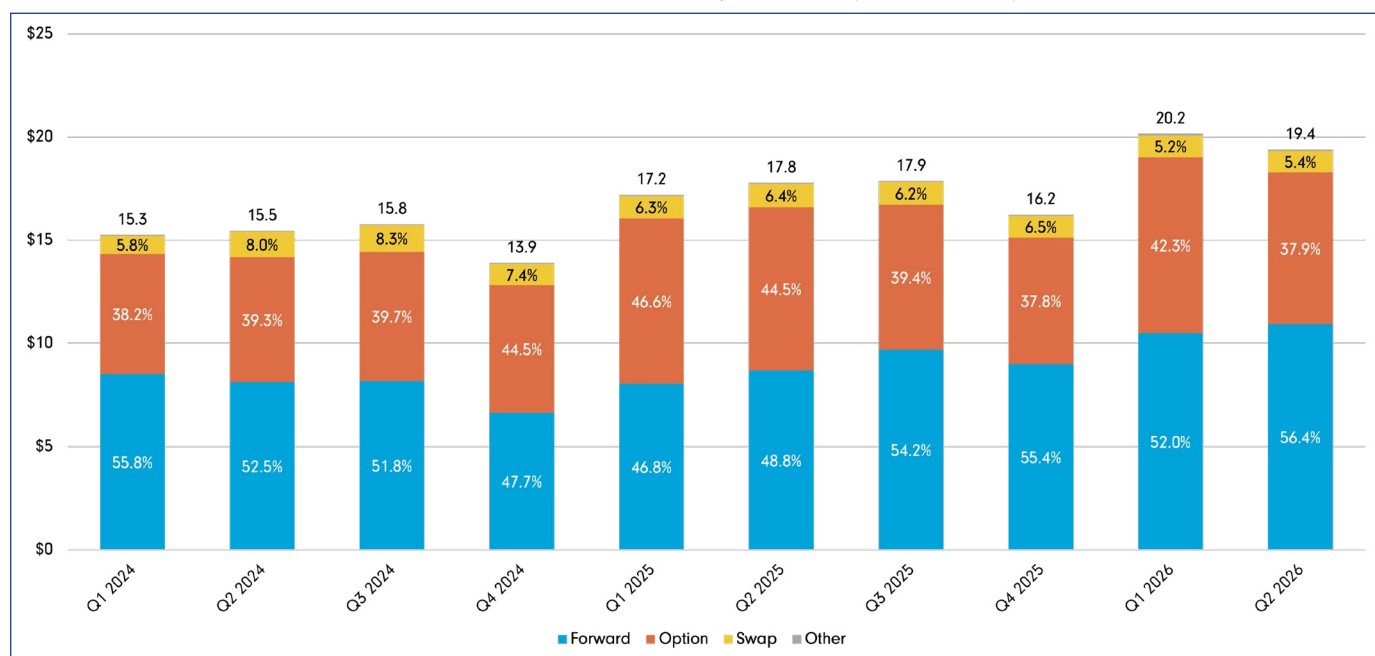
FX DERIVATIVES PRODUCT TAXONOMY

Forwards are used to lock in an exchange rate on a future date. Forward traded notional – predominantly comprising NDFs – grew by 28.3% to \$10.9 trillion in the second quarter of 2026 from \$8.5 trillion in the first quarter of 2024, and accounted for 56.4% of total FX derivatives traded notional and 92.3% of trade count in the second quarter of 2026 (see Charts 5 and 6).

Options give the holder the right, but not the obligation, to exchange currencies at a set rate. They are used to limit downside currency risk while preserving potential upside, as well as to express views on anticipated currency movements. Option notional increased by 26.3% to \$7.4 trillion in the second quarter of 2026 from \$5.8 trillion in the first quarter of 2024, and comprised 37.9% of total FX derivatives traded notional and 6.4% of trade count in the second quarter of 2026.

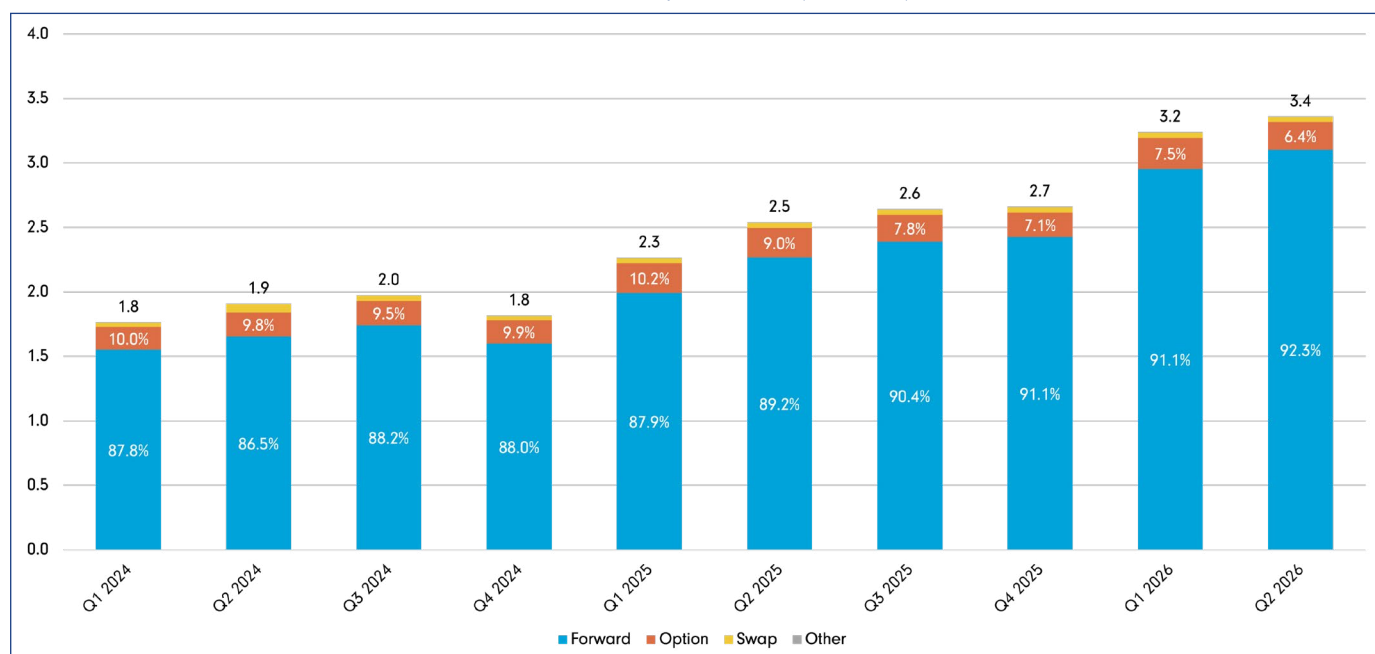
Swaps comprise FX swaps and non-deliverable swaps (NDS). FX swaps combine two offsetting FX transactions, either a spot and a forward or a short-dated and longer-dated forward, and are used primarily for short-term funding and liquidity management. NDS are interest rate swaps that are cash-settled in US dollars, used for currencies subject to capital controls or limited offshore liquidity³. Swap notional rose by 19.0% to \$1.0 trillion in the second quarter of 2026 from \$0.9 trillion in the first quarter of 2024, and accounted for 5.4% of total FX derivatives notional and 1.2% of trade count in the second quarter of 2026.

Chart 5: FX Derivatives Traded Notional by Product (US\$ trillions)



Source: DTCC SDR

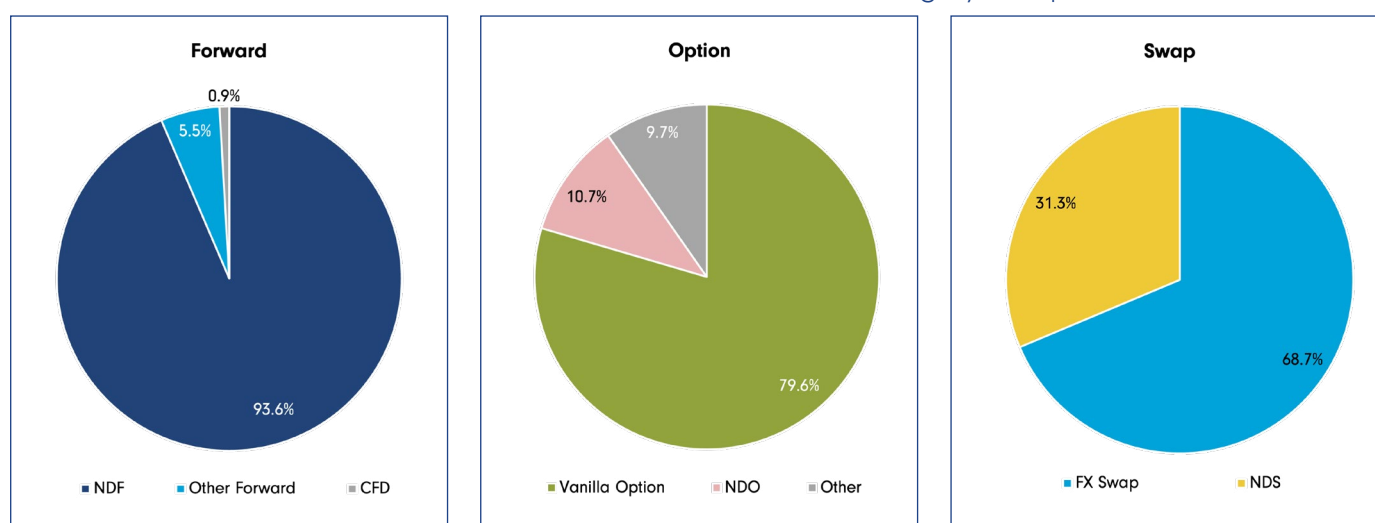
³ Cross-currency swaps, the physically settled counterpart to non-deliverable swaps, are reported to the Depository Trust & Clearing Corporation's swap data repository as interest rate derivatives. They are included in ISDA's interest rate derivatives notional and trade count statistics, not in the FX figures in this review

Chart 6: FX Derivatives Trade Count by Product (millions)

Source: DTCC SDR

NDFs accounted for 93.6% of forward notional in the second quarter of 2026, with deliverable forwards making up most of the remainder. Deliverable vanilla options represented 79.6% of option notional, with non-deliverable options comprising a further 10.7%. FX swaps accounted for 68.7% of swap notional, with NDS making up the remaining 31.3% (see Chart 7).

FX contracts for difference (CFDs), a sub-category within forwards, grew from \$26.2 billion in the first quarter of 2026 to \$99.8 billion in the following quarter, although they remain less than 1% of total FX derivatives notional⁴.

Chart 7: FX Derivatives Traded Notional Product Sub-category Composition

Source: DTCC SDR

⁴ Contracts for difference are classified under the forward category according to the unique product identifier/ISIN definitions

AVERAGE DAILY TRADED NOTIONAL, TRADE COUNT AND TRADE SIZE

Average daily notional for forwards grew by 28.3% to \$168.1 billion in the second quarter of 2026 from \$131.0 billion in the first quarter of 2024. Average daily trade count doubled over the same period, to 47,716 from 23,857, while average trade size fell by 35.9% to \$3.5 million from \$5.5 million.

Average daily notional for options rose by 26.2% to \$113.1 billion from \$89.6 billion and average trade size increased by 3.2% to \$34.0 million from \$33.0 million. Average daily notional for swaps climbed by 9.9% to \$16.1 billion from \$14.6 billion, with average trade size little changed at \$26.1 million (see Table 1).

Table 1: FX Derivatives Average Daily Traded Notional, Trade Count and Trade Size

	Average Daily Traded Notional (US\$ billions)				Average Daily Trade Count				Average Trade Size (US\$ millions)			
	Forward	Option	Swap	Total	Forward	Option	Swap	Total	Forward	Option	Swap	Total
Q2 2026	168.1	113.1	16.1	298.4	47,716	3,325	616	51,709	3.52	34.02	26.08	5.77
Q1 2024	131.0	89.6	14.6	234.8	23,857	2,716	559	27,156	5.49	32.98	26.18	8.65
Q2 2026 vs. Q1 2024	28.3%	26.3%	9.9%	27.1%	100.0%	22.4%	10.3%	90.4%	-35.8%	3.2%	-0.4%	-33.3%

Source: DTCC SDR

The overall average trade size for FX derivatives fell by 33.3% to \$5.8 million in the second quarter of 2026 from \$8.7 million in the first quarter of 2024. Forwards accounted for nearly all of this decline – average trade size dropped by 35.9% to \$3.5 million from \$5.5 million. Options and swaps saw little change in average trade size over the same period. NDFs, which dominate forward activity, drove this reduction, with average NDF trade size dropping to \$3.4 million from \$5.0 million.

FX DERIVATIVES BY CURRENCY

EUR/USD remained the most actively traded currency pair from the first quarter of 2024 to the second quarter of 2026, with traded notional rising by 59.4% to \$2.4 trillion in the second quarter of 2026 from \$1.5 trillion in the first quarter of 2024. That's faster than the 27.1% growth in total FX derivatives traded notional, lifting the share of EUR/USD to 12.6% of total traded notional from 10.1% (see Chart 8, Table 2).

USD/BRL and USD/KRW were the next largest pairs, at \$2.2 trillion and \$2.1 trillion, respectively, in the second quarter of 2026. Both gained share from the first quarter of 2024, with USD/BRL rising to 11.6% of total FX derivatives traded notional in the second quarter of 2026 from 9.4% in the first quarter of 2024 and USD/KRW growing to 10.8% from 7.9%.

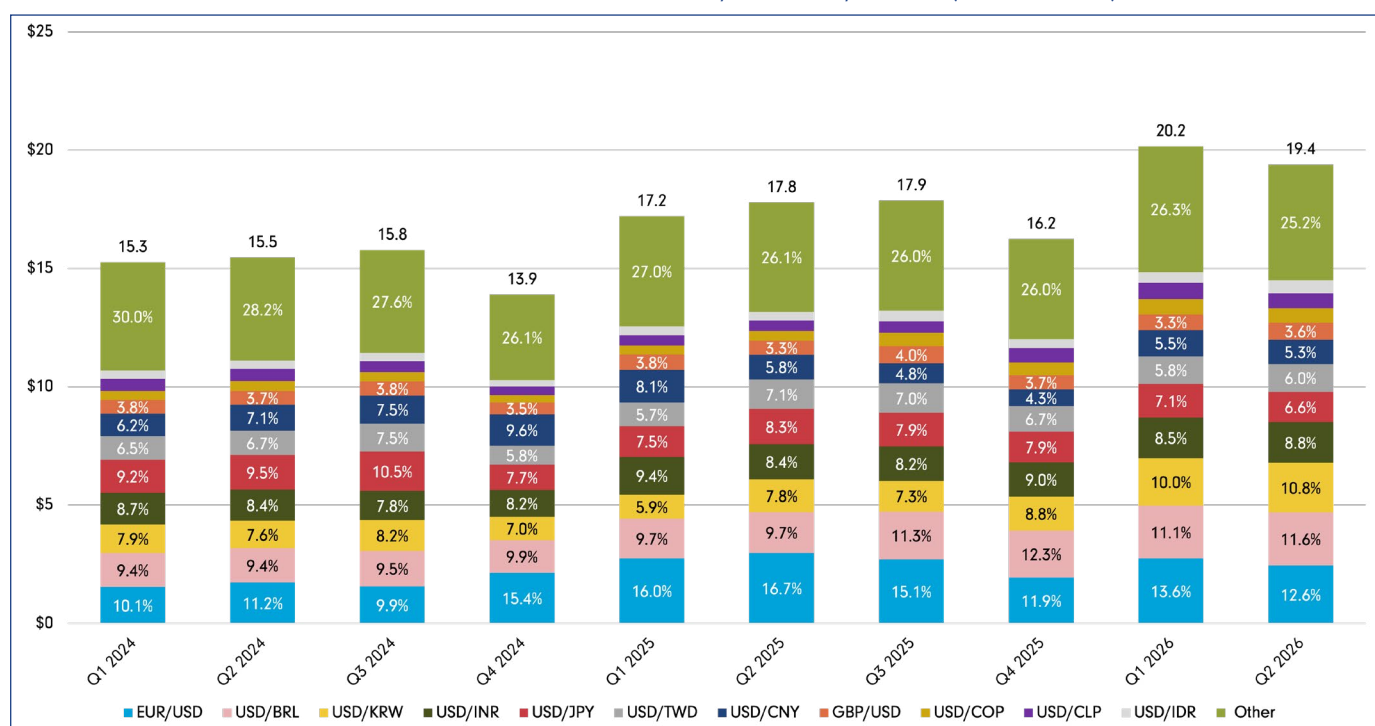
USD/KRW traded notional grew faster than any other currency pair, increasing by 73.6% to \$2.1 trillion in the second quarter of 2026 from \$1.2 trillion in the first quarter of 2024. This growth coincided with South Korea's phased shift to near-24-hour onshore won trading⁵ and a period of pronounced won weakness. The won repeatedly touched 17-year lows against the US dollar in the first half of 2026⁶.

⁵ The Korea Herald, What to know about Korea's near-24-hour won market, www.koreaherald.com/article/10798466

⁶ The Korea Herald, Korean won hits 17-year low on foreign outflow, www.koreaherald.com/article/10764442

Emerging market pairs recorded broad growth from the first quarter of 2024 to the second quarter of 2026. USD/COP traded notional grew by 63.3%, USD/IDR rose by 60.2%, USD/INR (the fourth-largest pair by notional) increased by 28.9% and USD/CLP grew by 20.7%. USD/TWD notional increased by 18.2% over the period, despite declining in the most recent year. USD/JPY was the only major pair to drop over the full period, down by 8.4%.

Chart 8: FX Derivatives Traded Notional by Currency Pairs⁷ (US\$ trillions)



Source: DTCC SDR

Table 2: FX Derivatives Currency Pair Shares and Growth

Currency Pair	"Share of Total Q2 2026"	"Share of Total Q1 2024"	"Traded Notional Growth Q2 2026 vs. Q1 2024"
EUR/USD	12.6%	10.1%	59.4%
USD/BRL	11.6%	9.4%	55.4%
USD/KRW	10.8%	7.9%	73.5%
USD/INR	8.8%	8.7%	28.9%
USD/JPY	6.6%	9.2%	-8.4%
USD/TWD	6.0%	6.5%	18.2%
USD/CNY	5.3%	6.2%	8.7%
GBP/USD	3.6%	3.8%	21.8%
USD/COP	3.2%	2.5%	63.3%
USD/CLP	3.2%	3.4%	20.7%
USD/IDR	2.9%	2.3%	60.2%

Source: DTCC SDR

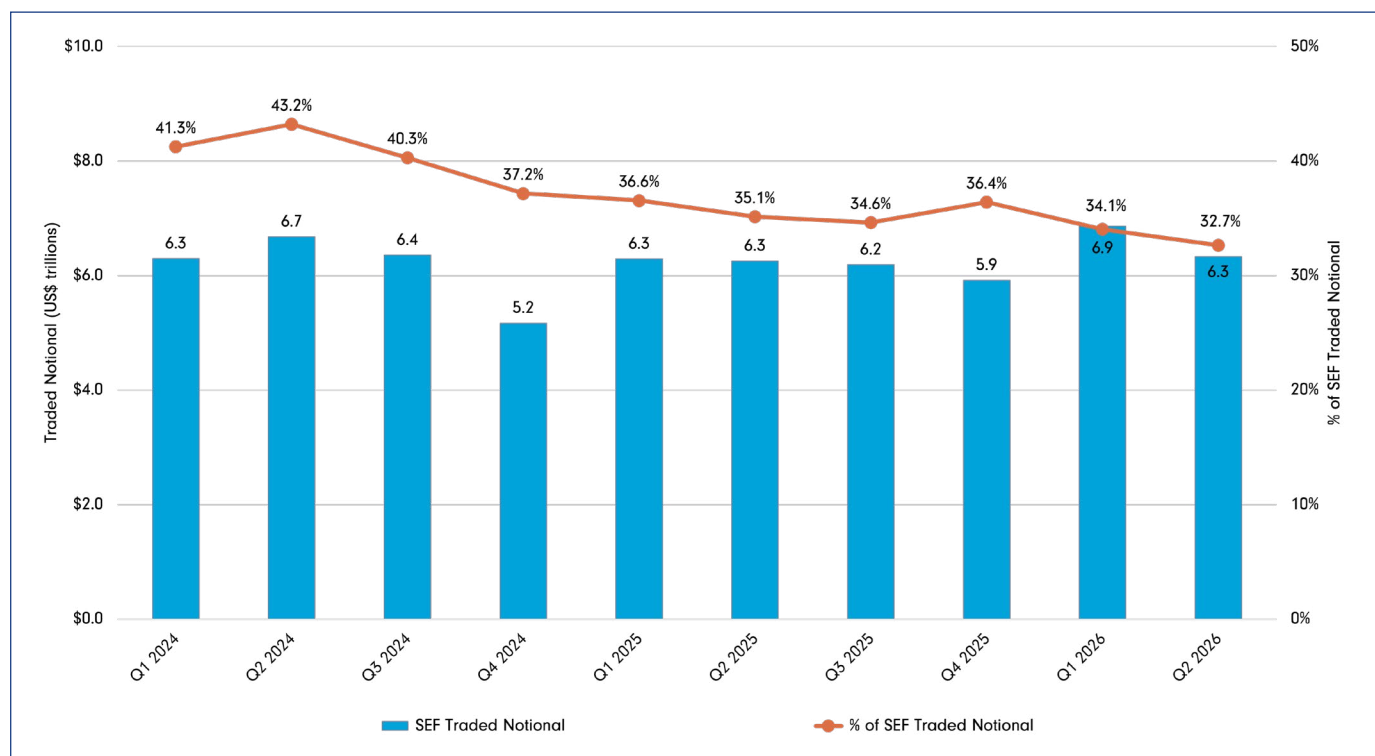
⁷ Other currency pairs with material notional in the second quarter of 2026 include USD/CAD, AUD/USD and USD/PHP

FX DERIVATIVES TRADING VENUE

FX derivatives notional traded on swap execution facilities (SEFs) was \$6.3 trillion in the second quarter of 2026, almost unchanged from \$6.3 trillion in the first quarter of 2024. However, the share of total FX derivatives notional traded on SEFs fell to 32.7% from 41.3%, driven by an increase in FX derivatives notional reported off-SEF⁸ (see Chart 9).

The SEF execution rate declined across all three products. The share of SEF-executed notional fell to 32.3% from 40.2% for forwards, to 33.6% from 44.4% for options and to 31.1% from 32.4% for swaps.

Chart 9: SEF-Traded FX Derivatives Notional and Share of Total Notional



Source: DTCC SDR

⁸ ISDA classifies transactions not traded on swap execution facilities as those reported under one of three Commodity Futures Trading Commission reporting codes: XOFF (for listed instruments not executed on a trading facility); XXXX (for instruments not listed on any venue); or BILT (if the reporting counterparty cannot determine whether the instrument is listed, as per jurisdictional requirements). Traded notional reported under the BILT code rose to \$10.7 trillion in the second quarter of 2026 from \$6.9 trillion in the first quarter of 2024, while notional reported under XOFF fell over the same period

ISDA FX DEFINITIONS UPDATE

ISDA and EMTA recently jointly published the 2026 FX Definitions, which will replace the 1998 FX and Currency Option Definitions as the market standard definition book for FX transactions from November 2027. Given widespread use of SWIFT messaging to confirm FX transactions, implementation is scheduled for November 2027 to align with SWIFT's annual release cycle. Once implemented, SWIFT will no longer support the 1998 FX Definitions.

The updated FX definitions include revisions to disruption events and fallbacks for deliverable transactions, incorporate the EMTA template terms and market practices for non-deliverable FX transactions, contain provisions for calendar adjustment events and align the calculation agent standards with those in the 2021 ISDA Interest Rate Derivatives Definitions. Importantly, the 2026 FX Definitions also consolidate the various supplements and provisions published by ISDA and EMTA since 1998 into an integrated document and eliminate the need for separate master confirmation agreements. Available in digital form on the ISDA MyLibrary platform⁹, a revised version of the definitions will be published in full each time a future update is required.

This update is important because it introduces a modernized documentation framework at a time when FX derivatives activity and reliance on consistent operational processing have increased.

⁹ ISDA MyLibrary, www.isda.org/isda-solutions-infohub/mylibrary/

ISDA HAS RECENTLY PUBLISHED OTHER RESEARCH PAPERS:

Reshaping the US Treasury Market: The Transition to Mandatory Central Clearing

www.isda.org/a/WXPIE/Reshaping-the-US-Treasury-Market-The-Transition-to-Mandatory-Central-Clearing.pdf

SwapsInfo First Half of 2026 and the Second Quarter of 2026 Review

www.isda.org/a/Uh0iE/SwapsInfo-First-Half-of-2026-and-the-Second-Quarter-of-2026-Review.pdf

Global FX Derivatives Market Overview: Size, Structure and Uses

www.isda.org/a/P1tiE/Global-FX-Derivatives-Market-Overview-Size-Structure-and-Uses.pdf

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Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 79 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international

and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org. Follow us on [LinkedIn](#), and [YouTube](#).