Question & Answer Report: Professional Repo Market & Collateral Management Workshop 2022

Day 4 - Tuesday, 8 November 2022

CET

11:00 New developments in repo: indemnified and guaranteed structures
Philip Buyskes, Chief Executive Officer, Frontclear
Frank Odendall, Head of Securities Financing Product & Business Development, Eurex
Shiv Rao, Chairman, Sunthay Holdings, LLC
Tom Archer, Head of Equity Product, LCH

11:55 RWA and FRTB capital charges and Leverage Ratio for repo
Christopher Blake, Group Treasury, HSBC
Anant Gajjar, Global Capital Lead, HSBC

13:00 LCR and NSFR for repo
Carolin Pirch, Treasury Manager, DZ Bank

14:00 Wrap up: macrotrends and repo market users
Corentine Poilvet-Clediere, Head of RepoClear, Collateral and Liquidity, LCH SA

Q: How would the recent developments around DeFi influence the Repo/Swap markets?
A: The honest answer is, who knows? One big question is how the credit risk is managed.

Q: If a firm has an evergreen 25 days repo on EEA gov bond, it must account the repo amount as a cash outflow (but it can consider the bond in the HQLA), but if a firm has a reverse repo with an evergreen 25 days structure, it cannot consider the repo amount in the inflows (but it can account the bond in HQLA)?
A: If a firm has an evergreen 25 days repo on EEA gov bond, it must account the repo amount as a cash outflow --> correct. (but it can consider the bond in the HQLA) --> no. The bond is encumbered. That's why it does not count as HQLA. but if a firm has a reverse repo with an evergreen 25 days structure, it cannot consider the repo amount in the inflows (but it can account the bond in HQLA)? The bond received counts as HQLA (100% Level 1); the inflow from the reverse repo is 0% because it is a Level 1 bond

Q: Can you please reexplain the reference to 60 days? ("LCR improvement for 60 days")
A: This is explained on page 19 in the slide deck. During the last month, there is an outflow in the LCR, so we have an LCR improvement only for the first 60 days