ISDA® Safe, Efficient Markets

November 2026

Research Note

Interest Rate Derivatives Trading in Mainland China and Hong Kong

This report examines interest rate derivatives (IRD) trading activity in mainland China and Hong Kong in the first half of 2026. Onshore renminbi (RMB) IRD traded notional in mainland China rose to $3.4 trillion in the first half of 2026, an increase of 19.0% versus the first half of 2025. In Hong Kong, RMB IRD traded notional rose by 3.7% to $9.1 trillion, lifting its share of the market to 17.5% from 12.9% in the first half of 2025. Total IRD traded notional reported to the Hong Kong Trade Repository (HKTR) fell by 23.6% to $52.1 trillion, mainly due to lower yen and US dollar activity. Trade count rose by 10.0% to a record 811.8 thousand.

EXECUTIVE SUMMARY

Onshore RMB IRD traded notional in mainland China reported by the China Foreign Exchange Trade System (CFETS) rose by 19.0% to $3.4 trillion in the first half of 2026 from $2.9 trillion a year earlier – although this represents a drop from the record $3.9 trillion in the second half of 2025. The increase occurred as economic growth slowed and government bond yields declined, while the policy rate was unchanged. Trading remained concentrated in short-tenor FR007-linked swaps, with tenors of one year or less accounting for 70.8% of traded notional.

Swap Connect, which gives offshore investors access to the onshore swap market via Hong Kong, accounted for 13% of onshore interest rate swap activity in the first quarter of 2026. Average daily turnover rose to about RMB30 billion in the first half of 2026 from approximately RMB3 billion at its May 2023 launch. Swaps referencing FDR007 are planned to be added in the fourth quarter of 2026.

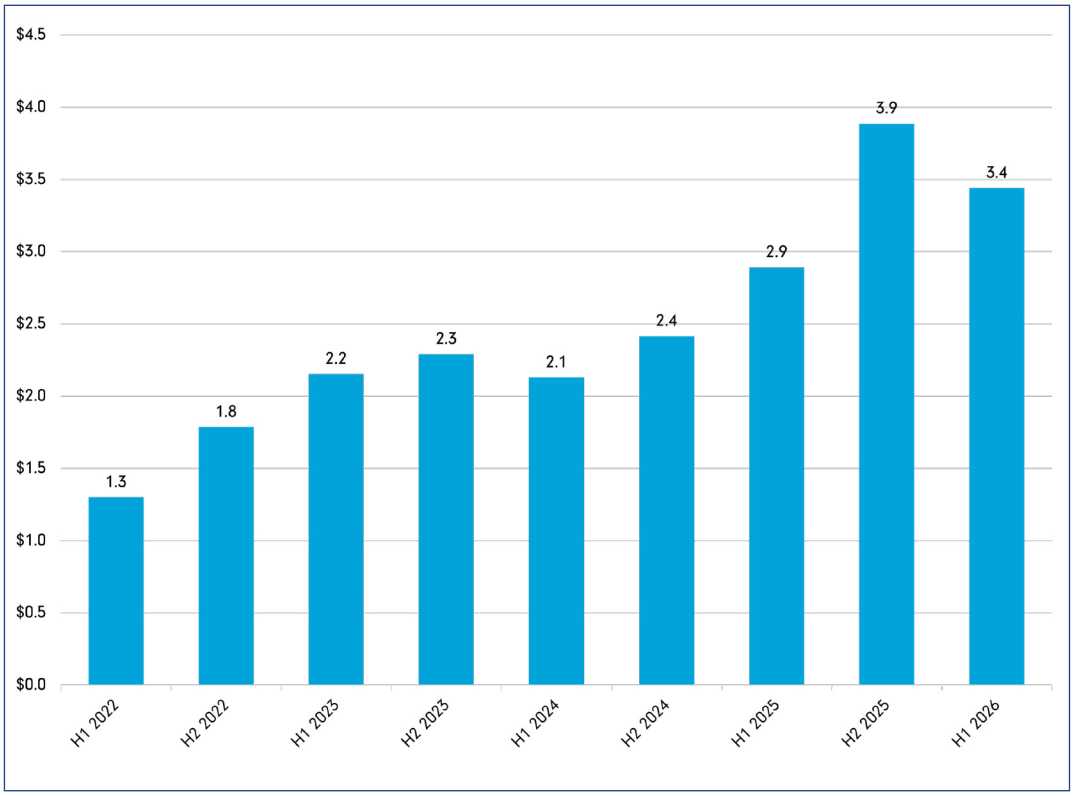
Hong Kong's RMB IRD market grew more slowly. According to the HKTR, RMB-denominated traded notional rose by 3.7% to $9.1 trillion from $8.8 trillion a year earlier. Its share of Hong Kong's total trading rose to a record 17.5% from 12.9% as the broader IRD market shrank.

Hong Kong's total IRD traded notional fell by 23.6% to $52.1 trillion in the first half of 2026 from $68.3 trillion in the first half of 2025. Trade count rose by 10.0% to a record 811.8 thousand as average trade size declined, partly reflecting a shift away from large yen trades toward smaller Hong Kong dollar and RMB trades. Japanese yen and US dollar activity accounted for 88.3% of the $16.1 trillion decline.

MAINLAND CHINA'S ONSHORE RMB MARKET

Onshore RMB IRD trading activity in mainland China reported by CFETS[1] totaled $3.4 trillion in the first half of 2026, up by 19.0% from $2.9 trillion in the first half of 2025, but down from a record $3.9 trillion in the second half of 2025. Traded notional was 164.5% higher than the $1.3 trillion reported in the first six months of 2022, the first period for which data is available (see Chart 1).

Chart 1: Mainland China IRD Traded Notional (US$ trillions)



Source: CFETS

The increase in IRD trading occurred as economic growth slowed and government bond yields declined, while the policy rate was unchanged. Mainland China's GDP grew by 4.3% year on year in the second quarter of 2026, down from 5.0% in the first quarter[2]. The People's Bank of China (PBOC) left its seven-day reverse repo rate at 1.4% during the first half of 2026, while the 10-year government bond yield fell from about 1.9% in early January 2026 to approximately 1.7% at the end of June[3]. Changes in bond yields, even with the policy rate unchanged, create interest rate risk for bondholders and can generate demand for hedging through IRD.

[1] All interest rate derivatives (IRD) data from the China Foreign Exchange Trade System (CFETS) is sourced from www.chinamoney.com.cn/english/mdtrptmbl/, with data available from 2022

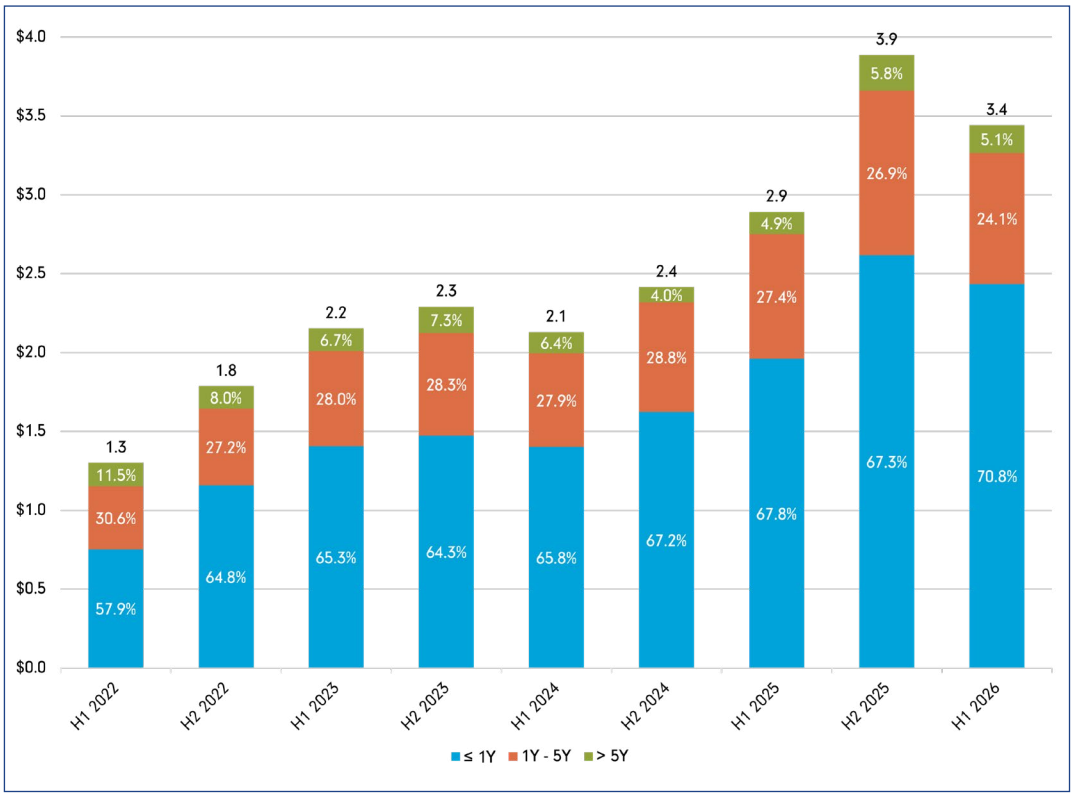
[2] Preliminary Accounting Results of GDP for the Second Quarter and the First Half of 2026, National Bureau of Statistics of China, www.stats.gov.cn/english/PressRelease/202607/t20260717_1964160.html

[3] CFETS Yield of Government Securities, www.chinamoney.com.cn/english/bmkierirtrattym/

Tenor Concentration

In the first half of 2026, IRD traded notional with a tenor of one year or less accounted for 70.8% of the total, notional with a tenor of between one and five years accounted for 24.1% and notional with a tenor of more than five years accounted for 5.1%. That compares with 67.8%, 27.4% and 4.9%, respectively, in the first half of 2025 (see Chart 2).

Chart 2: Mainland China IRD Traded Notional by Tenor (US$ trillions)

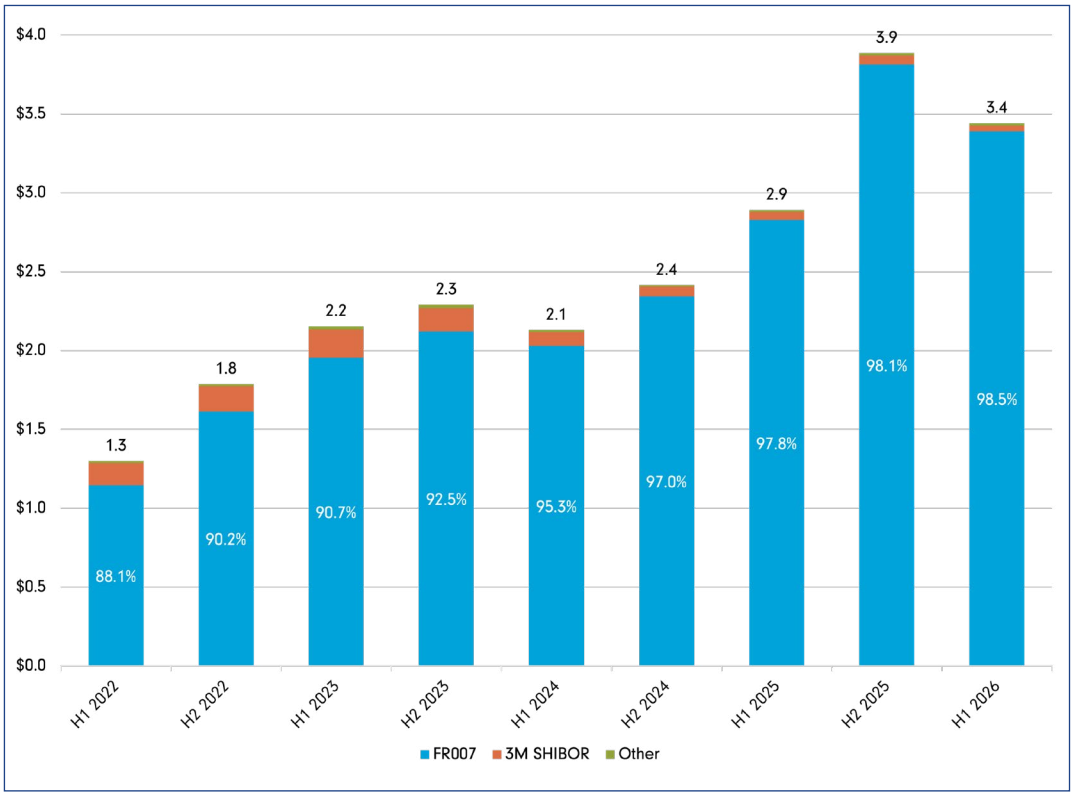


Source: CFETS

Reference Rates

FR007 accounted for 98.5% of onshore IRD traded notional in the first half of 2026. Traded notional referencing FR007 rose by 19.9% to $3.4 trillion in the first half of 2026 from $2.8 trillion in the first half of 2025 (see Chart 3).

Chart 3: Mainland China IRD Traded Notional by Reference Rate (US$ trillions)



Source: CFETS

FR007 is the seven-day fixing repo rate. It is based on interbank repo transactions and reflects secured funding conditions. SHIBOR is based on quotes from a panel of contributing banks and reflects unsecured funding costs. Notional referencing SHIBOR dropped by 30.2% to $36.9 billion in the first half of 2026 from $52.8 billion a year earlier, reducing its share of the total to 1.1% from 1.8%. Traded notional referencing other rates totaled $16.0 billion in the first half of 2026, up from $11.5 billion in the first half of 2025[4].

On October 19, 2026, the PBOC said it would study switching the main tenor of its open market operations to overnight at an appropriate time. The overnight reverse repo rate would then replace the seven-day reverse repo rate, which has served as the main policy rate since 2024[5]. The PBOC governor said bonds and other derivatives could also reference the overnight repo rate and the PBOC would publish guidance to help financial institutions with the transition[6].

[4] The 'other' category of reference rates represents the one-year loan prime rate, the China Development Bank 10-year bond yield, the spread (or ratio) between the 10-year policy bank bond and the 10-year government bond, the 10-year government bond yield, the overnight Shanghai Interbank Offered Rate, the seven-day fixing depository institutions repo rate and the one-day interbank pledged repo fixing rate

[5] China's Central Bank Studies Making Overnight Rate Its Main Policy Rate, Reuters via US News & World Report, https://money.usnews.com/investing/news/articles/2026-10-19/chinas-central-bank-studies-making-overnight-rate-its-main-policy-rate

[6] China Plans to Adopt New Policy Rate That May Lead to Easing, Bloomberg via The Edge Malaysia, https://theedgemalaysia.com/node/822331

Recent Developments in Swap Connect

Swap Connect, the mutual market access scheme linking Hong Kong and mainland China's interest rate swap markets, has continued to expand since its May 2023 launch. Average daily turnover has grown from around RMB3 billion at launch to approximately RMB30 billion in the first half of 2026. The number of participating overseas investors has grown from 27 at launch to 98 in July 2026. Aggregate RMB interest rate swap turnover has surpassed RMB13.3 trillion[7].

The program's product scope and trading capacity have also expanded. The maximum tenor for eligible swaps referencing FR007 and three-month SHIBOR was extended from 10 years to 30 years in June 2025[8] and swaps referencing the one-year Loan Prime Rate (LPR1Y) were added in September 2025. The daily net trading quota was increased to RMB45 billion and the number of onshore dealers grew to 23[9]. In July 2026, authorities announced plans to add swaps referencing FDR007 under Swap Connect, targeting a fourth-quarter launch subject to regulatory approval.

According to HKEX, citing Shanghai Clearing House, Swap Connect accounted for 13% of the onshore interest rate swap market in the first quarter of 2026. Monthly clearing volume reached a record RMB820.8 billion in March 2026. HKEX attributes the growth to active positioning by offshore investors in response to changing interest rate expectations and policy outlook, increased demand to hedge onshore bond investments and dealer network expansion and operational enhancement[10].

Hong Kong's Securities and Futures Commission has begun exploring Southbound Swap Connect, which would give mainland investors access to Hong Kong's swap market for interest rate risk management. This would extend the framework in the opposite direction from the existing Northbound link, under which overseas investors access onshore RMB swaps[11].

[7] New Measures to Support the Development of Hong Kong's Fixed Income and Currency Market and Offshore RMB Business, www.sfc.hk/-/media/EN/files/COM/PDF/Initiatives-to-advance-Hong-Kongs-fixed-income-and-currency-markets_EN.pdf

[8] Swap Connect, Frequently Asked Questions, Hong Kong Exchanges and Clearing, www.hkex.com.hk/Global/Exchange/FAQ/Featured/Swap-Connect

[9] Trading & Clearing Mechanism, Swap Connect, www.chinabondconnect.com/en/Swap-Connect/Trading-And-Clearing/Trading-And-Clearing-Mechanism.html

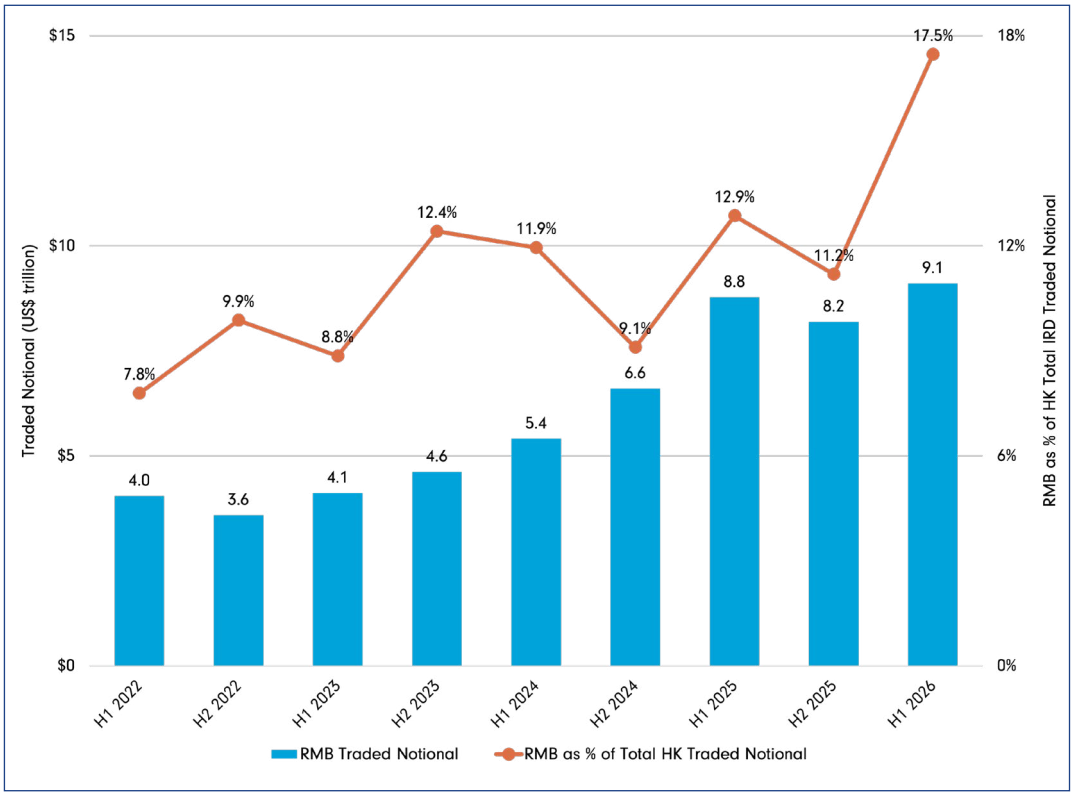
[10] 8 Top Questions About Swap Connect in 2026 – Answered, www.hkexgroup.com/Media-Centre/Insight/Insight/2026/HKEX-Insight/8-Top-Questions-About-Swap-Connect-in-2026?sc_lang=en

[11] Hong Kong Regulator Exploring Southbound Swap Connect, www.risk.net/markets/7962615/hong-kong-regulator-exploring-southbound-swap-connect

HONG KONG'S RMB MARKET

RMB-denominated IRD traded notional reported to the HKTR increased by 3.7% to $9.1 trillion in the first half of 2026 from $8.8 trillion in the first half of 2025[12]. As a share of Hong Kong's total IRD market, RMB-denominated activity rose to a record 17.5% in the first half of 2026 versus 12.9% a year earlier as the broader market contracted (see Chart 4).

Chart 4: RMB-denominated IRD Traded Notional Reported in Hong Kong (US$ trillions)[13]



Source: HKTR

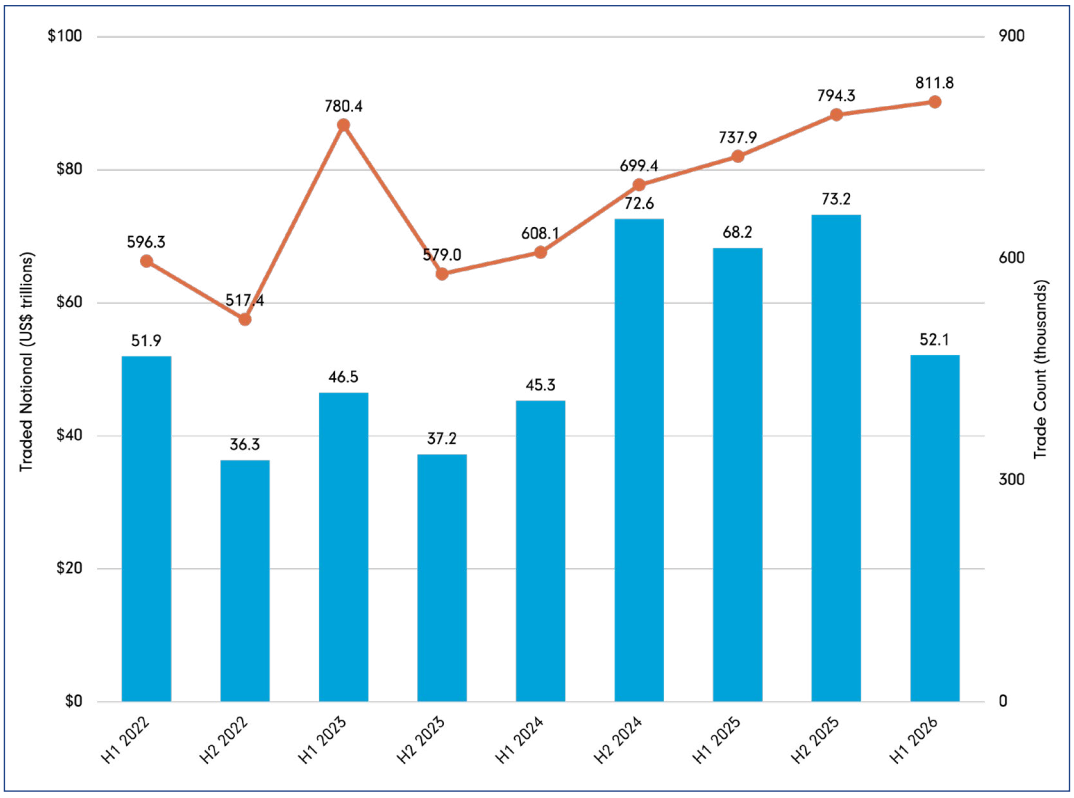
[12] All Hong Kong Trade Repository (HKTR) data is sourced from the Hong Kong Monetary Authority, https://hktr.hkma.gov.hk/ContentDetail.aspx?pageName=Data-Disclosure

[13] Local rules in Hong Kong require all prescribed persons to report every over-the-counter derivatives transaction to the HKTR. Prescribed persons include authorized institutions, approved money brokers and licensed corporations. Recognized clearing houses and automated trading service providers that act as central counterparties are also required to report. As a result, HKTR data may include duplication. Both original alpha trades and their cleared counterparts are captured, as are intragroup transactions between affiliated entities within the same corporate group, whether or not they are cleared. More granular data that would strip out this duplication is not available, so this report relies on the reported figures

HONG KONG'S IRD MARKET

IRD traded notional reported to the HKTR declined by 23.6% to $52.1 trillion in the first half of 2026 from $68.3 trillion in the first half of 2025 and a record $73.3 trillion in the second half of 2025. Trade count grew by 10.0% to a record 811.8 thousand from 737.9 thousand over the same period (see Chart 5). Average trade size fell to $64.2 million from $92.5 million.

Chart 5: IRD Traded Notional and Trade Count Reported in Hong Kong



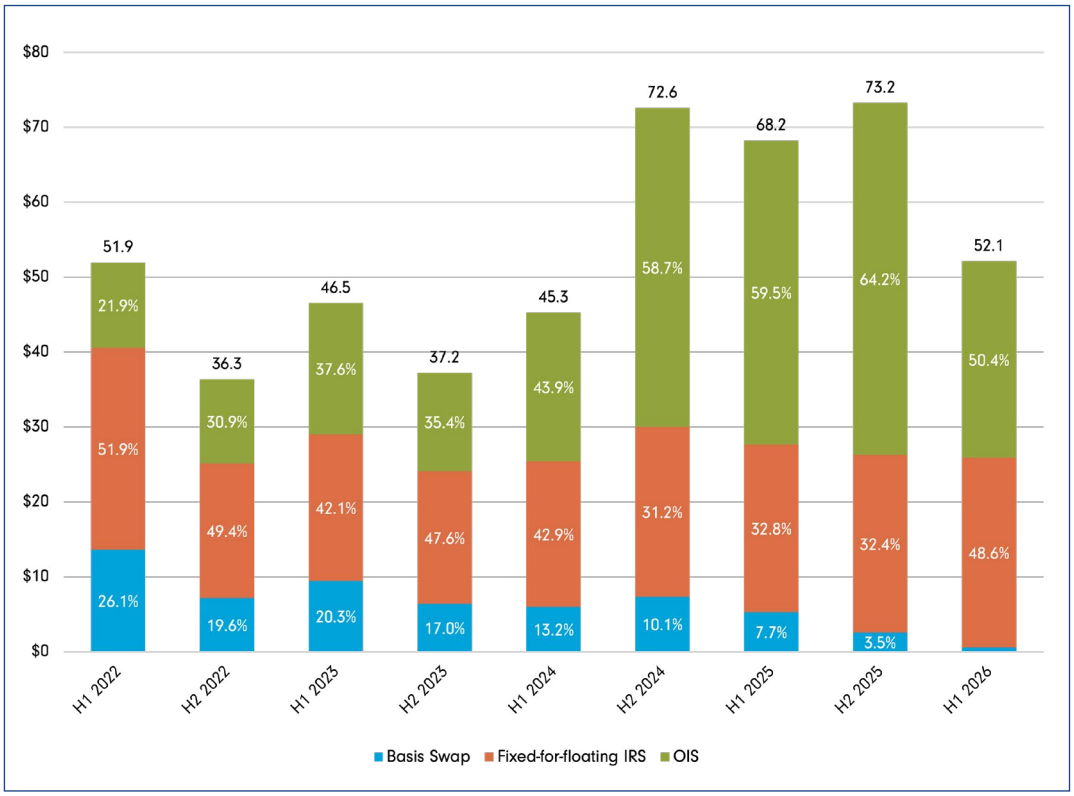
Source: HKTR

Product Mix

In the first half of 2026, overnight index swaps (OIS) accounted for 50.4% of traded notional, fixed-for-floating interest rate swaps represented 48.6% and basis swaps comprised 1.1%. That compares with 59.5%, 32.8% and 7.7%, respectively, in the first half of 2025 (see Chart 6).

OIS traded notional dropped by 35.4% to $26.3 trillion in the first half of 2026 from $40.6 trillion in the first half of 2025 and basis swap traded notional fell by 89.3% to $0.6 trillion from $5.3 trillion. Fixed-for-floating interest rate swaps traded notional climbed by 13.1% to $25.3 trillion from $22.4 trillion.

Chart 6: IRD Traded Notional by Product Reported in Hong Kong (US$ trillions)



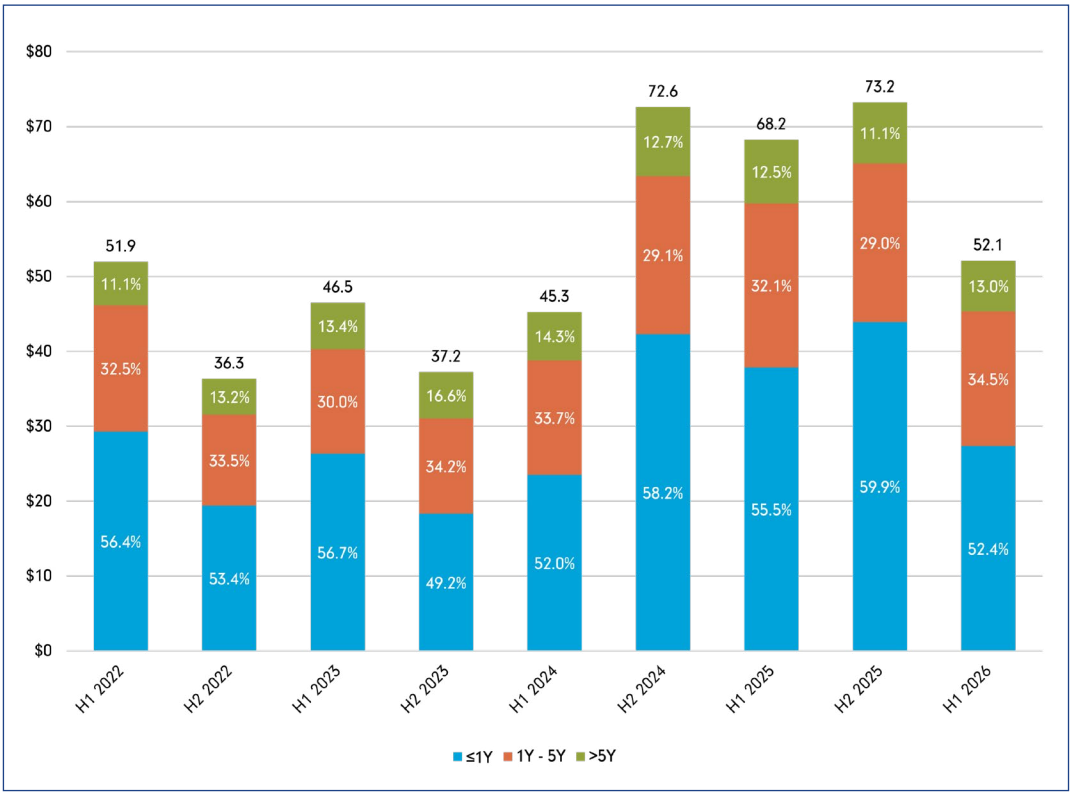
Source: HKTR

Tenor Distribution

Traded notional fell across all tenor buckets in the first half of 2026, with the largest reduction in short tenors. Notional with a tenor of one year or less declined by 27.8% to $27.3 trillion in the first half of 2026 from $37.9 trillion in the first half of 2025. Notional with a tenor of between one and five years dropped by 17.8% to $18.0 trillion from $21.9 trillion. Notional with a tenor of more than five years fell by 20.0% to $6.8 trillion from $8.5 trillion.

Tenors of one year or less represented 52.4% of traded notional in the first half of 2026, down from 55.5% in the first half of 2025. Tenors of between one and five years accounted for 34.5%, up from 32.1%. Tenors of more than five years comprised 13.0%, up from 12.5% (see Chart 7).

Chart 7: IRD Traded Notional by Tenor Reported in Hong Kong (US$ trillions)



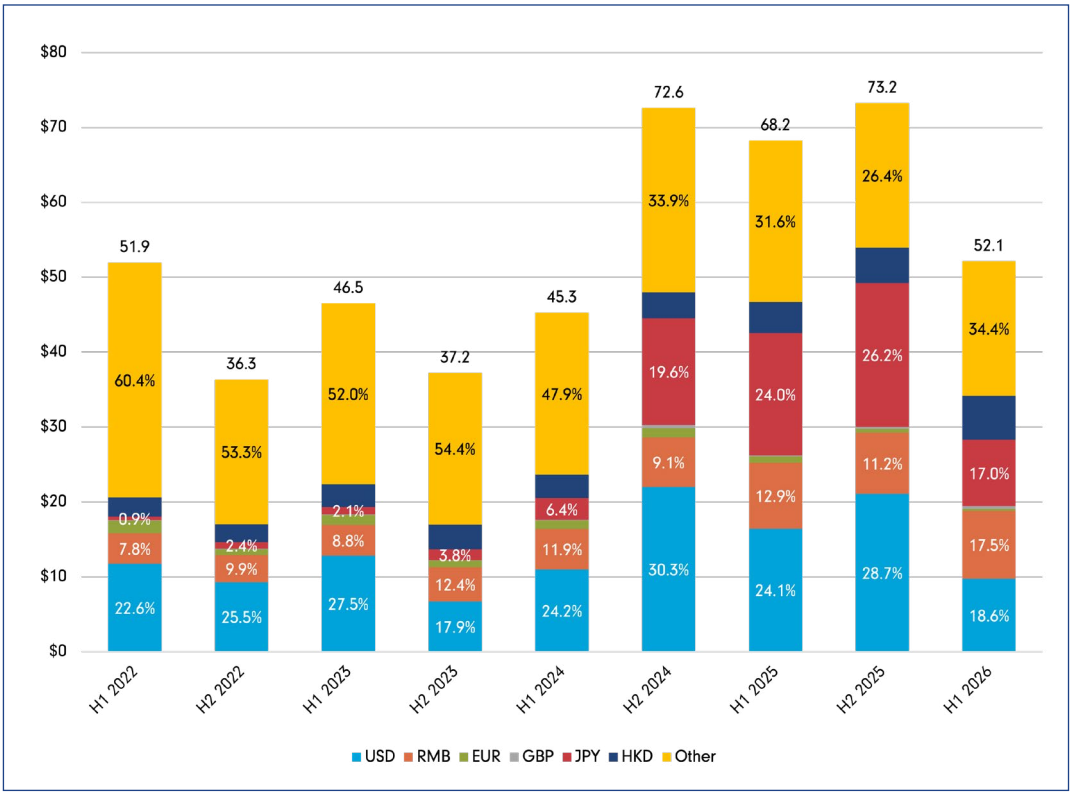
Source: HKTR

Currency Distribution and Benchmarks

The currency mix shifted notably in the first half of 2026. US-dollar-denominated IRD traded notional represented 18.6% of total traded notional in the first half of 2026, down from 24.1% in the first half of 2025. The share of Japanese yen declined to 17.0% from 24.0%, RMB grew to 17.5% from 12.9% and Hong Kong dollar increased to 11.3% from 6.1%. Other currencies comprised 34.4%, up from 31.6% (see Chart 8).

Yen and US dollar contracts made up 88.3% of the $16.1 trillion decline in traded notional. Yen traded notional dropped by 45.9% to $8.9 trillion in the first half of 2026 from $16.4 trillion in the first half of 2025 and yen trade count declined by 43.9% to 44.3 thousand. US dollar traded notional fell by 41.0% to $9.7 trillion from $16.4 trillion, while US dollar trade count dropped by 18.5% to 116.9 thousand. Trade count grew by 64.2% for Hong Kong dollar contracts and 26.8% for RMB contracts.

Chart 8: IRD Traded Notional by Currency Reported in Hong Kong (US$ trillions)



Source: HKTR

The decline in yen activity followed a sharp increase to $16.4 trillion in the first half of 2025 from $2.9 trillion in the first half of 2024 after the Bank of Japan ended yield curve control in 2024[14]. The first half of 2026 reversed more than half of that increase.

[14] Goodbye Libor, Hello Basis Traders: Unpacking the Surge in Global Interest Rate Derivatives Turnover, BIS Quarterly Review, December 2025, www.bis.org/publications/qr-202512/goodbye-libor-hello-basis-traders-unpacking-surge-global-interest-rate-derivatives-turnover

Hong Kong dollar traded notional increased by 42.4% to $5.9 trillion in the first half of 2026 from $4.1 trillion a year earlier, with issuance of Hong Kong dollar debt securities growing by 11.6% to HK$3.2 trillion over the same period. The Hong Kong Monetary Authority (HKMA) has noted that carry trades are more common when Hong Kong dollar interest rates are below US dollar rates[15]. The three-month Hong Kong Interbank Offered Rate (HIBOR) fell to 2.36% at the end of March 2026 from 2.93% at the end of 2025, then rose to 2.97% at the end of June[16].

HIBOR is Hong Kong's primary interest rate benchmark. The Hong Kong Overnight Index Average (HONIA) has been identified as an alternative, although adoption has been gradual. Unlike Singapore, which replaced the Singapore Dollar Swap Offer Rate with the Singapore Overnight Rate Average as its sole benchmark, the HKMA has opted for a multi-rate approach that allows HIBOR and HONIA to co-exist[17].

[15] Half-Yearly Monetary and Financial Stability Report, Chapter 4, Hong Kong Monetary Authority, September 2026, www.hkma.gov.hk/media/eng/publication-and-research/bulletin/202609/Chapter4.pdf

[16] Half-Yearly Monetary and Financial Stability Report, Hong Kong Monetary Authority, September 2026, www.hkma.gov.hk/media/eng/publication-and-research/bulletin/202609/E_Half-yearly_202609.pdf

[17] Reform of Interest Rate Benchmarks, www.hkma.gov.hk/eng/key-functions/banking/banking-regulatory-and-supervisory-regime/reform-of-interest-rate-benchmarks/; Hong Kong Dealers Make Honia Transition Push, www.risk.net/markets/7961106/hong-kong-dealers-make-honia-transition-push. Unlike CFETS, the HKTR does not publish IRD traded notional broken down by reference rate

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