

Press release

News from the International Capital Market Association (ICMA)

Talacker 29, P.O. Box, CH-8022, Zurich
www.icmagroup.org

Please see foot of release for contact details

ICMA/2010/10
Wednesday, 15 September 2010
For immediate release

ICMA-ERC survey shows growth in European repo market to surpass pre-crisis levels.

(London, UK) The European Repo Council of the International Capital Market Association (ICMA) today released the results of its 19th semi-annual survey of the European repo market. The survey sets the baseline figure for market size at EUR 6,979 billion representing an increase of 25% on the figure of EUR 5,582 billion for the previous survey in December 2009. This figure takes the size of the market above the previous highest figure of EUR 6,775 billion recorded in June 2007 before the financial crisis.

The results of the survey confirm the continuing recovery of the European repo market and the underlying trading activity that it supports. The survey is based on returns received from 57 offices of 52 financial groups, mostly banks, including most of the the largest European repo market participants. The aggregate figure for market size masks a very varied picture for participating institutions; some have emerged from the recent financial crisis with unimpaired balance sheets and have been able to exploit their strength in a market where many competitors have been forced to consolidate or even contract, and some have disappeared altogether. These institutions have consequently captured greater market share, as is evident in the growing degree of market concentration, 10 firms in the survey accounted for over 68% of the total repo business, well above the historical norm for the survey which started in June 2001.

The survey also confirms the broader underlying shift towards greater use of Central Clearing Counterparties (CCPs) for repo business. Until recently, access to CCPs was largely restricted to repo business transacted on electronic trading systems. Over the last two years, however, the post-trade registration of transactions negotiated, not electronically, but directly with other parties or through voice-brokers, has become significant. In the latest survey, post-trade registration of direct or voice-brokered repos through CCPs reached 8.7%, which means that the total share of surveyed repo business (electronic and non-electronic) that was cleared across CCPs was 22.4%.

The Chairman of the ICMA's European Repo Council, Godfried de Vidts said: "The increasing share of central clearing in the European repo market shouldn't make us complacent. There are unresolved clearing and settlement issues in a number of markets which continue to create difficulties in the settlement of bilateral trades and also for electronically originated as well as centrally cleared trades in certain jurisdictions. The ERC is keen to see further progress in the clearing and settlement area through regulatory initiatives like EMIR, as proposed by the EU Commission, but also through continuous work at the ECB chaired COGESI working group."

Other key findings of the survey include:

The market share of electronic repo trading continued to fall back, touching 22.5% compared with 27.5% in December 2009 and a high of 28.5% in June 2009, as the growth in this sector failed to keep pace with the rapid expansion of the overall market. On the other hand, voice-brokers recovered market share, to reach 20.3% from 18.5%.

The market share of both floating-rate and open repos recovered to 10.1% and 6.1% respectively. The share of floating-rate repo traditionally reflects changes in interest rate expectations. Open repos, which are convenient short-term financing tools, were adversely affected by the recent market crisis, so their revival can be interpreted as an indicator of improved confidence.

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Notes for editors

1. ICMA ERC European repo market survey

The survey is based on returns received from 52 financial institutions in Europe, and is a snapshot of the volume of repo trades outstanding on a single day in June 2010. It is conducted by the ICMA Centre at the University of Reading
A copy of the 19th ICMA ERC European Repo Survey can be downloaded from ICMA's website at: www.icmagroup.org

2. International Capital Market Association (ICMA) and European Repo Council

ICMA represents financial institutions active in the international capital market worldwide. ICMA's members are located in 47 countries, including all the world's main financial centres. ICMA's market conventions and standards have been the pillars of the international debt market for over 40 years, providing the framework of rules governing market practice which facilitate the orderly functioning of the market. ICMA actively promotes the efficiency and cost effectiveness of the capital markets by bringing together market participants including regulatory authorities and governments.

The European Repo Council is a special interest group established under the auspices of ICMA to promote and represent banks active in Europe's repo markets. Its members comprise the major banks active in Europe's cross-border repo markets.

See: www.icmagroup.org

3. ICMA Communications

Allan Malvar

+44 20 7213 0322

+44 7738 696 451

allan.malvar@icmagroup.org

Margaret Wilkinson

+44 20 7213 0323

+44 7931 100 499

margaret.wilkinson@icmagroup.org