How resilient are decentralised markets?

NY Fed Workshop on the Future of Market Liquidity and Functioning

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Agenda

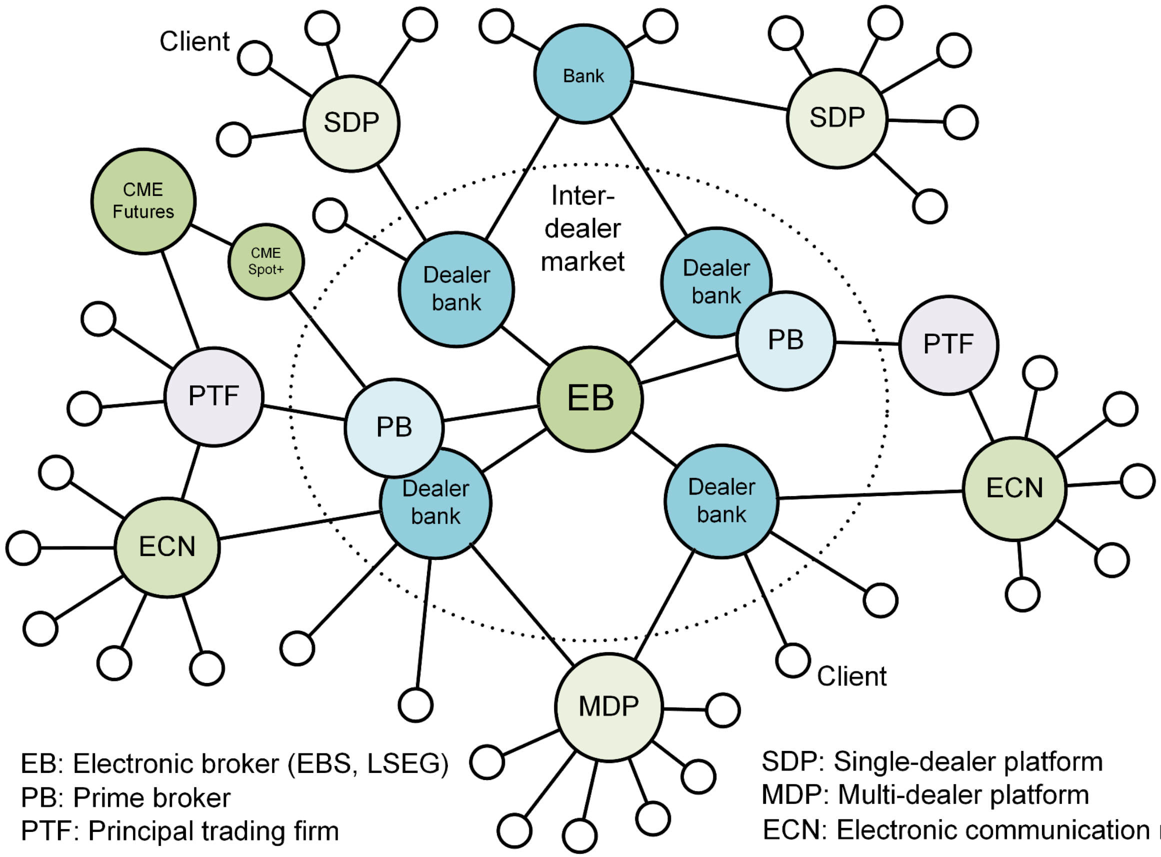
- Motivation: Switzerland is a small open economy and the Swiss franc is an internationally traded safe-haven currency. Given the importance of exchange rate fluctuations for inflation in Switzerland, the SNB closely monitors the foreign exchange (FX) market

- CME outage: resilient trading activity but prices deteriorated

- Concentration risks persist in the decentralised FX market

The FX market is **highly decentralised** with a **fast-changing structure**

Decentralised FX market



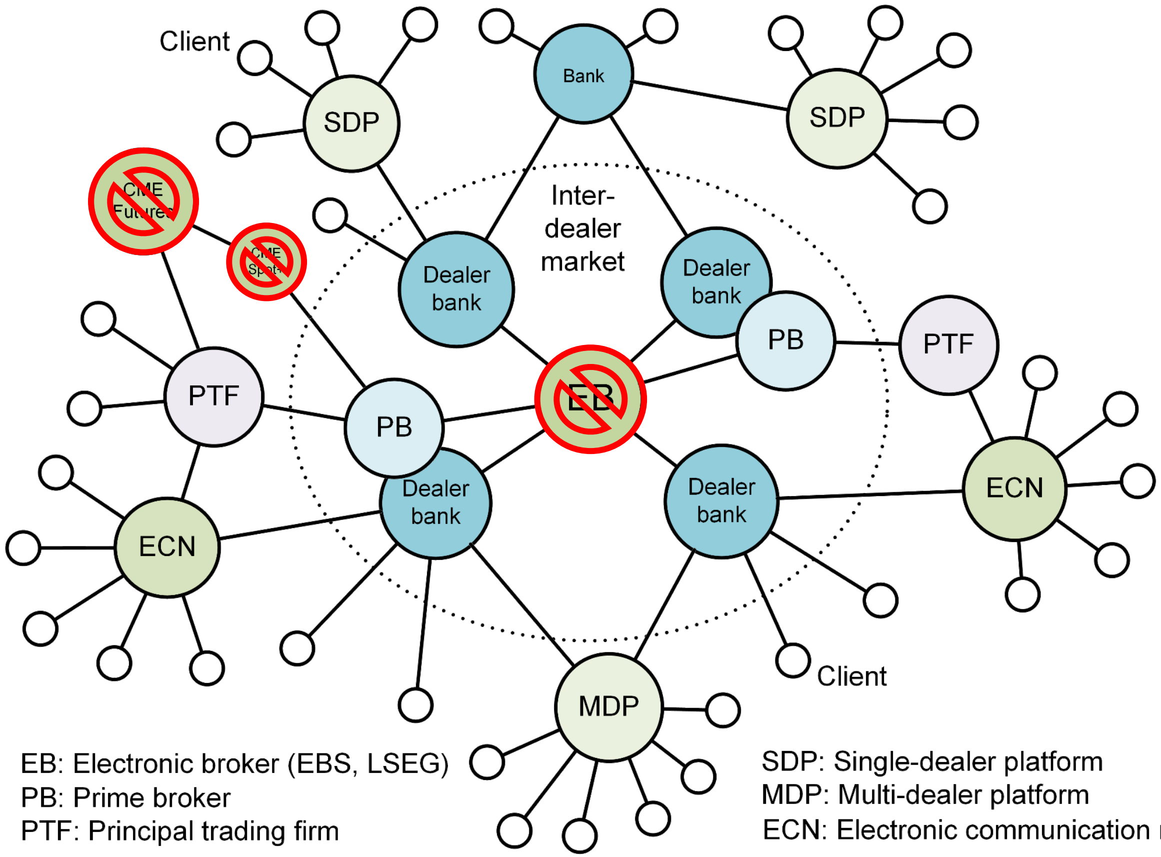
EB: Electronic broker (EBS, LSEG)
PB: Prime broker
PTF: Principal trading firm

SDP: Single-dealer platform
MDP: Multi-dealer platform
ECN: Electronic communication network

Source: SNB

On 28 November 2025, two important venues on the FX market became unavailable

Decentralised FX market



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- 28 Nov 2025: overheating at a Chicago data centre caused a temporary shutdown of multiple CME Group exchanges globally
- FX market hit by simultaneous trading halt of the CME FX futures market and primary venue EBS Market
- These venues are crucial for price-discovery as they are transparent, operating an exchange-like limit order book

Source: SNB

The outage provides a **natural experiment** to analyse the **resilience** of the decentralised FX market

- Natural experiment can be used to address the following:
  - How resilient is the FX market because of its decentralised structure?
  - How does price discovery work if key nodes in the network are missing?
  - How important are CME futures relative to EBS for price discovery?
  - Did trading activity migrate to other venues?

- Why does it matter?
  - Decentralisation is often viewed as an insurance against outages
  - The FX market is the biggest in the world (around USD 9.5 trillion daily turnover OTC)
  - A well-functioning, resilient FX market is in the general interest

Transaction costs increased noticeably, but the effect was not uniform across currency pairs

Relative increase in best bid-offer spreads

	Characteristics		LSEG	Cboe FX		Euronext FX		Bilateral	
	Primary venue	CME futures	London	New York	London	New York	London	Bank	PTF
EURUSD	EBS	✓	7.6	2.9	4.6	3.8	3.3	15.7	28.9
USDCHF	EBS	✓	3.3	2.5	3.3	2.6	2.3	8.5	27.3
EURCHF	EBS	×	6.0	2.1	3.5	2.3	1.9	7.3	123.7
USDCNH	EBS	×	1.6	1.6	1.7	2.0	1.9	7.1	
GBPUSD	LSEG	✓	4.8	2.1	2.9	1.9	2.2	5.6	
USDSGD	LSEG	×	1.0		1.1	1.4	1.0		

Secondary venues: LSEG, Cboe FX, Euronext FX.

Source(s): Cboe FX, Euronext FX, LSEG, SNB

– LSEG pairs without CME futures unaffected
– LSEG pairs with CME futures impaired
– Moderate increase for EBS pairs without CME futures
– Effect highest for EBS pairs with CME futures

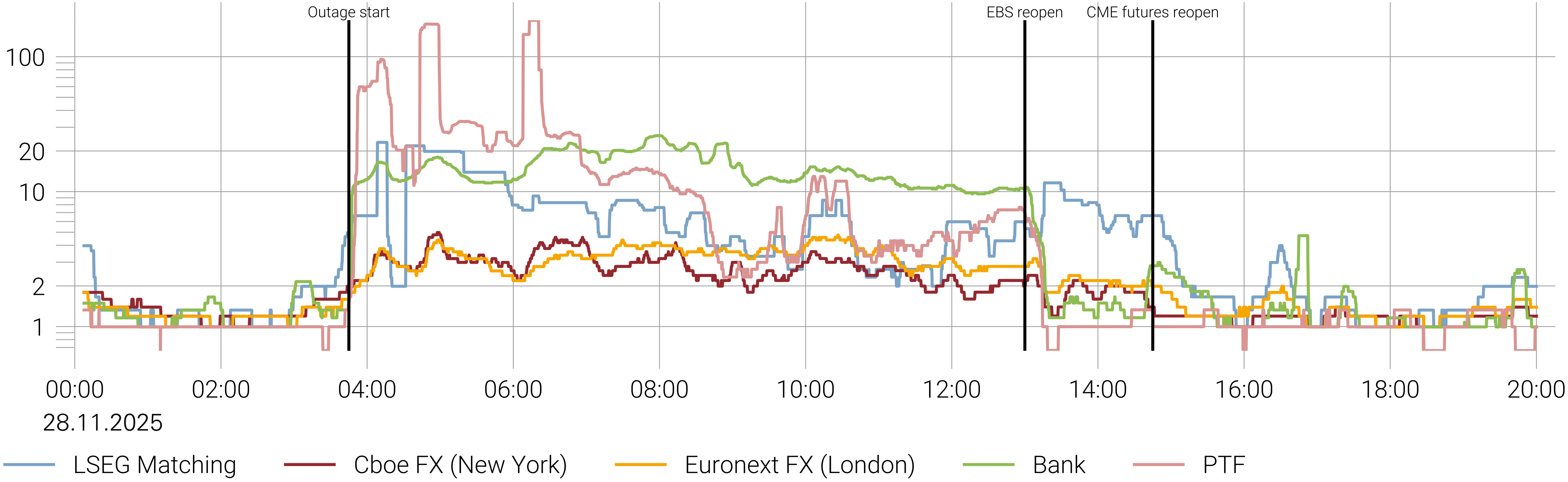
→ CME futures are the most important for price discovery, but EBS still plays a role

Currency pairs with both **active CME futures** and **EBS as primary** market were **affected the most**

EURUSD relative best bid-offer spread

Best bid-offer spread relative to reference day 21.11.2025

Multiple of reference-day median

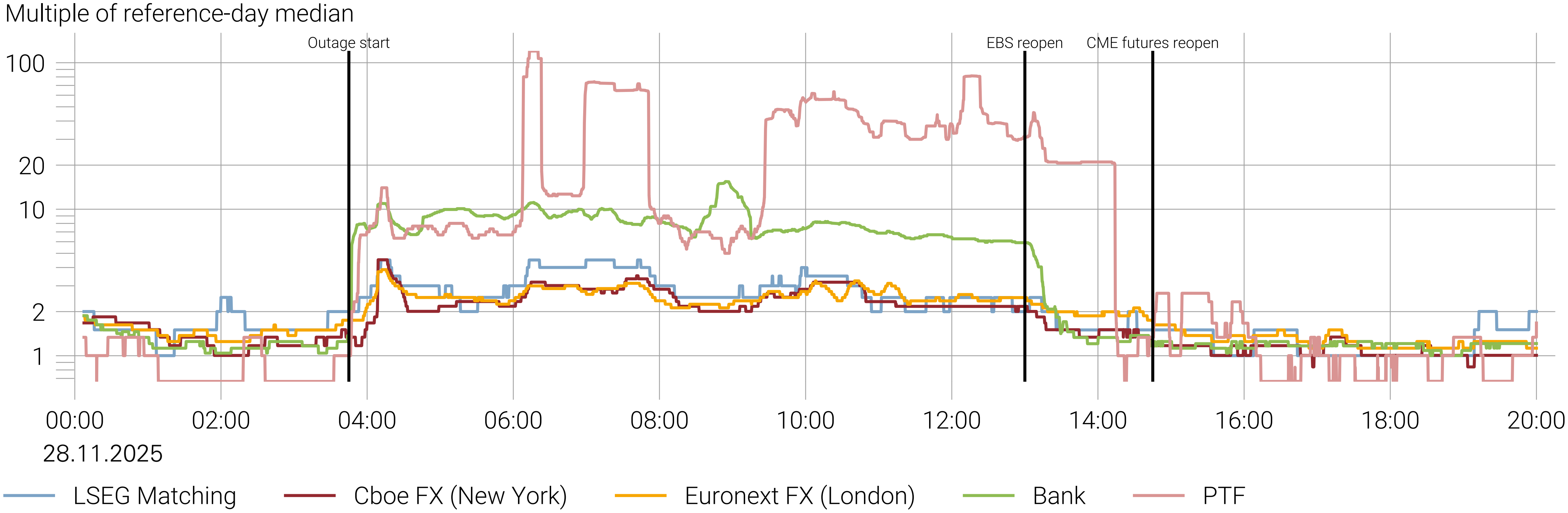


Source(s): Cboe FX, Euronext FX, LSEG, SNB

Swiss franc heavily affected due to importance of CME futures and EBS for price discovery

USDCHF relative best bid-offer spread

Best bid-offer spread relative to reference day 21.11.2025

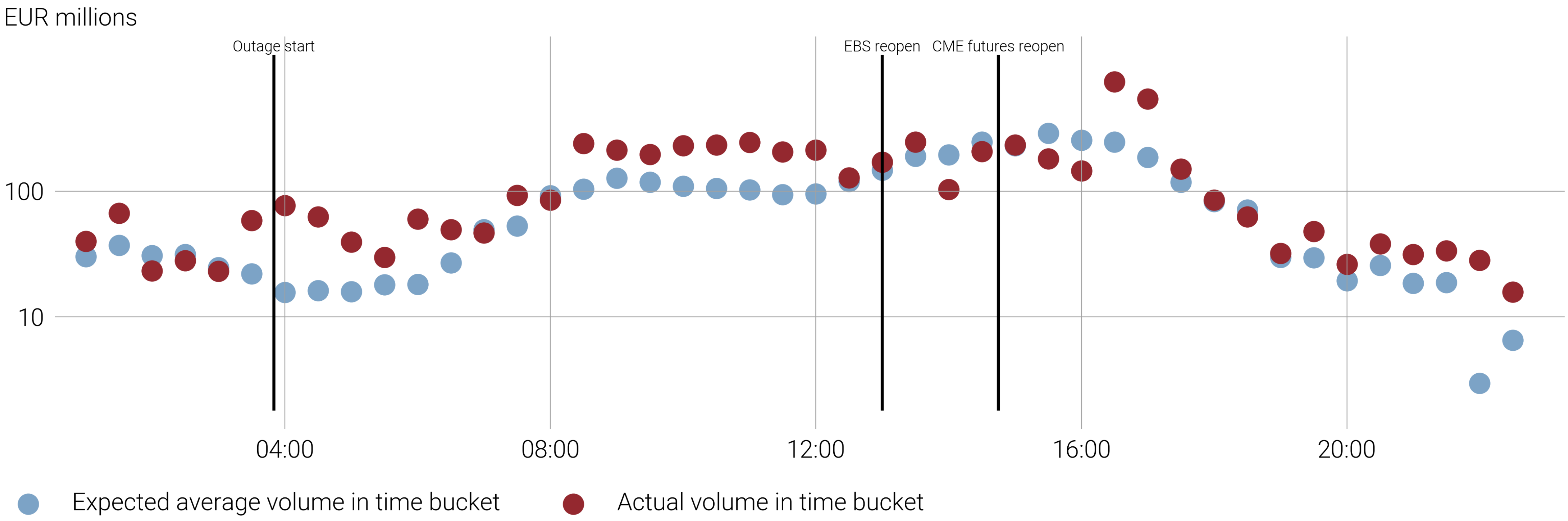


Source(s): Cboe FX, Euronext FX, LSEG, SNB

Resilient trading activity shows advantages of decentralisation

EURUSD INTRADAY VOLUME ON SECONDARY VENUES

Intraday volume on 28 November 2025 in buckets of 30 minutes



Source(s): Cboe FX, Euronext FX, SNB

Conclusion

- Decentralisation improves resilience
- Transparent, exchange-like venues remain essential for price discovery
- Concentration risks remain even in a decentralised market

Thank you for your attention!

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