FX Trading in 2025:
Growth Amid Fragmentation, AI, and the Shift to Direct Connectivity

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Introduction

FX markets have grown immensely since the turn of the century. After a recent levelling off in activity, expectations of a sustained increase in volatility, driven by geopolitical tensions and uncertainty around tariffs, are fuelling anticipation of a new boost for trading volumes.

Data from the latest BIS triennial survey, conducted in 2022, shows that OTC FX spot and derivatives turnover has grown over much of the last decade, from $5.3tr in 2016 to $7.5tr in 2022. While FX swaps have powered much of that growth, rising from $2.3tr in turnover to $3.8tr in the period, spot FX has also posted increases, from $1.6tr to $2.1tr.

With macro factors as uncertain as they have been in decades, the expectation of further growth in the coming years is strong. This has put the spotlight for many on infrastructure, and making sure that it is efficient and streamlined enough to withstand a rise in processing needs.

This impetus is growing as technological advances have opened up several new options for upgrading FX infrastructure, enabling firms to better handle increasing trading volumes. The signs are that these investments will be needed — on April 29 last year, CME Group's EBS Market processed more than $70bn in spot USD/JPY trading. The platform, one of the spot FX's market's primary trading venues, also posted record trading levels of over $34bn in spot CNH around the US election. Activity was stirred even further by tariff drama in the global trading system in April 2025. EBS posted its highest daily volume since March 19 2020 in spot FX on April 3 — of $147bn. Elsewhere in the spot FX ecosystem, CboeFX has recorded its highest ever monthly average daily volume in April so far, of $66.4bn.

With US-China trade relations as uncertain as ever, and tariff threats with the US expanding at dizzying pace, the conditions for similar bouts of trading activity are high in the near future. As firms face the prospect of processing more and more trading flow with their systems, the more forward-looking among them are exploring how they can upgrade their tech stacks to absorb that volume and meet the demands of the modern market.

To examine institutional trading firms' approach to FX infrastructure investment, Acuiti has partnered with Avelacom to survey or interview senior executives from 68 proprietary trading firms, brokers and banks that trade FX. Survey respondents were based in Europe, US, APAC, MEA and LatAM.

Across this whitepaper, we look at the state of play in FX and where firms envisage the greatest challenges. We also examine how they are approaching connectivity and how recent innovation such as stablecoins and FX ETFs might affect market dynamics in the future.

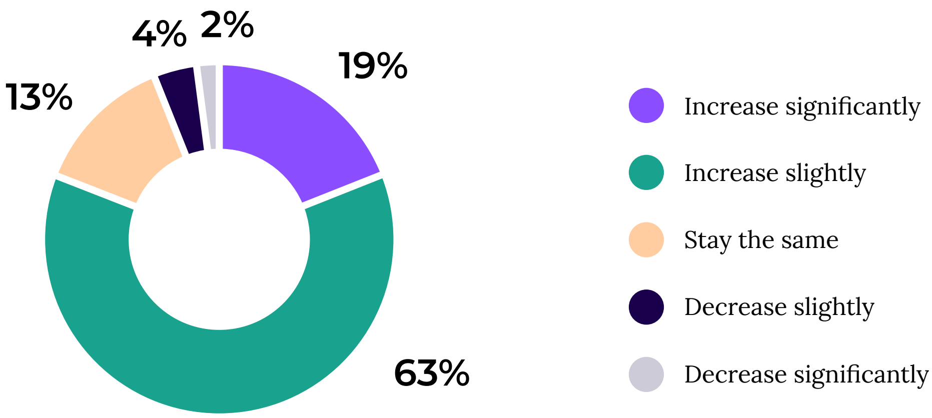
The key findings are:

- 82% of survey respondents expect spot FX trading volumes to increase over the next 12 months.
- 51% of survey respondents anticipate that AI and ML will drive the market's greatest technological advancements over the next three years. This is a higher level of enthusiasm than was shown for other technological opportunities, such as automation, blockchain settlement and cloud computing. However, there is still caution in the application of AI technology. This was most often caused by high costs of implementation and a burst of third-party offerings that it can be difficult to differentiate between.
- High operational costs and liquidity concerns are common problems for market participants.
- While cloud adoption for infrastructure is relatively low, it is growing in popularity as firms invest in connectivity and look to improve their processing power and scalability.
- Over a quarter of firms that currently rely on third party platforms for liquidity sourcing are planning to take more control of connectivity and establish more direct access to venues, bypassing brokerage-led execution.
- Most survey respondents set up their infrastructure three or more years ago, with 29% having done so more than five years ago — suggesting that the market is ready for a new wave of investment in the area.

A rapidly evolving market

As market participants progress through 2025, expectations for growth in FX trading volumes are high. The world is becoming ever-more tense and threatened by protectionist policies, while central banks across the world are diverging in their interest rate policies as they balance the battle to control inflation with the objective of supporting flagging economic growth. In terms of volumes, the overwhelming majority of survey respondents — 82% — predicted an increase in trading over the course of the coming year.

What is your outlook on trading volumes in the FX market over the next 12 months?



While FX spot activity accounts for one of the biggest shares of overall FX market activity, the most recent BIS triennial survey, which was conducted in 2022, showed that that share had fallen slightly since the last survey. Average turnover per day in April 2022 was $2.1tr in spot FX markets, compared to $3.8tr turnover in FX swaps markets. This is indicative of a levelling off of spot trading volumes in place for the best part of the last decade. However, while trading volumes have somewhat flatlined, the complexity of the market has rapidly increased.

Analysts have linked the two trends, pointing to an increasingly complicated price discovery process resulting from liquidity fragmentation due to growth in the number of trading platforms. This has also given an information advantage to well-resourced market participants, especially from the high-frequency trading community. These firms can leverage their well-invested in tech infrastructure to analyse pricing at multiple venues and then take advantage of any opportunities at speed.

Meanwhile, dealers have increasingly used internalisation — a model of sourcing offsetting FX trades within their organisation — as a method of inventory control, reducing hedging activity in the interdealer market.

With trading volumes now expected to pick-up, systems capable of handling that complexity and processing increased trade flow are essential.

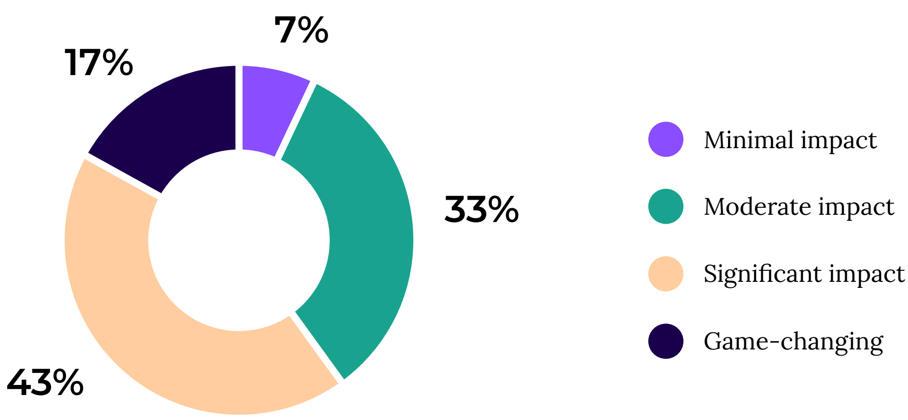
New technologies

FX is already a highly mature market in terms of electronification. However, the need to innovate and adopt efficiency-enhancing technologies is still high. Indeed, the impetus for a technological advantage is as keen as it has ever been in maintaining a competitive edge – especially considering the growth of specialist electronic liquidity providers in the market.

When considering which technological advancements would have the greatest impact on FX markets in the coming three years, survey respondents placed highest importance on artificial intelligence and machine learning in non-trading operations.

When asked more specifically about the technology's potential for FX trading in the future, most survey respondents thought the impact would be significant and nearly one-fifth said it would be game changing.

How do you expect the adoption of AI and machine learning to impact FX trading in the near future?



Given the relative recent emergence of AI, its importance reflects both the rapid adoption of the technology at firms and the growing base of use cases that prospective buyers are being presented with to improve operational efficiencies.

While Straight-Through-Processing (STP) has penetrated most corners of the market, systems frequently buckle under the strain of high-volume periods.

With most survey respondents predicting that volumes will increase in the near future, more powerful processing capabilities in middle and back-office systems will be needed by many. Whether through AI or enhanced automation, this will be a priority for many firms.

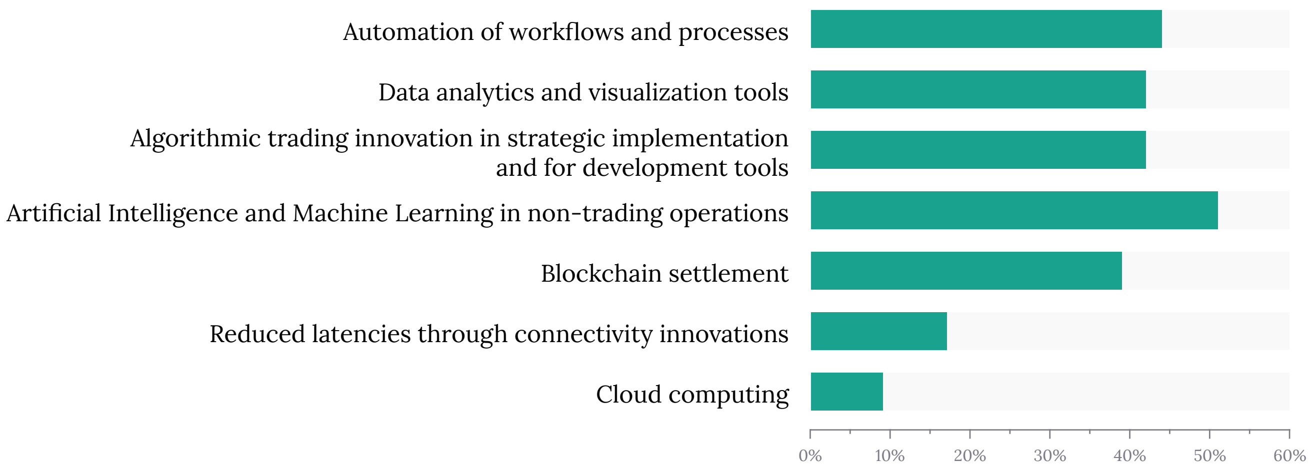
Data analytics and visualization tools have also been increasing in importance in recent years, particularly in light of best execution requirements.

Buy-side demand for tools like TCA have increased rapidly in the wake of new rules and growing client demand for transparency. These tools support granular analysis of the costs of each trade and enable comparison of the sell-side firms that they have relationships with.

It should also be noted that expectations of innovation in algorithmic trading are also high, continuing a trend of heavy investment in this area in recent years.

Which technological advancements do you believe will have the most significant impact on institutional FX trading over the next 3 years?

Select top 3



Blockchain settlement was recognised as carrying potential for the FX industry, however this ranked lower down the list — a sign of its relative infancy in the market.

Barriers to growth

The importance given to AI and automation is partially explained by survey respondents' views on the current challenges facing their business.

High operational cost was cited as the main challenge to growing an FX business in current conditions, reflecting in part the challenges that increased volumes could pose for middle and back-office systems.

Which of the following would you rate as major or significant challenges to growing your FX business today?

This was a particular challenge among institutional brokers and prop trading firms, perhaps reflecting the smaller investment budgets that these firms types generally have to deploy compared to tier one banks, for whom a large client base makes investment in high volume systems more economical.

Proprietary trading firms also cited liquidity constraints and competition from banks as top barriers to growth, while for institutional brokers liquidity constraints (the top concern, reflecting the market structure issues described earlier in this paper) and regulatory compliance actually ranked above operational costs (and competition for clients).

For multinational banks, competition from non-bank liquidity providers was the top concern, reflecting the increasing dominance of market share by these firms, which account for a third of e-FX trading by some estimates.

Top challenges by company type

	Bank	Brokers	Proprietary trading firms
1	Competition from non-bank liquidity providers	Liquidity constraints	High operational costs
2	Regulatory compliance	High operational costs	Liquidity constraints
3	Technology integration	Regulatory compliance	Competition from banks

These multinational banks also reported notable challenges with regulatory compliance and technology integration – in the case of regulation highlighting the higher burden that sell-side firms face in this regard.

Mapping connectivity

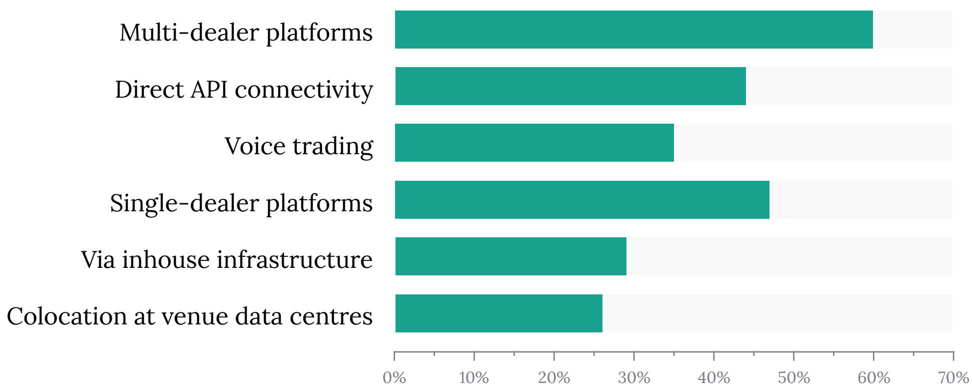
With the complexity and volume of global trading set to increase, a key question for many firms today is how to best optimise connectivity to take advantage of global opportunities.

When it comes to execution models, the FX market remains dominated by multi-dealer platforms such as EBS, where traders can normally count on deep liquidity in the major spot currencies.

However, this study found that other execution models are also widely used, from single dealer platforms to direct API connectivity.

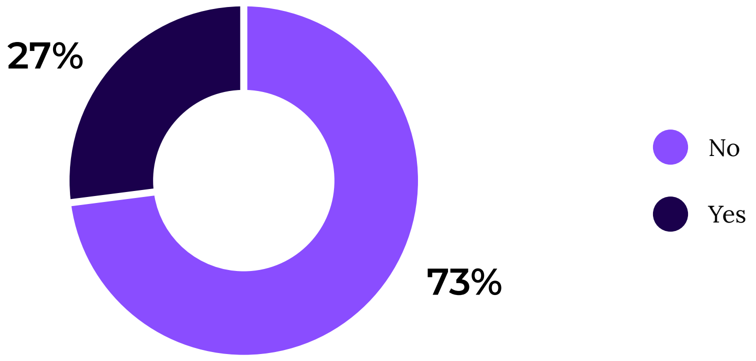
The popularity of the latter model is in part related to the need for high frequency trading firms to process large trading volumes at speed but is also part of an increasing effort by brokers to offer inhouse systems to clients and directly connect to API feeds.

What execution models do you use to access FX markets?



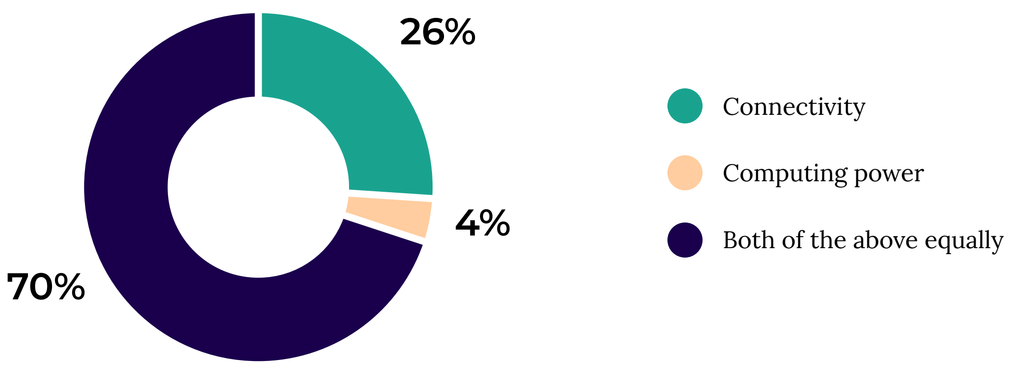
Of those firms that didn't already access FX markets via direct API connectivity, colocation or via inhouse infrastructure, over a quarter were planning to invest in direct connectivity or dedicated computing resources. This indicates that firms across the market are planning to take a more hands-on approach to market access in FX. Among those who were investing, most said their approach would be predominately cloud based instead of on premises, a position taken by 88% of respondents in this grouping.

Are you planning on investing in your own infrastructure via direct connectivity or dedicated computing resources?



Most survey respondents who were making investments in inhouse infrastructure were doing so in both computing power and connectivity. For brokers, any tilt towards inhouse infrastructure build is likely to provoke a move towards greater flexibility as they adapt to compete.

When thinking about investment in your inhouse infrastructure, where will you target investment most over the next five years between connectivity and computing power?

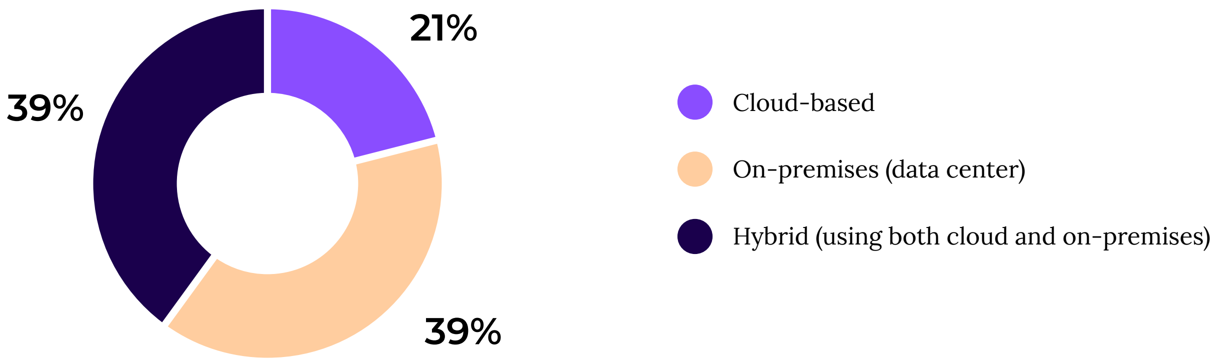


While those who are making or planning investment in computing power are focused on cloud capabilities, for the wider survey audience there was still a clear preference for on-premise infrastructure or a hybrid approach.

However, one third of survey respondents were employing a hybrid approach that combined cloud and on-premise capacity.
As the power of cloud technology grows and its use cases multiply, we can reasonably expect that its usage will grow (as indicated by its popularity among those currently making investments).

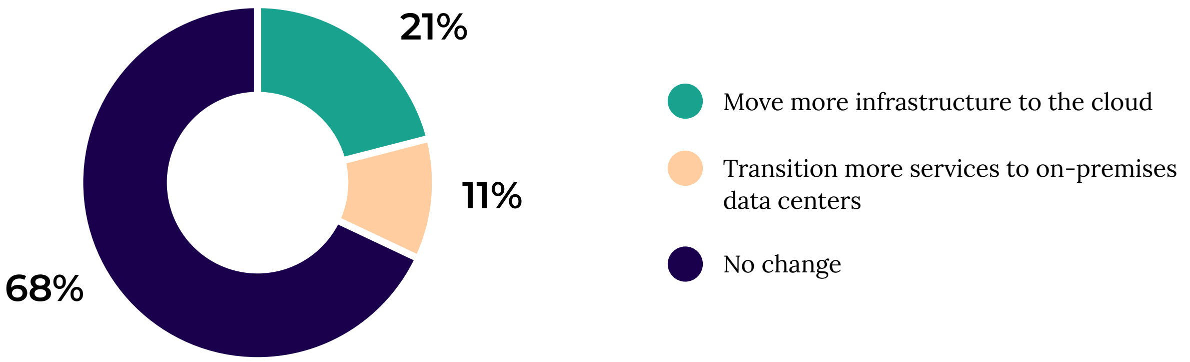
The main cloud providers, AWS, Google and Microsoft Azure, are all making increasing inroads into the financial industry, as highlighted by the partnership between CME Group and Google.

Is your infrastructure predominantly:



This may still take some time to gain momentum as a trend though, with most survey respondents saying they had no plans to change their approach to infrastructure hosting.

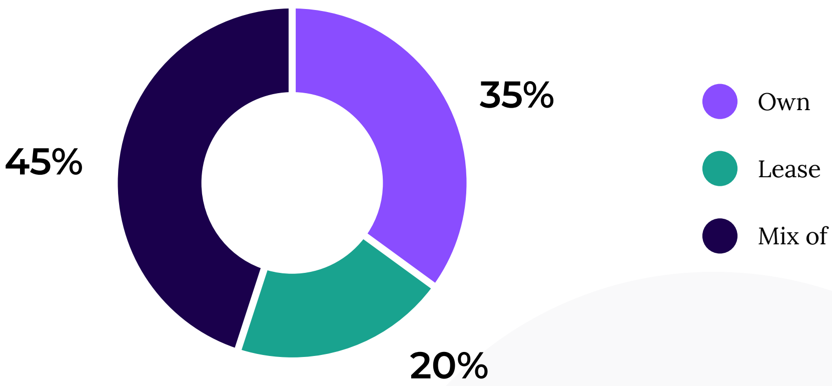
Do you plan to change your approach to infrastructure hosting?



Servers

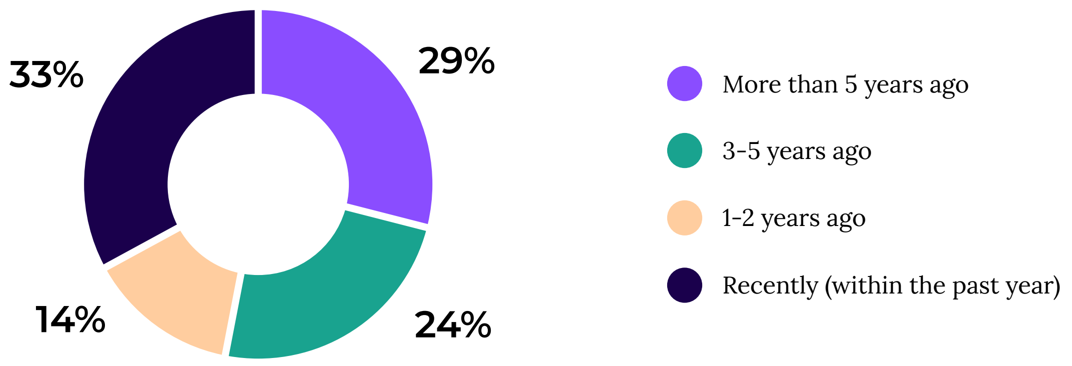
With data centres still an important part of FX connectivity, most survey respondents that were colocated said that they both owned and leased the servers they use at data centres. While there was a tilt to ownership over leasing, the difference between the two was not too dramatic.

Do you own or lease the servers you have at collocated data centres



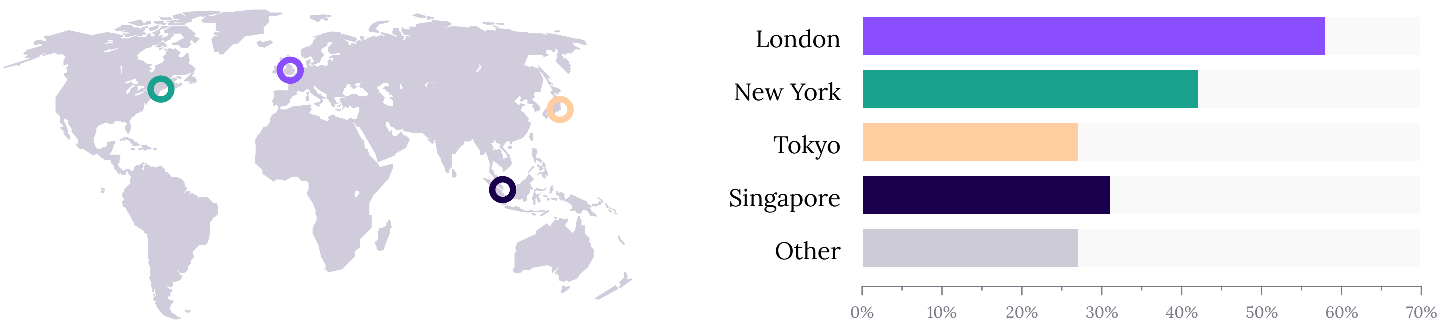
A third of survey respondents had set up their server infrastructure within the past year. Among those who hadn't, the highest proportion (29%) had last done this more than five years ago. This suggests that a significant proportion of the FX industry could be seeking to upgrade its server infrastructure in the coming years.

How long ago did you set up your server infrastructure?



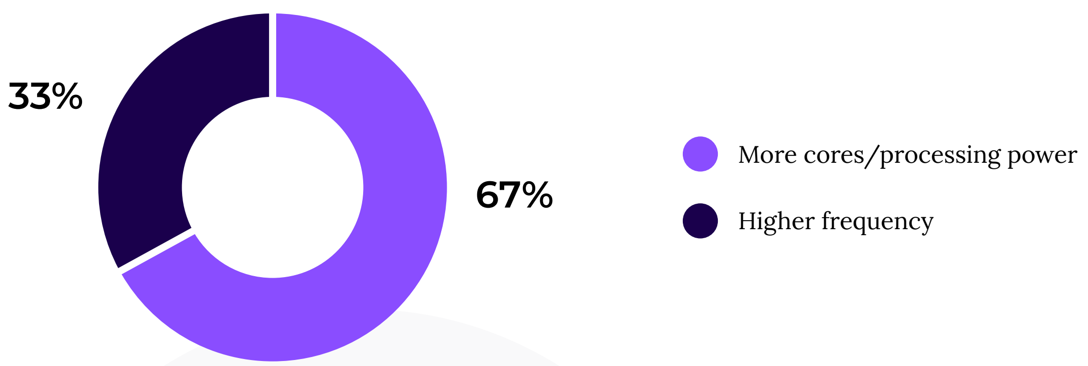
London is still the hub of FX markets, with a clear majority of survey respondents locating their primary data centres in the city. New York was the most popular of the rest of the pack, far ahead of Tokyo and Singapore.

In which locations are your primary data centres located?



As firms consider further investment in servers, the vast majority said they prioritized processing power over higher frequency. This points to both the maturity of the race for speed, and the current dominance of a small number of firms focused on the lowest latencies, as well as anticipation of higher volumes and the need for systems that can

When thinking about investment in servers, does your firm prioritize:



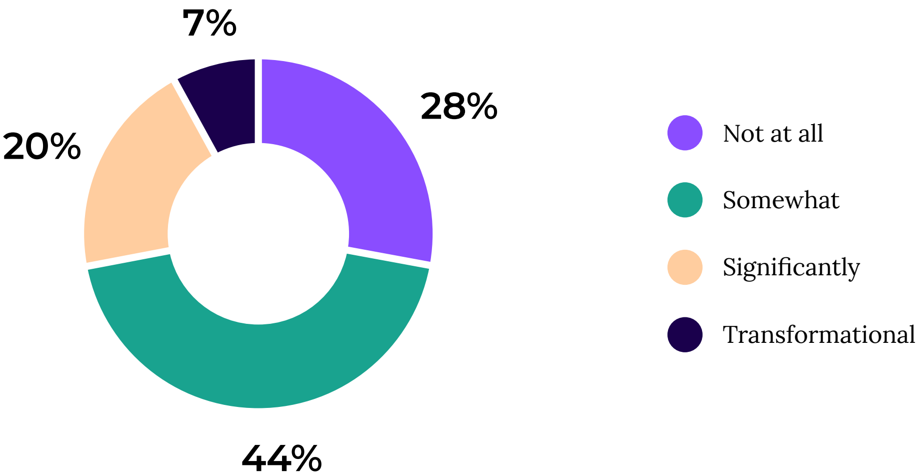
New frontiers

While contending with volatility in FX is set to present a substantial challenge, and opportunity, to firms in the near future, they will also have to be wise to other new trends and products in FX.

Digital currencies such as CBDCs and stablecoins were recognised as having strong potential to disrupt FX by just over a quarter of survey respondents. The technology has the potential to bring significant efficiencies to cross-border payments, but most respondents were still cautious on their transformational potential.

While enthusiasm around stablecoins is growing, with an increasing number of traditional finance firms expressing an interest in the market, this is being accompanied by a growing debate on the credit risk that such offerings will create.

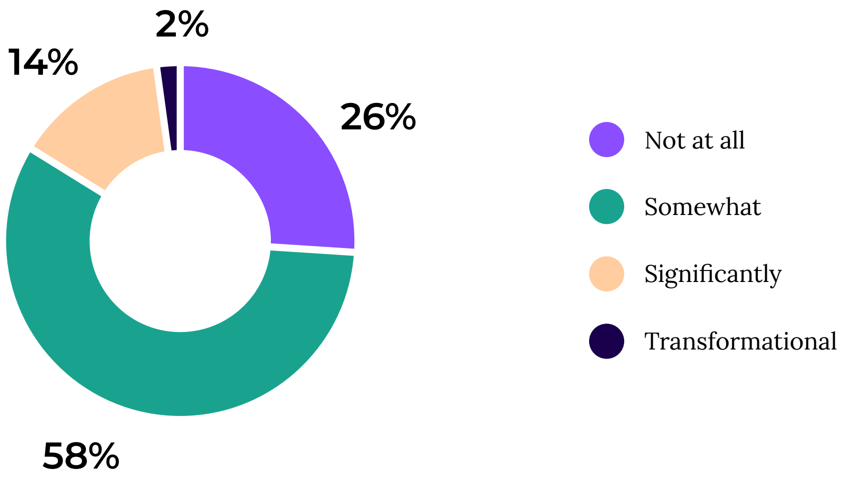
To what extent do you think digital currencies (CBDCs, stablecoins, etc.) will disrupt traditional FX markets?



Another trend that is spreading across the FX landscape are ETFs. These fund products have had a significant impact on equity markets and are also having a revolutionary impact in fixed income. In the latter market, traders have used credit ETFs as an alternative to credit default swaps when creating exposure to the market. Meanwhile, the launch of cryptocurrency ETFs has turbocharged that market, massively expanding the pool of market participants. So far, a similar pattern has yet to take hold in FX markets, where ETFs are already offered.

Enthusiasm was also relatively muted about the potential of FX ETFs for disruption, with 16% of survey respondents estimating the products would notably disrupt FX markets.

To what extent do you think FX ETFs will disrupt traditional FX markets?



Conclusion

FX is a mature and sophisticated market that has developed a highly electronic trading infrastructure, compared to other asset classes. However, with that development has come complexity and at times, fragmentation of liquidity.

The FX market is at a pivotal juncture, shaped by geopolitical tensions, technological advancements, and evolving market dynamics. As trading volumes are expected to rise, firms are increasingly focused on upgrading their infrastructure to handle the growing complexity and demand for efficiency.

The findings of this report highlight several key trends and challenges that will define the future of FX trading:

Rising Trading Volumes

With 82% of respondents anticipating an increase in FX trading volumes over the next 12 months, firms must prepare for higher trade flows. This surge in activity will test existing systems, particularly in the middle and back offices, where automation and AI-driven solutions are expected to play a critical role in managing operational efficiency.

Technological Advancements

AI and machine learning are poised to significantly change FX trading, with 51% of respondents identifying these technologies as the most impactful over the next three years. From enhancing data analytics to improving algorithmic trading, these innovations will be key to maintaining a competitive edge in an increasingly fragmented and complex market.

Connectivity and Infrastructure

The shift towards direct API connectivity and cloud-based infrastructure reflects a broader trend of firms seeking greater control over their market access. While on-premise solutions remain popular, the growing adoption of hybrid and cloud-based models suggests a gradual transition towards more flexible and scalable infrastructure. This is also likely to drive greater flexibility in brokers' offerings, as they move to adapt and maintain their market share.

Emerging Trends

Digital currencies, including CBDCs and stablecoins, as well as FX ETFs, are beginning to make their mark on the FX landscape. While their disruptive potential is still being debated, these innovations could bring significant efficiencies to cross-border payments and expand market participation.

As the world moves into a new era of geopolitics and trade relations, FX will likely be among the first markets to absorb volatility. As such, trading volumes, which have flatlined in recent years, stand to increase — a situation that most respondents to this survey anticipate. As volumes increase, so existing systems will be tested. High volumes have been known to overwhelm workflows before and firms are investing in automation to mitigate this risk. This investment is forming part of an overall trend among institutional FX firms to invest in greater ownership of connectivity and trading infrastructure as they seek to gain an edge in an ever-more competitive market.

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