

EUROPEAN REPO COUNCIL

**Minutes of the Annual General meeting of the
European Repo Council
held on February 25, 2009, in Marbella**

Location: Don Carlos hotel, hosted by JP Morgan and Caja Madrid
Marbella, Spain
Time: 9.00-13.00

Presenting:

Mr. Tony Baldwin, Daiwa Securities SMBC Europe Ltd., London
Mr. Marc Buessing-Loercks, European Central Bank
Ms. Lisa Cleary, ICMA, Zurich
Mr. Ian Chicken, ICAP Securities plc, London
Mr. Richard Comotto, ICMA Centre, University of Reading
Mr. Godfried De Vidts (ERC Chairman), ICAP Securities plc, London
Mr. Olivier Grimonpont, Euroclear
Ms. Kathryn Kerle, Moody's
Mr. Paul McGregor, LIFFE
Mr. David Rule, ISLA, London
Mr. Eddy Wymeersch, CESR Chairman

The following member firms were represented at the meeting:

Banco Bilbao Vizcaya Argentaria, SA, Madrid
Banco Santander Central Hispano, S.A., Madrid
Barclays Capital Securities Ltd, London
BNP Paribas, Paris
Caja de Madrid, Madrid
Citigroup Global Markets Limited, London
Confederación Española de Cajas de Ahorros (CECA), Madrid
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank), London Branch
Credit Suisse Securities (Europe) Limited, London
Daiwa Securities SMBC Europe Limited, London
Danske Bank A/S, Copenhagen
Deutsche Bank AG, Frankfurt
Dexia Bank Belgium NV/SA, Brussels
Fortis Bank, Brussels
GESMOSA-GBI VSA, Madrid
Goldman Sachs International, London

HSBC Bank Plc, London
HSBC France, Paris
ICAP Securities Limited, London
IntesaSanpaolo S.p.A., Torino/Milan
JP Morgan Securities Ltd, London
Landesbank Baden-Württemberg, Stuttgart
Merrill Lynch International, London
Royal Bank of Canada Europe Limited, London
The Royal Bank of Scotland Plc, London
UniCredit Banca Mobiliare S.p.A., Milan
UBS AG, London

The following member firms were not represented at the meeting:

Aurel Leven Securities, Paris
Banca IMI S.p.A., Milan
Banca Nazionale del Lavoro S.p.A., Rome
Bank Austria Creditanstalt AG, Vienna
Bank Julius Bär & Co. AG, Zurich
Bank of Scotland Plc, London
Banque et Caisse d'Epargne de l'Etat, Luxembourg
Bayerische Hypo-und Vereinsbank AG, UniCredit Markets & Investment Banking, Munich
Bayerische Landesbank, Munich
Caja de Ahorros y Pensiones de Barcelona (La Caixa), Barcelona
CALYON, Paris
Commerzbank AG, Frankfurt
Dresdner Bank AG, Frankfurt (Dresdner Kleinwort)
DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt
ING Bank N.V., Amsterdam
ING Belgium SA/NV, Brussels
KBC Bank NV, Brussels
Kredietbank S.A. Luxembourgeoise, Luxembourg
Lloyds TSB Bank plc, London
MF Global UK Ltd, London
Mitsubishi UFJ Securities International plc, London
Mizuho International PLC, London
Morgan Stanley & Co International Ltd, London
MPS Finance Banca Mobiliare S.p.A., Siena
National Bank of Greece SA, Athens
NIB Capital Bank N.V., The Hague
Nomura International Plc, London
Raiffeisen Zentralbank Oesterreich AG, Vienna
Société Générale S.A., Paris
WestLB AG, Dusseldorf

1. Opening of the meeting by the Chairman of the European Repo Committee

The Chairman, Godfried De Vidts, welcomed the Council members, speakers, observers and guests and thanked JP Morgan and Caja Madrid for hosting the ERC AGM.

He suggested that if ERC members had market issues that needed to be raised, the ERC was there to help. He explained that there was a real push to regulate the OTC market. He added that for the repo market to remain robust while functioning well, but also remain open to innovation, the repo community needed to be ready to interact with regulators and central banks on all regulatory questions that will come up.

CESR, for instance, published a consultation on market transparency for non-equity markets¹. The ERC Committee decided at its January meeting to refrain from responding directly as this was seen as an issue for the cash bond trading community. However the ERC encouraged internal debates at individual member bank's level to reconcile views of repo and cash bond trading desks. This was part of ongoing work, highly important for the bond market, but with potential impact on the repo market.

Since the last Council meeting, the ERC filed a response to the ESCB/CESR recommendations on securities clearing and settlement systems². The response made it notably clear that a CSD is not a CCP and that more clarity was required in this area. The Chairman explained that some research was being done on links between CSDs and CCPs. He expected to be able to report at the next ERC Council meeting on the outcome of this project. He added that this research highlighted the need to widen the use of CCP for government bonds but may also suggest more use of CCP for corporate bonds too.

As reported at the last Council meeting³, the ISIN code issue had now resulted in action from DG Competition. DG Comp opened an infringement case under Article 82 of the Treaty. The Commission believes that Standard & Poor's may abuse its monopoly position as the US national numbering agency by forcing financial institutions (such as banks and investment funds) to pay licensing fees for the use of US ISIN codes in their own databases⁴. This issue is also on the agenda of the regulatory dialogue between the US and Europe. The Commission has requested more evidence. The Chairman suggested that Council members presented directly their experiences in this respect, or got in touch with him so that he could pass on the information.

The Chairman summarised developments in the STEP project. At one of the ERC Committee meetings Mr. Paul Richards, ICMA Head of Regulatory Policy, provided an update regarding

¹ http://www.cesr-eu.org/index.php?page=consultation_details&id=127

² The ERC response is available at <http://www.icmagroup.org/ICMAGroup/files/2f/2f45d530-48bf-4081-8576-2c78f0272abc.pdf>

³ <http://www.icmagroup.org/ICMAGroup/files/59/591c9448-c29b-4a2b-adde-edae39669dfa.pdf>

⁴ <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/6&format=HTML&aged=0&language=EN&guiLanguage=en>

the work of ICMA's Euro Commercial Paper (ECP) Committee. Accordingly the ECP Committee was unwilling to promote the STEP project. The ERC Committee questioned the reasoning behind this decision as market participants sought new ways of posting collateral to the Eurosystem. As such, the ERC Committee encouraged each Council member to reflect on the use of STEP internally. Mr. Paul Richards was asked at the Committee meeting to further report on the ECP Committee discussions around this topic.

The Chairman told the Council that he received a letter from Mr. Guido Ravoet, the EBF Secretary General. The letter explained the outcome of discussions at the Eurepo Steering Committee in consultation with the ERC Committee. The new Eurepo definition was as follows: *'Eurepo is the rate at which one prime bank offers funds in Euro to another prime bank if in exchange the former receives from the latter the best collateral in terms of rating and liquidity within the Euro GC basket'*. The new definition was expected to address the wide spread between Euro sovereign issuers. The ERC continued to maintain an updated Euro GC countries list on its website. There were now 16 members in the Euro zone.

The Chairman explained that a letter had been written on behalf of the ERC to Minister Tremonti of the Italian Ministry of Economy and Finance regarding a document on Italian Government Bonds Specialists and its evaluation criteria for 2009⁵. The letter outlined the ongoing differences in evaluation criteria applied for regulated and non-regulated markets for repo in Italy which were at odds with MiFID and did not permit the creation of a level playing field for trading venues to compete with each other. A copy of the letter had also been emailed to DG Comp and DG Markt.

As regards interoperability, the Chairman reported that both ICSDs were committed to continue their bilateral discussions. Specific issues concerning, for instance, flows between settlement platforms or the approach to take to netting were being discussed. After more intense discussions each ICSD will come up with an internal assessment of the implementation cost, and a cost/benefit analysis. This work was mentioned at the Cesame 2 meeting as a good example of pro-active industry actions that would ensure full interoperability for clearing & settlement services in Europe.

The Chairman told the Council that the Committee was also constantly receiving members' questions. Two were mentioned at this Council meeting: in the event of a rating downgrade in case of term GC transactions, what happened to the collateral? And if a bond substitution occurs which value would the market take? As regard the first question, the Committee agreed that the lowest rating of the 3 rating agencies is to be considered. If a country drops out of the AAA rating; collateral from countries who keep the same rating has to be given. The Committee response to the second question was that market practice considered the original market cash value to be taken into account. A legal reference may be considered at the revision stage of the GMRA.

⁵ The ERC letter is available at <http://www.icmagroup.org/ICMAGroup/files/a8/a8e42bc2-e2ee-4264-8cbd-84738af9fb8f.pdf>

2. **Approval of the minutes of the ERC General Meeting held on September 9, 2008 in London and dated October 31, 2008**

The minutes of the ERC General Meeting held on September 9, 2008 and dated October 31, 2008 were unanimously approved. The minutes and the presentations are available from the ICMA website at <http://www.icmagroup.org/about1/international1/minutes.aspx>.

3. **Update on GMRA issues**

a. Progress report on legal opinion updates

The Chairman asked Ms. Lisa Cleary to provide the Council members with the regular update on GMRA-related matters.

The presentation looked at the coverage of GMRA legal opinions for 2009⁶. She reminded the ERC Council that 68 GMRA opinions were now available, funded solely by ICMA. GMSLA/GESLA/OSLA opinions were funded by the SLRC subscriber group and managed through subscription access. The extension of counterparty coverage to sovereign wealth funds and supnationals was currently under discussion.

Ms. Lisa Cleary told the ERC Council that the 2009 legal opinions were to be updated by March 31, 2009, and the process would be administrated by ICMA.

Ms. Lisa Cleary also referred to the recent publication of the Russian NSMA GMRA. The document was produced by the NSMA for domestic transactions between the Bank of Russia and Russia participants. She explained that ICMA intended to inform ERC members about this domestic repo agreement but did not plan to endorse it. ICMA will also continue to monitor developments in Russia with regard to the GMRA, but as yet there was no legal opinion available for Russia.

b. Possible GMRA developments following market turmoil

Ms. Lisa Cleary referred to the current development of a credit claims annex to the GMRA as will be discussed under item 6a. Market appetite was assessed in this respect. An ECB meeting had already being held between different stakeholders in January 2009.

A review of the GMRA following the market turmoil was also considered by the ERC Committee. Committee members were asked to identify specific provisions of the GMRA which it felt it should be reviewed. All suggestions should be sent to Ms. Lisa Cleary, at the email address: lisa.cleary@icmagroup.org.

⁶ GMRA opinions are available at http://www.icmagroup.org/legal1/GMRA_legal_opinions.aspx

4. Elections to the European Repo Committee

The Chairman introduced the following 22 candidates standing for election at the meeting to fill the 19 vacancies on the ERC committee.

Tony Baldwin	Daiwa Securities SMBC Europe Ltd., London
Stefano Bellani	J. P. Morgan Securities Ltd., London
Olly Benkert	Goldman Sachs International, London
Eduard Cia	UniCredit Markets & Investment Banking, Munich
Hermínio Crespo Urena	Caja de Madrid, Madrid
Michael Cyrus	Royal Bank of Scotland, London
Godfried De Vidts	ICAP Securities Ltd., London
Johan Evenepoel	Dexia Bank Belgium NV/SA, Brussels
Glenn Handley	HSBC, London
Thomas Hansen	Credit Suisse Securities (Europe) Limited, London
Eric Lepore	Deutsche Bank AG, London branch
Grigorios Markouizos	Citigroup Global Markets Limited, London
Andrea Masciovecchio	IntesaSanpaolo S.p.A., Milan
Ed McAleer	Morgan Stanley & Co International Ltd.
Jessica McDermott	Merrill Lynch International (MLI), London
Mats Muri	Barclays Capital, London
Dina Noëlle	Coop. Centr. Raiff.-Boerenleenbank (Rabobank), London branch
Simon Parkins	BNP Paribas, London branch
Michel Semaan	Nomura International plc, London
Luis Soutullo	Confederacion Española de Cajas de Ahorro, Madrid
Simon Tims	UBS AG, Zurich
Stefaan Van de Mosselaer	Fortis Bank, Brussels

Subsequently, the Chairman explained the election procedure pursuant to ICMA rule 1014, and referred the Council to the detailed instructions on the ballot form, which had been sent to each Council member on January 30, 2009.

Thereafter, the ERC Council member representatives attending the meeting casted votes by ballot form.

5. ERC Operational issues

a. Report from the ERC Operations group

The Chairman presented this item. He thanked Mr. Roger Moran of Credit Suisse for having chaired of the group up to now and welcomed Mr. Ian Chicken of ICAP as new Chairman of the ERC Ops group. Mr. Jonathan Bury was appointed Vice Chairman.

The Chairman explained that the ERC Ops group remained actively involved in the T2S project. He mentioned in this context the issue discussed within the process efficiency

group. The ERC Ops Group persuaded the T2S team that two single instructions for sending securities financing instructions was the right approach.

The ERC Ops group was also involved in the drafting of Barriers 2& 10 report that will be discussed by the Chairman under item 6c.

b. SLRC: Developments of the bank of England's Market Operations

Mr. Tony Baldwin reported on this item. He provided the Council with some background information regarding the SLRC and its purpose. He mentioned the different upcoming topics to be looked at by SLRC members: Gilt repo Code; review of Securities Borrowing and Lending Code; Review of the GMSLA; Combination of exercises in gathering legal opinions on securities lending and repo legal agreements as used in different jurisdictions; LCH Clearent gilt DBV product; Euroclear term DBV product; impact of proposed regulatory changes affecting securities lending or repo markets; Basel II and implications for securities lending and repo; promote publication on securities lending; T2S; case for new guidance on equity repo; monitoring corporate governance proposals affecting securities lending and repo; UNCITRAL legislative guide on secured lending; monitor G30 work where relevant to repo or securities lending; monitor work on tackling Giovannini barriers where relevant to repo or securities lending. He noted that one of the notable decision of the SLRC made last year was to make bank of England sterling bills eligible in the CREST UBG DBV category from December 11, 2009.

He mentioned that the SLRC was also open to receive suggestions of other topics to consider.

c. US Treasury Securities Fails – TMPG recommendations addressing widespread settlement fails in US Treasury securities.

Mr. David Rule provided some background information as regards the publication of the TMPG publication. He mentioned that SIFMA in the US had been involved in the working groups. It was expected that future seminars would be held on this , notably one at the Bank of England.

He noted that the problems with settlement fails experienced in October 2008 seemed to have resolved themselves but there were still areas of concern.

Mr. David Rule explained that the TMPG was a group of market professionals committed to supporting the integrity and the efficiency of the US Government Treasury market. In November 2008 the TMPG recommended the following changes in market practices:

- Financial penalty on fails,
- Margining of settlement fails,
- Bilateral cash settlement,
- Support development of broader multilateral netting solutions.

Fails penalty implementation was set for May 1, 2009. The other recommendations did not yet have implementation timelines or documentation recommendations. It was noted that the recommendation would also introduce a dynamic fail penalty with a finite cap rate that would provide an incentive for sellers to resolve fails promptly.

The basic TMPG recommendation was that the fails penalty would be determined as follows: *'on any cash or financing transaction that fails to settle on the originally scheduled settlement date, a penalty will be imposed equal to the greater of (a) 3 percent per annum minus the Fed Funds target rate at 5pm EST on the business date prior to the originally scheduled settlement date, and (b) zero'.*

Mr. David Rule noted that the fails penalty would begin to accrue from the originally scheduled settlement date, i.e. there was no aging requirement. The penalty fails and the recommended trading practices were recommendations only and the adoption of the penalty by any market participants was strictly voluntary. He referred in his presentation to the formula to calculate the fails penalty. All relevant documentation is available online⁷. He suggested that ERC members who wanted more information about the TMPG recommendation registered to the Bank of England seminar that will be held the following week.

6. Clearing and settlement issues

a. Credit Claims

The Chairman explained that the ERC Committee was interested in credit claims as this would provide additional collateral for repo transactions.

When the Eurosystem — the European Central Bank (ECB) and the national central banks of the Member States whose currency is the euro — was established, the policy makers opted for collateralised credit in the form of reverse transactions, such as repurchase transactions, as a key instrument of monetary policy. The ECB also promoted the use of a wide range of collateral in order to protect central banks from adverse counterparty risk. A two-tier system of collateral was established. In June 2003, the ECB launched a public consultation on measures to improve the collateral framework of the European system. In May 2004, following positive responses from participants, the Governing Council of the European Central Bank approved the gradual introduction of a 'Single List' (introduced on January 1, 2007) for collateral management within the Eurosystem. Two major steps were taken: first, to include a new category of previously ineligible assets (euro-denominated debt instruments issued by entities established in the Group of Ten countries not part of the European Economic Area); secondly, approval of a framework for including non-marketable assets like bank loans from all euro area countries in the Single List of eligible collateral (a detailed description of the eligibility criteria that apply to non-marketable assets is provided

⁷ <http://www.newyorkfed.org/tmpg>

by the ECB). Credit claims were thus included in tier two of the two-tier collateral management framework first envisaged for the Eurosystem.

Discussions with the European Commission and the ECB highlighted the need to reflect properly on the potential use of credit claims in today's financial markets. The focus had notably been on the eligibility of credit claims, not only for collateralisation of central bank credit but equally for the pool of collateral available for interbank transactions. The European Parliament has approved Piiia Noora Kauppi's report on securities settlement services systems and financial collateral arrangements. The report recognised the importance of accepting credit claims as financial collateral, and extended the scope of credit claims as to what was acceptable for interbank transactions. The Chairman explained that this was a major milestone in the future development of collateral as it would create legal certainty and simplification of the use of credit claims as an asset class for collateralisation.

Concomitant to this is the establishment of a common identification code for both the ECB and market participants to use for this new asset class. This may be accomplished by using a common identification code tool as already in use in Belgium and the Netherlands through the NBB/DNB settlement system.

At a follow-up industry meeting hosted by the ERC with both ICSDs, SWIFT and a representation from the ECB, discussions focused on some practical issues that need to be resolved. There will be a need for a centralised database to provide comfort to users of credit claims in this cross-border/cross-system environment. The following issues have been identified for action:

- The industry must create a central database to ensure the development of a secondary market to integrate with the central banks' databases for 'eligible' credit claims (ie credit claims that can be posted as collateral for central bank credit operations).
- Credit claims need to be clearly identified. There should be a common identifier similar to the International Securities Identification Number ISIN code for securities. Instructions related to credit claims should be standardised and exchanged through electronic messages. As SWIFT has already started some work in the framework of CCBM2, the same message types could be used for interbank transactions.
- The adaptation of standardised legal documentation that, for example, would allow the use of the Global Master Repurchase Agreement for repo transactions with credit claims as collateral, will form part of the framework of discussions.
- Some general criteria for quality checking should be put together with public disclosure.
- In today's financial markets, automatisaton is key for the successful start of any new product. Common market practices as automated trade-matching and reconciliation procedures will need to be implemented.

The Chairman indicated also that the topic was discussed at the level of CPSS. The possibility of accessing one global pool of collateral was considered. This discussion will feed into the G10 central banks discussions. The Chairman explained that collateral management will become key.

b. LoanReach: Towards the delivery of a structural solution for the European loan markets

The Chairman explained that he held some discussions with the Loan Market Association (LMA) recently. The LMA aimed at modernising loan processes. He further explained that the LoanReach initiative was part of this process and invited Mr. Olivier Grimonpont to present the service.

Mr. Olivier Grimonpont explained the reasons behind Euroclear's involvement in the loan market: He mentioned the request from the Euroclear Collateral user group to support the use of credit claims as collateral; the request from the ERC and ECB to use credit claims in interbank and central bank collateral operations; the request from the Euroclear board to streamline and automate post-trade processing in the loan market space; finally the LMA provided Euroclear with a mandate to bring standardisation and automation in the syndicated loan market. He mentioned that there were 5 dimensions in the LMA RFI.

Mr. Olivier Grimonpont mentioned the three phases of development of the Euroclear services as described on slide 4 of his presentation. He also noted the main features of the LoanReach: a higher degree of standardisation; more transparency and increased efficiency through STP. Some pre-requisites needed also to be taken into account in order to offer collateral management services: a unique loan identifier (through ANNA); a centralised loan database; a financial collateral and settlement finality directive; a GMRA; a valuation service and DvP settlement. He finally presented the state of development of the service and discussed the market take up of the services.

The Chairman explained that the ERC had also been involved, as other stakeholders. A letter had been sent to ANNA, a similar letter was sent by the EBF. He also referred to discussions held with the ECB and stakeholders. At the time of the January meeting, the ECB explained that there was a need for a market solution and that CCBM2 will be the first user of the system to ensure the market takes up.

An ERC member asked whether the services would be for syndicated loans or credit claims. Mr. Olivier Grimonpont explained that the service would work for all loans without agents. He acknowledged there would be some confidentiality issues that would need resolving but that the issue should be looked at carefully when looking at the legal framework. The Chairman added that the LMA had also been invited to the credit claims working group meetings. He also mentioned that confidentiality issues had been raised as regards tri-party repo but were resolved. He was confident that this would be the case with credit claims too.

c. Giovannini Barriers 2,4,7 and 10

The Chairman explained that the Barriers have now been discussed for 9 years and there was frustration at the European Commission level. He explained that the Cesame work has been followed by the Cesame 2 work with more involvement from the private sector.

The joint working group on Barriers 2&10 and 4&7 identified interoperability issues. These Barriers had strong links with other Barriers. The first conclusions of the links analysis of 5 markets showed that there were significant areas of potential issues overlap between 4 Barriers; cross-border/cross-CSDs issues caused by inadequate compliance to relevant standards, not by indirect links including sub-custodians/agent banks. He described the 10 ERC interoperability evaluation criteria that can be found on slides 4 and 5 of the

presentation. The Chairman mentioned that the two markets considered optimal were: Germany and France. Three countries were presenting major issues: Italy, Spain and Greece. The group was currently in discussion with Greece. The final report was expected to be presented to Cesame 2 in June 2009. A meeting will be held on March 24, 2009 to discuss further the issues and Italian, Spanish and Greek CSDs will be invited. The objective was to find quick fixes that would help the market prior to T2S.

7. CESR's response to the crisis

The Chairman thanked Mr. Eddy Wymeersch of CESR for his participation to the Council meeting, and invited him to present his views following the ECOFIN conclusions. The presentation is available on ICMA website.

Mr. Eddy Wymeersch presented CESR and its role. He pointed out that CESR's role included the coordination of national actions in order to foster convergence. He mentioned several items of importance, firstly the changes in the supervisory structure as proposed in the de Larosiere report as this may have an impact on CESR as an institution. In the field of securities, CESR was involved in: investment funds (money market funds, hedge funds); Madoff; clearing and settlement; equity and bonds and CDS. He also mentioned the specific actions taken by CESR as described on the different slides of his presentation: credit rating agencies; valuation; hedge funds; short-selling; Lehman; Madoff; CDS and CCP; training and common culture and institutional questions.

The ERC Council discussed the issue of collateral and possible shortage of collateral in the future, and in light of the collapse of Lehman.

8. Developments in the collateral framework of the Eurosystem

The Chairman thanked Mr. Mark Buessing-Loercks, Senior Economist at the ECB for his participation to the Council meeting, and invited him to present the developments of the Eurosystem collateral framework. The Chairman indicated that this was a follow-up Paul Mercier's presentation to the September ERC Council meeting.

Mr. Mark Buessing-Loercks described the amendments to Eurosystem collateral framework that would become permanent measure. He presented both the technical refinements of risk control measures, and the complementation to technical refinement of risk control measures. He also described the temporary measures to the Eurosystem collateral framework and their quantitative impact. Finally he presented the trends in use of collateral, as a result of the measures taken by the Eurosystem.

Mr. Mark Buessing-Loercks explained that the temporary measures were expected to finish at the end of the year and that information will be publicly available well in advance. The ERC Council discussed the possible scenarios when the ECB would start its exit strategy.

9. 16th European repo market survey – December 2008

Richard Comotto gave an overview of the main conclusions of the survey. The full survey is available at <http://www.icmagroup.org/ICMAGroup/files/60/60190c7c-8495-4149-a5f6-b5e0af8e9371.pdf>

The latest survey showed the most severe reduction in the headline number since the survey began in 2001, reflecting the acceleration of de-leveraging by banks since the collapse of Lehman Brothers in September 2008. Comparing the aggregate returns from a sample of institutions that have participated in all of the last three surveys, the repo market contracted by almost 26 % in the six months since the last survey, after a modest contraction in the previous six months. The average size of repo books has shrunk since June 2008 to EUR 76 bn from EUR 107 bn. There was a reduction in the concentration of the repo market, suggesting bigger banks have tended to de-leverage faster.

The growth of electronic trading continued reaching a record 28.2% from 24.4% in June 2008. There was a dramatic increase in the share of outstanding repo contracts that were negotiated anonymously on an ATS and settled in a central clearing counterparty (CCP) to a record 17.6% from 12.7% in June 2008, confirming the importance attached by the market to the creditworthiness and automatic netting facilities of CCP. The trend decline in the use of government bonds as collateral was reversed. The share of government bonds increased to 83.6%, compared to the record low of 81.0% in June 2008. The share of government bonds in tri-party repos fell back from a corrected 47.3% in June 2008 but remained historically high at 41.8%. There was an increase in the use of German government bonds as collateral, and also a large increase in the use in triparty repo of German collateral other than government bonds or pfandbrief.

10. Results of the elections of the European Repo Committee

Based on the ballot held, the Chairman announces the results of the elections to and the new composition of the ERC committee as follows:

Tony Baldwin	Daiwa Securities SMBC Europe Ltd., London
Stefano Bellani	J. P. Morgan Securities Ltd., London
Olly Benkert	Goldman Sachs International, London
Eduard Cia	UniCredit Markets & Investment Banking, Munich
Hermínio Crespo Urena	Caja de Madrid, Madrid
Michael Cyrus	Royal Bank of Scotland, London
Godfried De Vidts	ICAP Securities Ltd., London
Johan Evenepoel	Dexia Bank Belgium NV/SA, Brussels
Thomas Hansen	Credit Suisse Securities (Europe) Limited, London
Eric Lepore	Deutsche Bank AG, London branch
Grigorios Markouizos	Citigroup Global Markets Limited, London
Andrea Masciovecchio	IntesaSanpaolo S.p.A., Milan

Ed McAleer	Morgan Stanley & Co International Ltd.
Jessica McDermott	Merrill Lynch International (MLI), London
Mats Muri	Barclays Capital, London
Simon Parkins	BNP Paribas, London branch
Luis Soutullo	Confederacion Española de Cajas de Ahorro, Madrid
Simon Tims	UBS AG, Zurich
Stefaan Van de Mosselaer	Fortis Bank, Brussels

The term of office of each of the above ERC Committee members will expire at the Annual General Meeting of the ERC Council to be held in the spring 2010. The Chairman expressed his thanks to all candidates. The new ERC Committee was invited to join the Chairman for a meeting to be held following the Council meeting.

11. Any other business

12. Next meetings

The Chairman announced the following forthcoming meetings and events:

- March, 25-26, 2009 , Professional Repo Seminar, Brussels
- Fall 2009, ERC Council meeting
Hosted by Clearstream
(Further details will be made available shortly)
- Spring 2010, ERC Committee meeting
Hosted by Euroclear

13. Eonia Futures

Mr. Paul McGregor of LIFFE presented the One-month EONIA Futures and the Three month EONIA swap index futures, both launched on June 16, 2009. The presentation is available at <http://www.icmagroup.org/about1/international1/minutes.aspx>.

14. Global Managed Funds

Ms. Kathryn Kerle of Moody's presented the repo product in the context of the European money market funds. She explained the Moody's fund ratings, the trends in asset allocation of European money market funds and the outlook for repo in European money market funds. The presentation is available at <http://www.icmagroup.org/about1/international1/minutes.aspx>.

The Chairman closed the meeting and extended his thanks to all attendants, to the speakers, and to JP Morgan and Caja de Madrid for hosting the event.

The Chairman:

A handwritten signature in black ink, appearing to read "De Vidts", with a long horizontal stroke extending to the right.

Godfried De Vidts

The Secretary:

A handwritten signature in black ink, appearing to read "Aubry", with a long horizontal stroke extending to the right.

Nathalie Aubry