



ICMA

International Capital Market Association

ERC General Meeting

14 September 2011





ICMA

International Capital Market Association

Opening

Godfried De Vidts, Chairman of the ERC

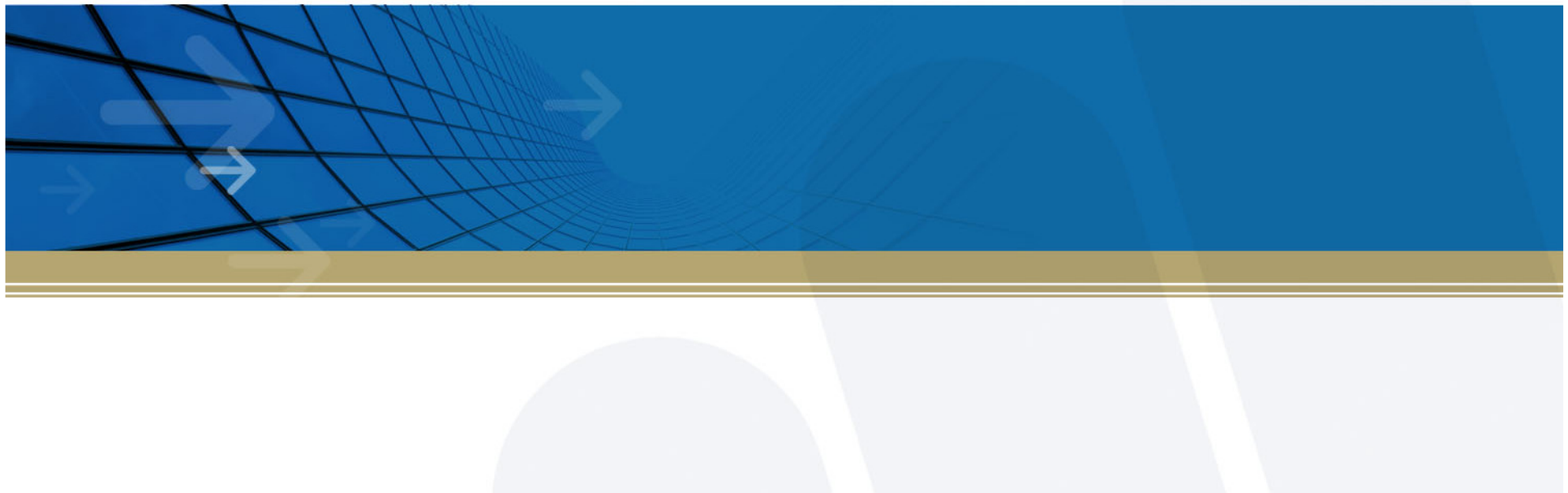




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Approval of the Minutes of the ERC Meeting held on Thursday, 10 March 2011 in London



8 years of support to integrate Europe's post trading

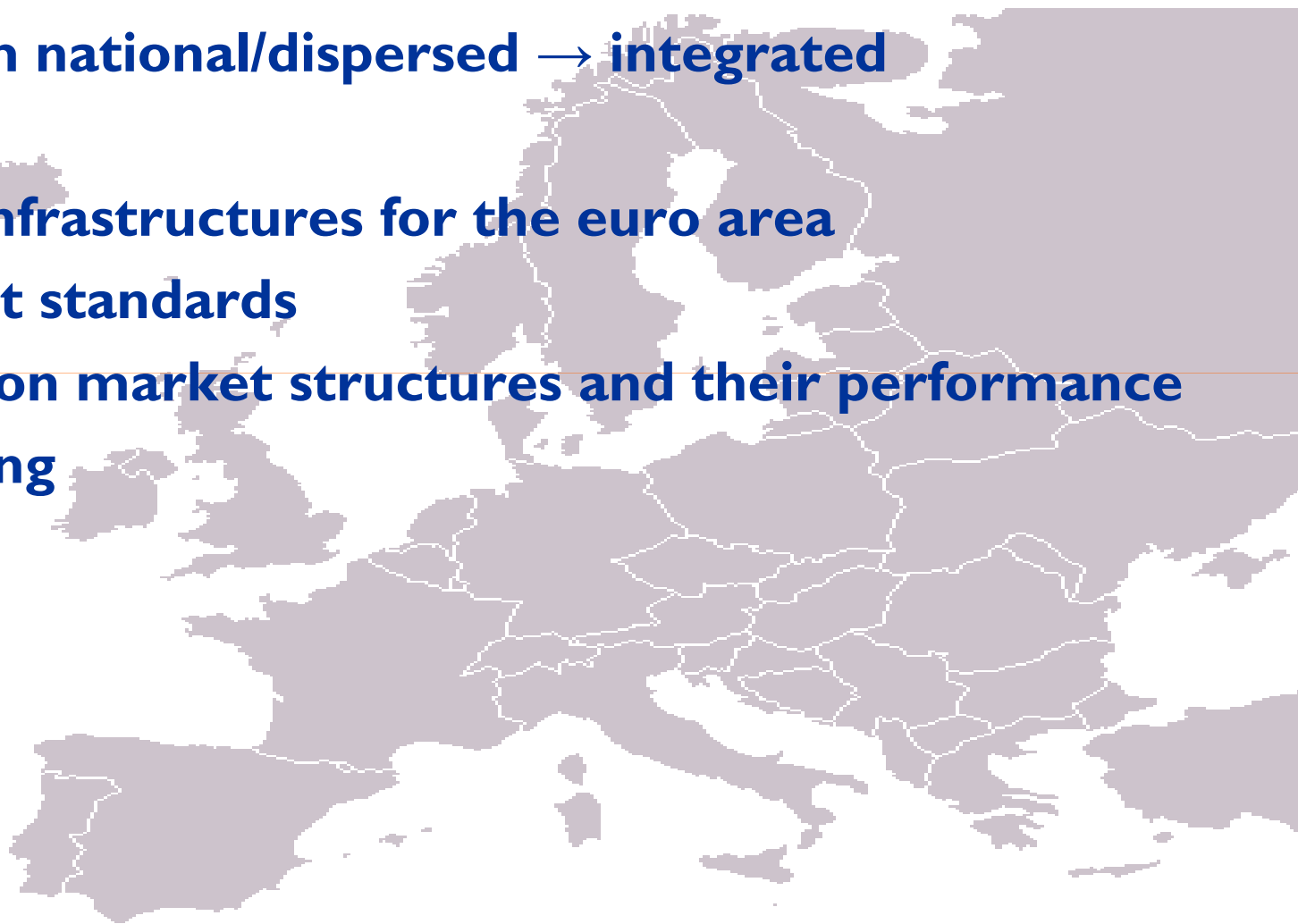
Ms Tumpel-Gugerell

ICMA European Repo Council Meeting
Paris, 14 September 2011

Achievements in Europe's post-trade 2003-2011

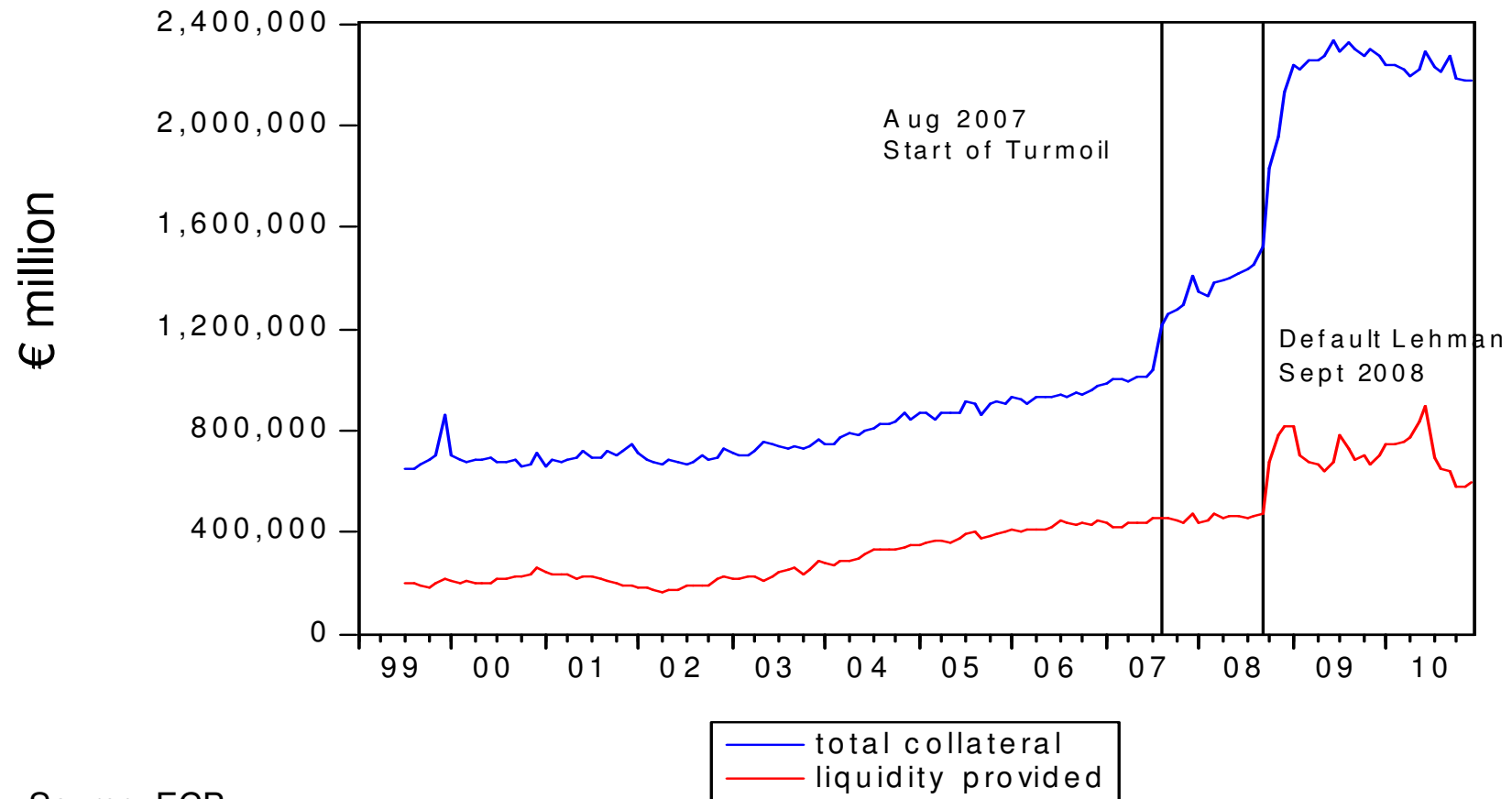
Europe: From national/dispersed → integrated

- **Market infrastructures for the euro area**
- **Oversight standards**
- **Analysis on market structures and their performance**
- **Monitoring**



Mobilisation of collateral

Increased used of collateral in Central Bank Operations

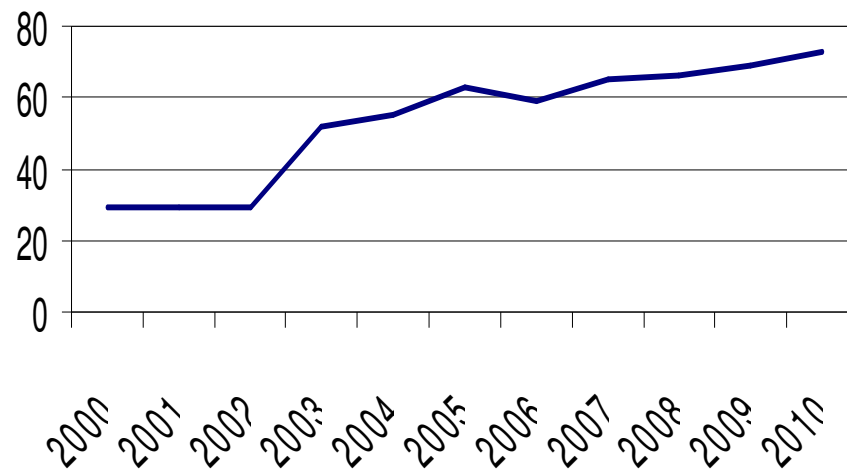


Source: ECB

Collateralisation in other market segments

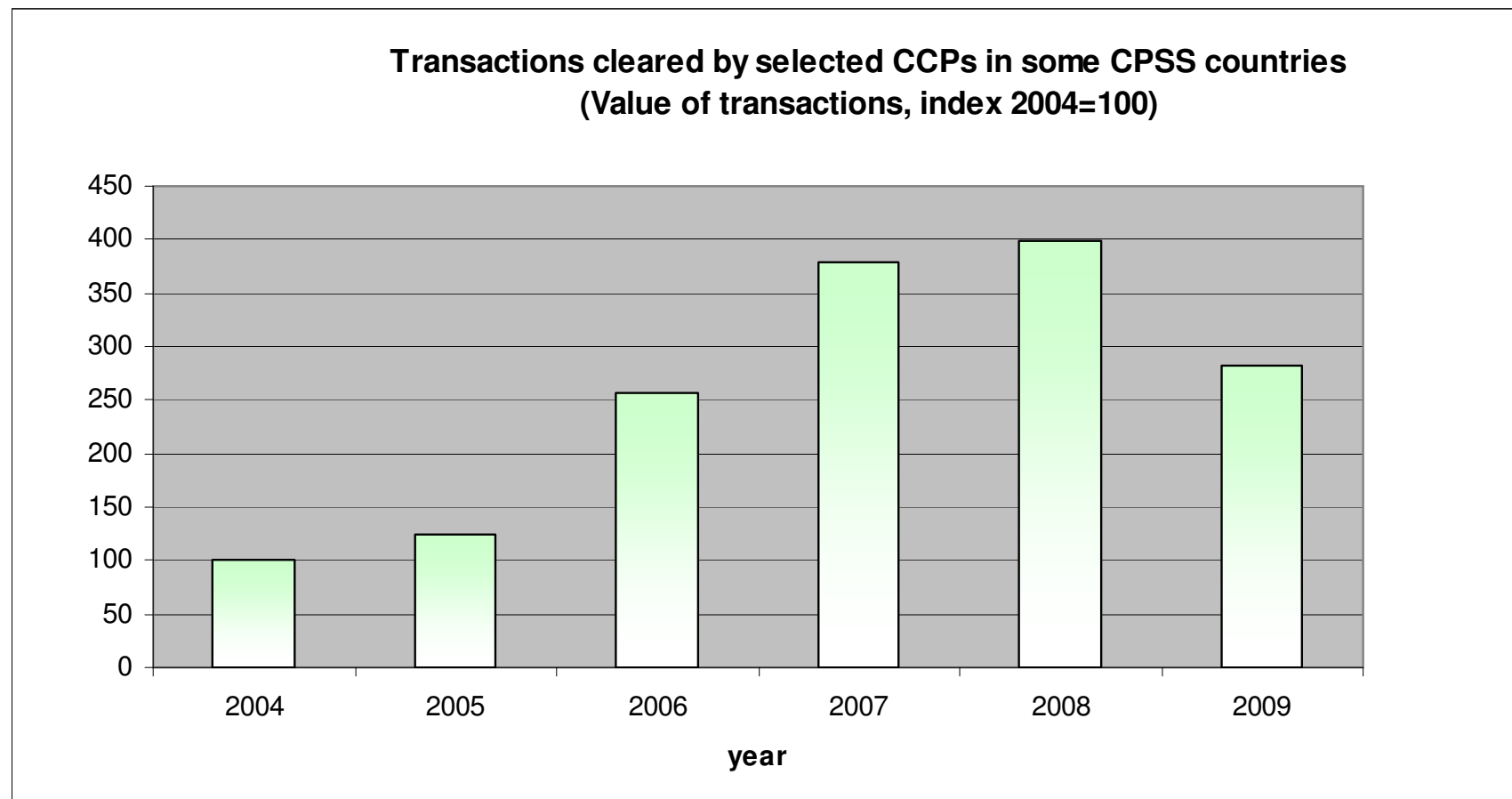
Use of collateral in OTC derivatives

% of collateralised credit exposure



Source: ISDA

Use of market infrastructures: CCPs



Source: BIS

(The 2004 and 2005 data sample are partly smaller due to data limitations)

Three main priorities for Europe

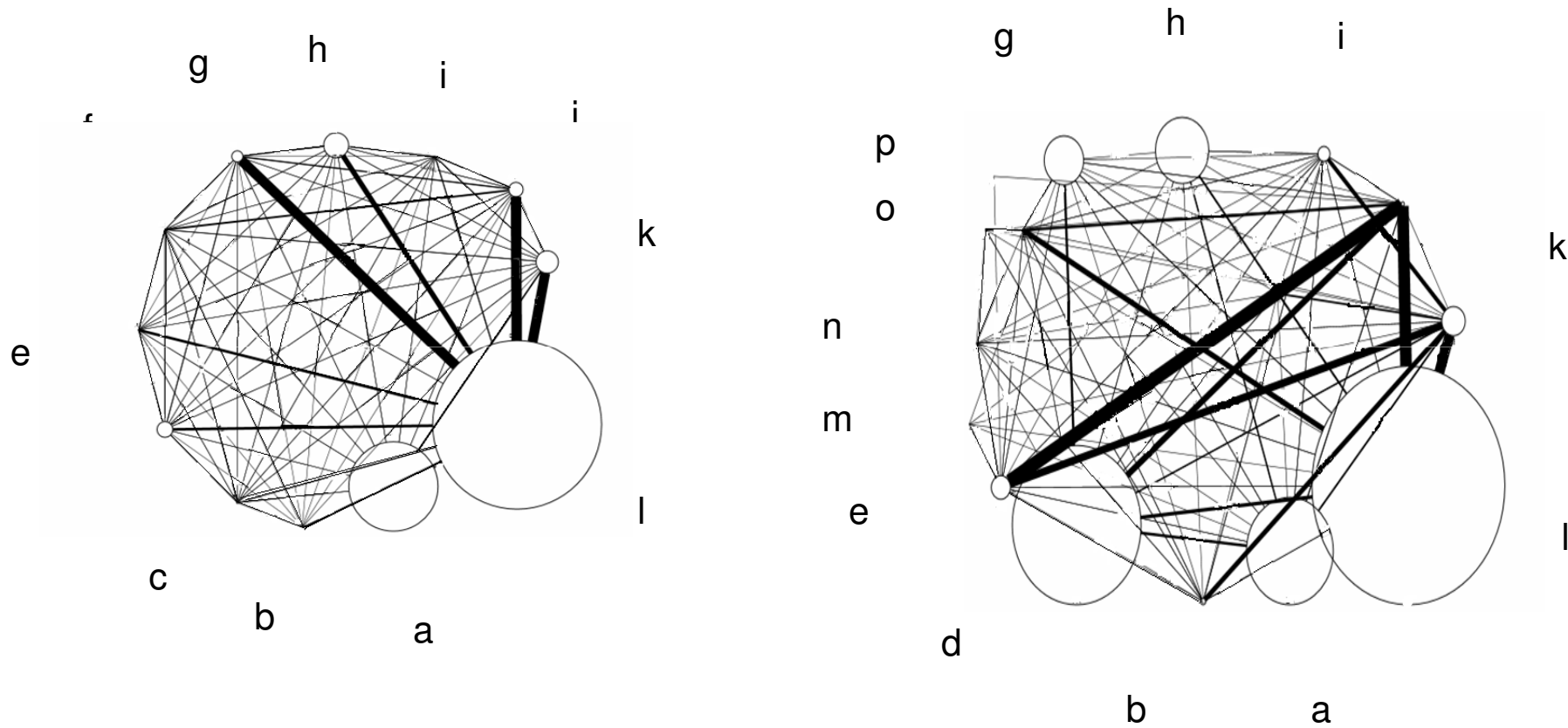
- 1. Legal and regulatory framework.**
- 2. Central bank services for (pan-European) collateral management and securities. (CCBM2 and T2S)**
- 3. Collateral optimisation, due to the increasing demands on collateral**

Collateral Mobilisation: CCBM

Dec 2003



Dec 2010



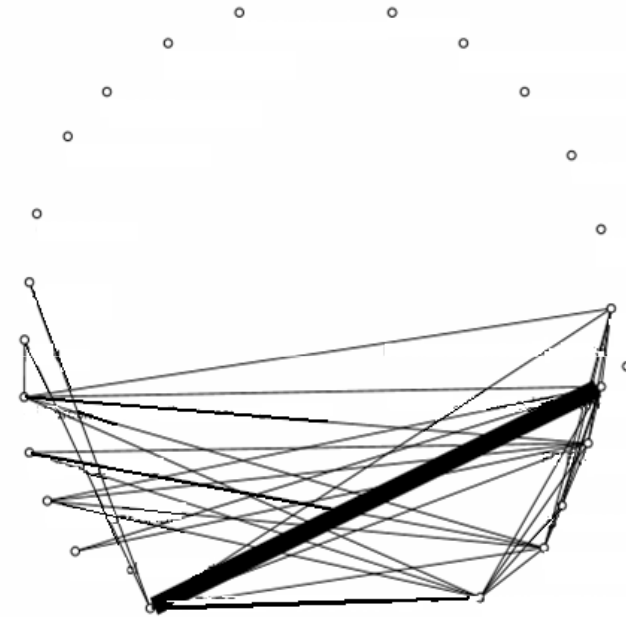
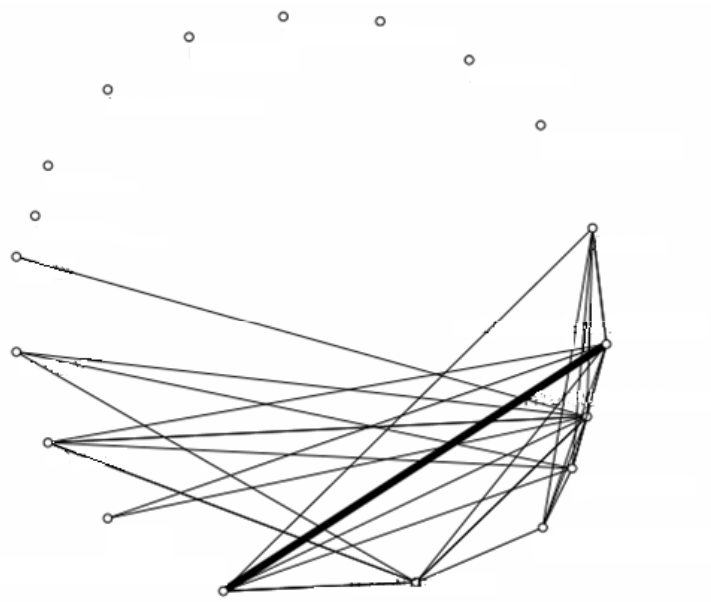
(Size of circles reflects amount of domestic collateral held in the country with home NCB, size of arrows reflects collateral mobilised via CCBM)

Collateral Mobilisation: Links

Dec 2003



Dec 2010



Conclusion

- **Europe has come a long way.**
- **The integration process of European financial markets is irreversible process.**
- **With the joint efforts of central banks and the industry, it will lead us to a financial market, which is large and liquid, and which is both resilient and efficient.**

Thank you for your attention.



ICMA

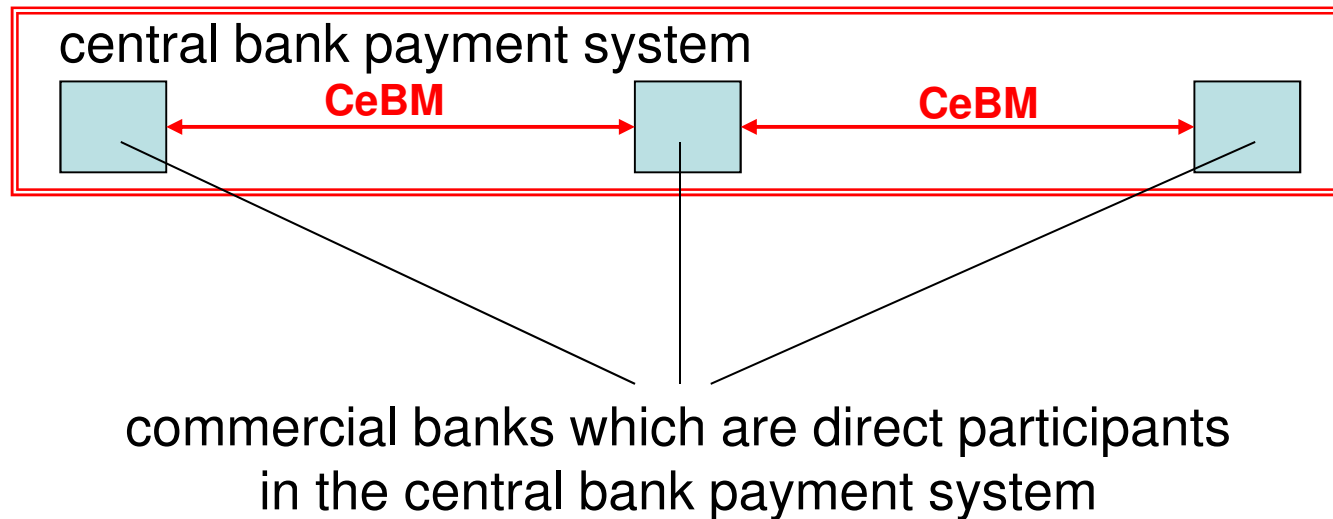
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The interconnectivity of central and commercial bank money In the European repo market

Richard Comotto

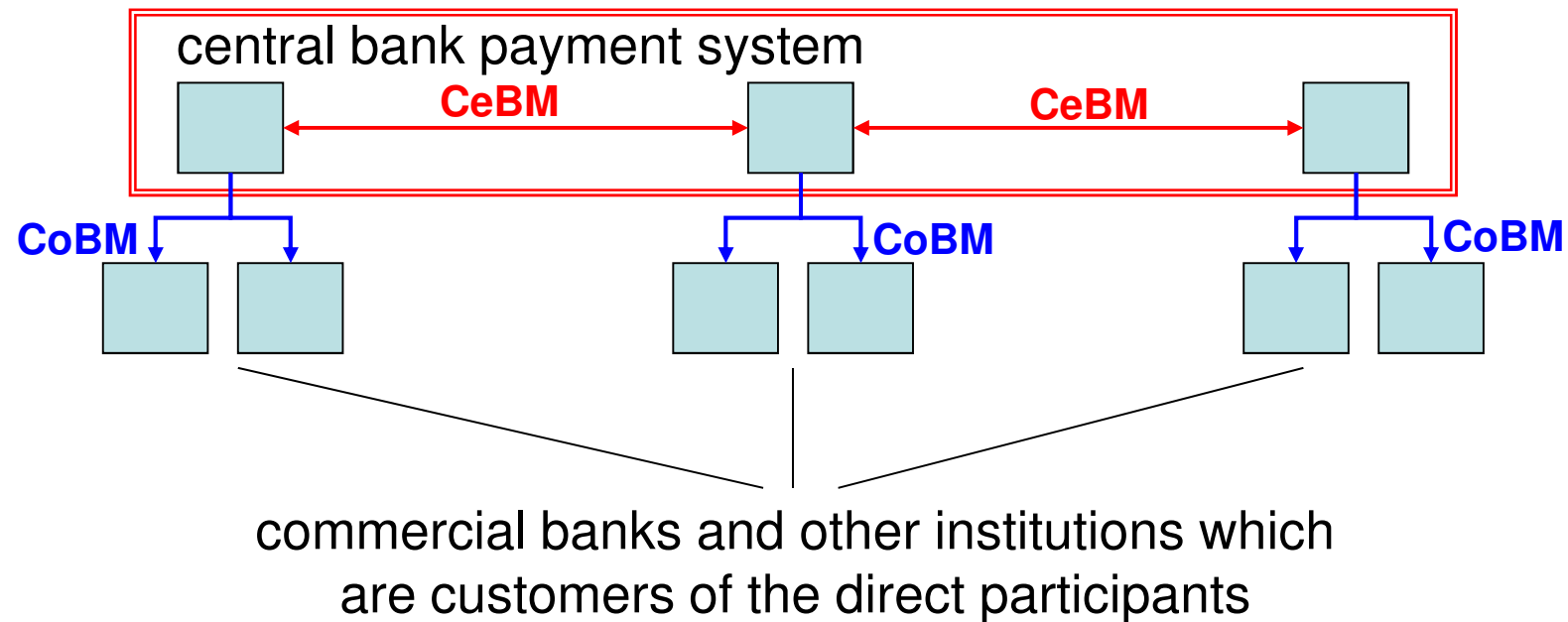


Central and commercial bank money in securities settlement



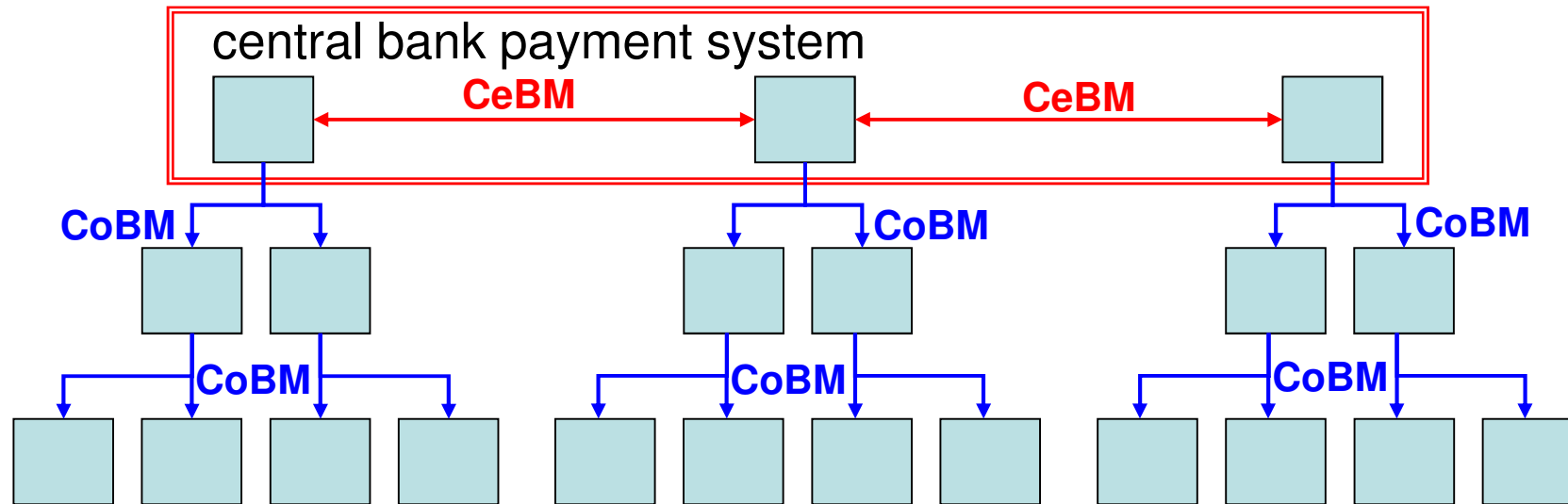
CeBM = central bank money

Central and commercial bank money in securities settlement



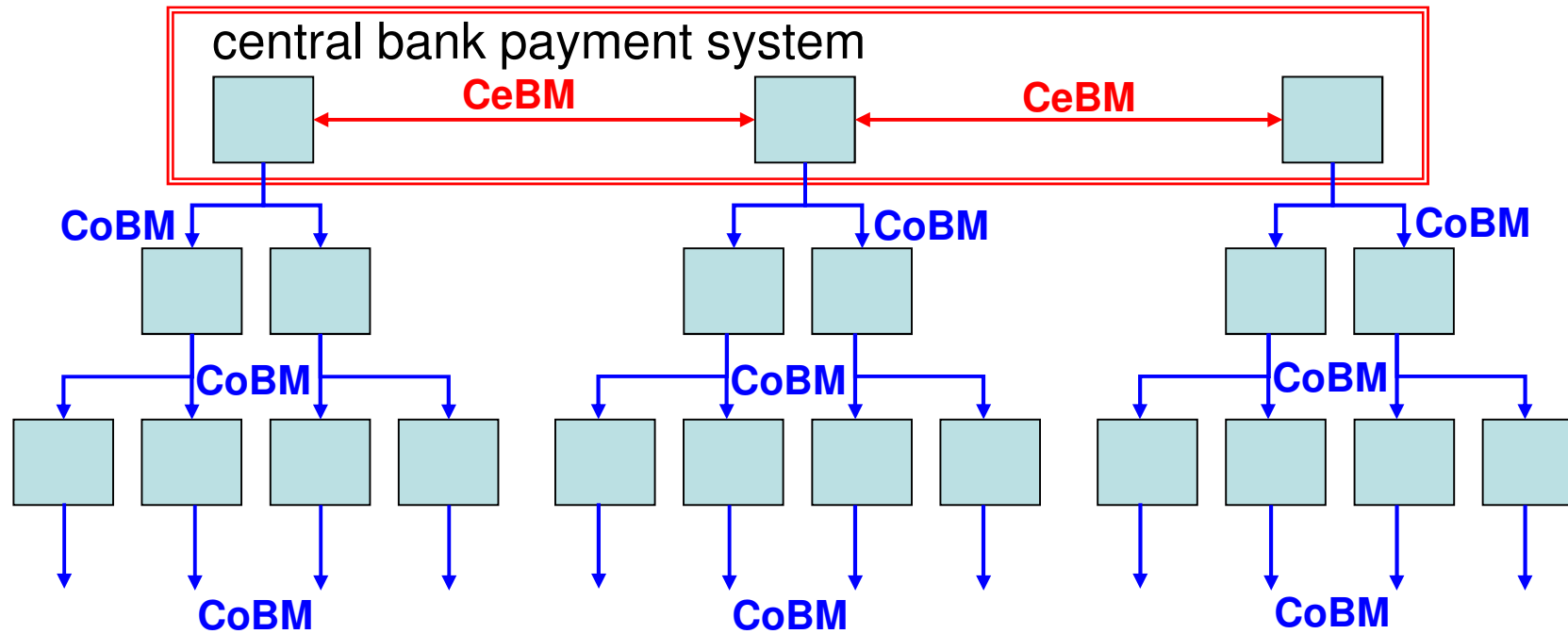
CoBM = commercial bank money

Central and commercial bank money in securities settlement

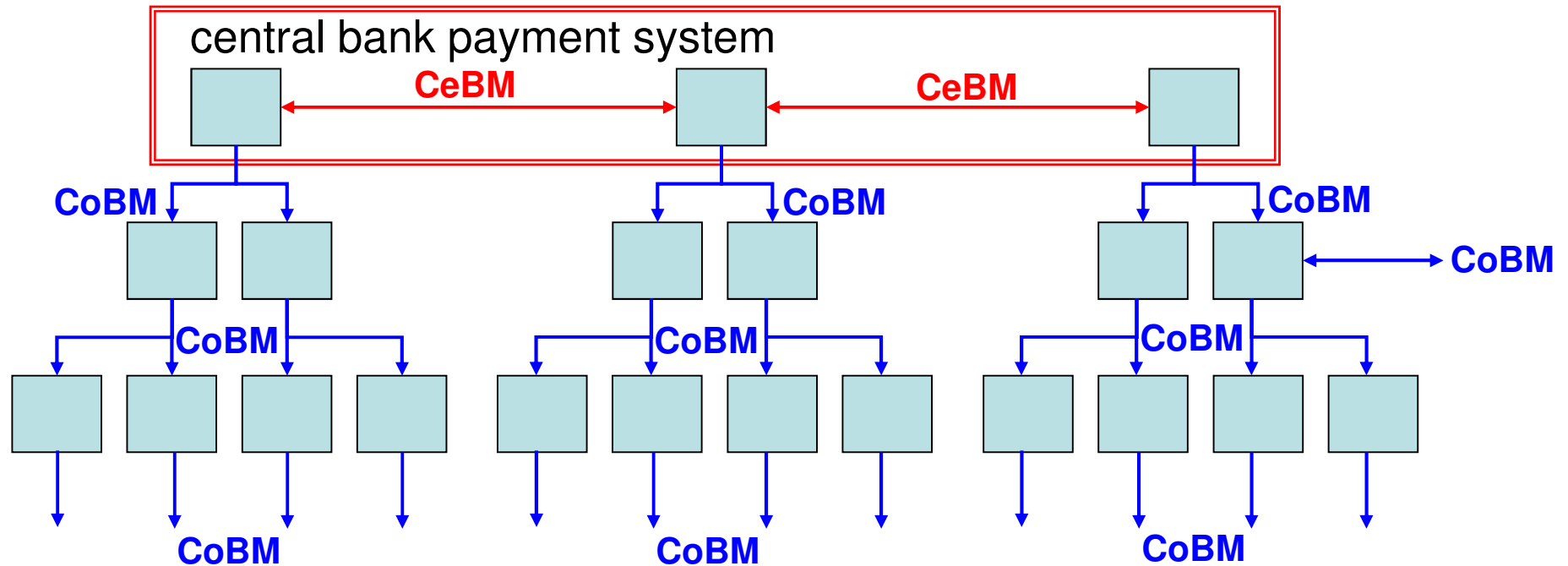


further lower tiers in the payment architecture

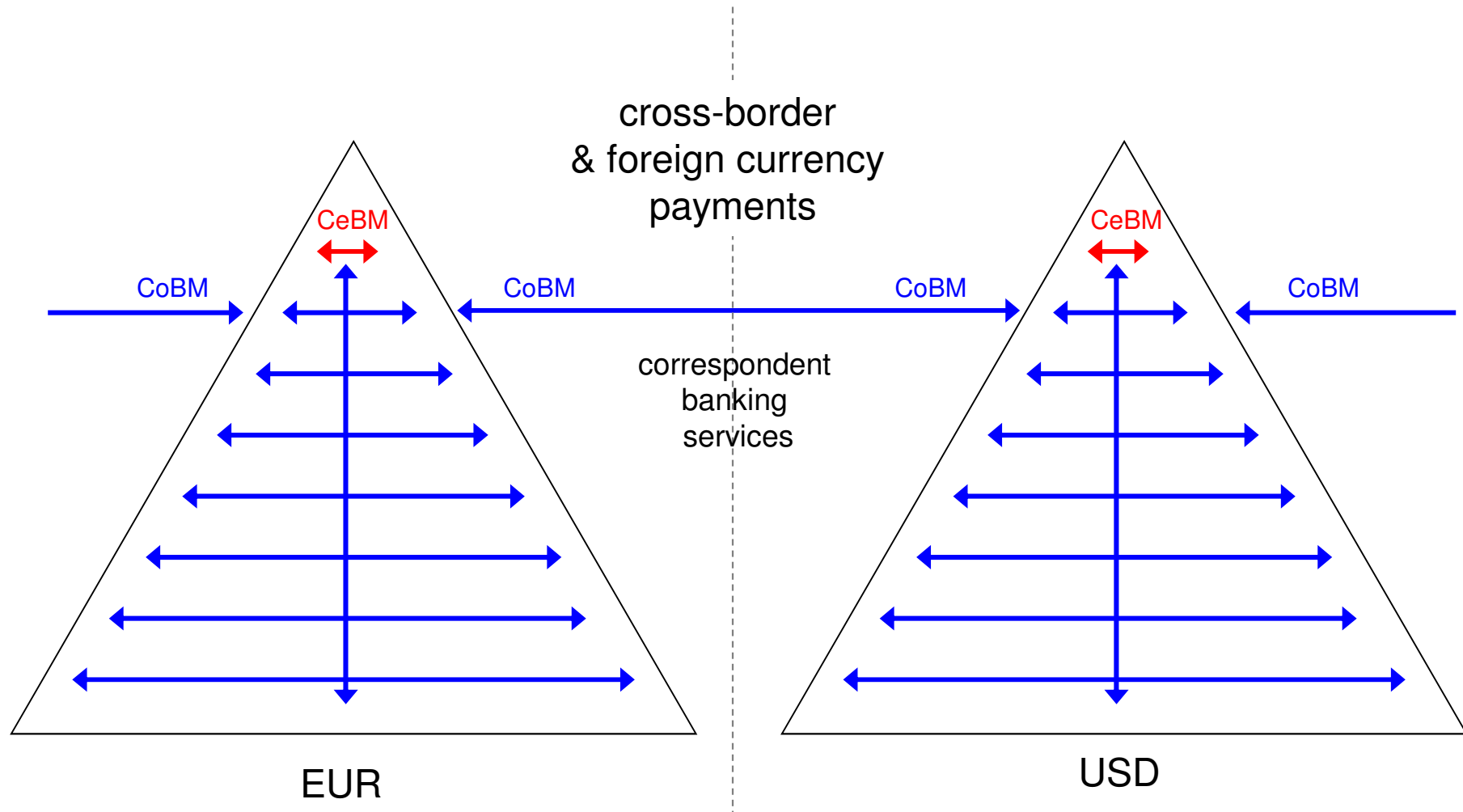
Central and commercial bank money in securities settlement



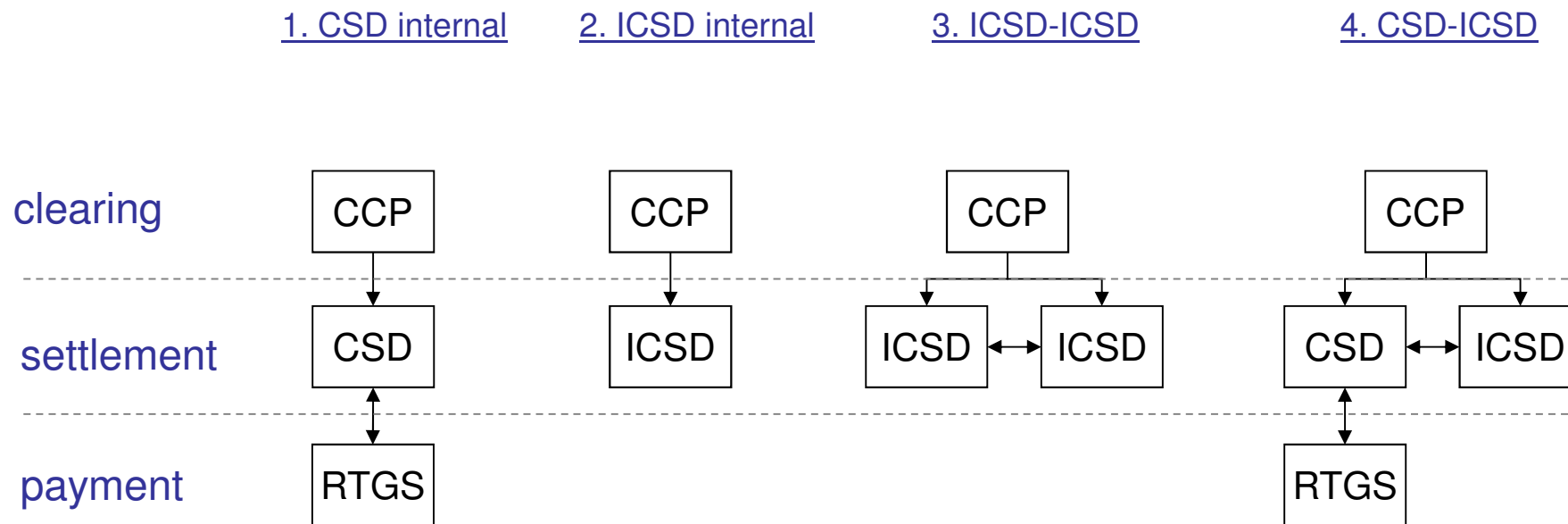
Central and commercial bank money in securities settlement



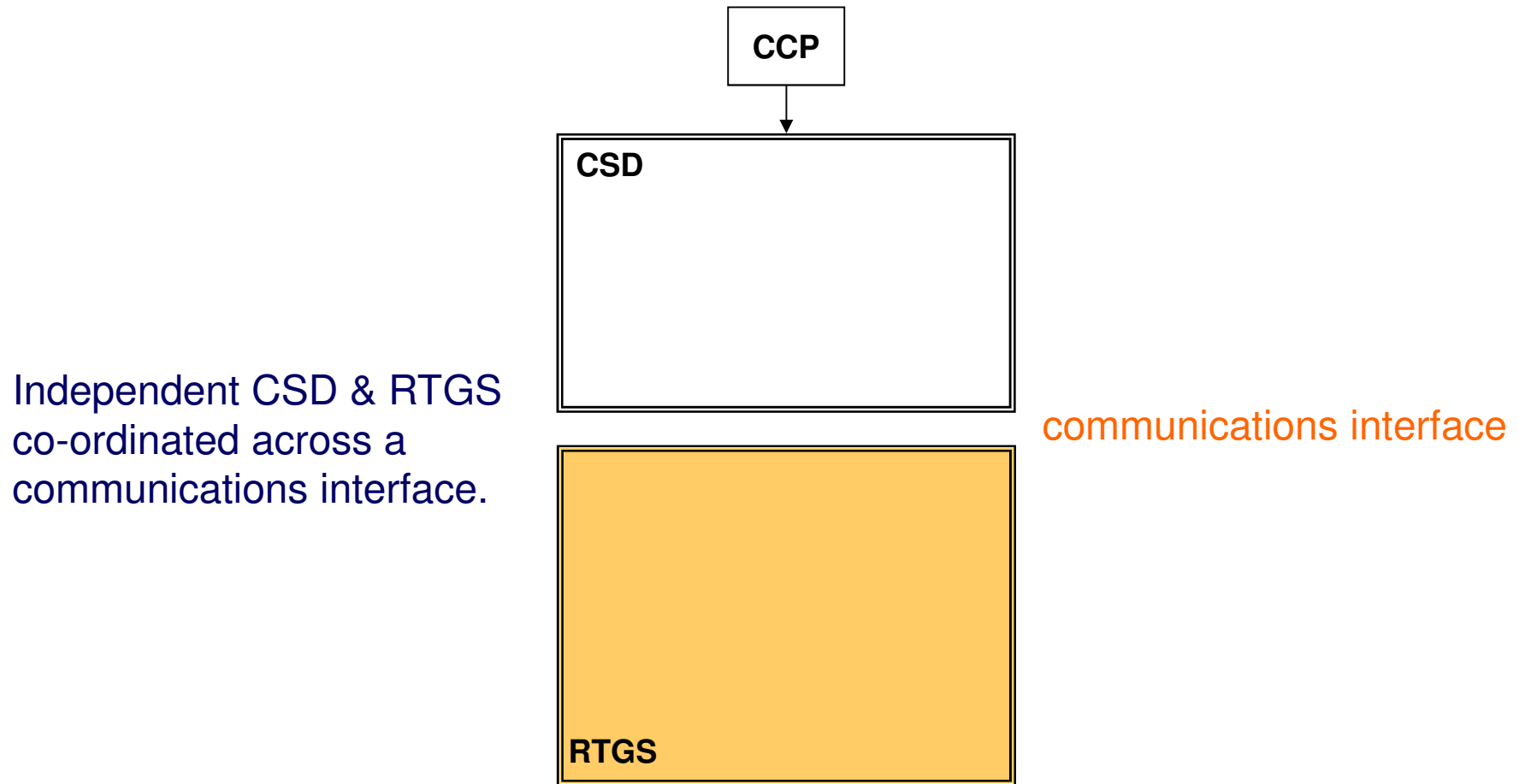
Central and commercial bank money in securities settlement



CCP-(I)CSD-payment models



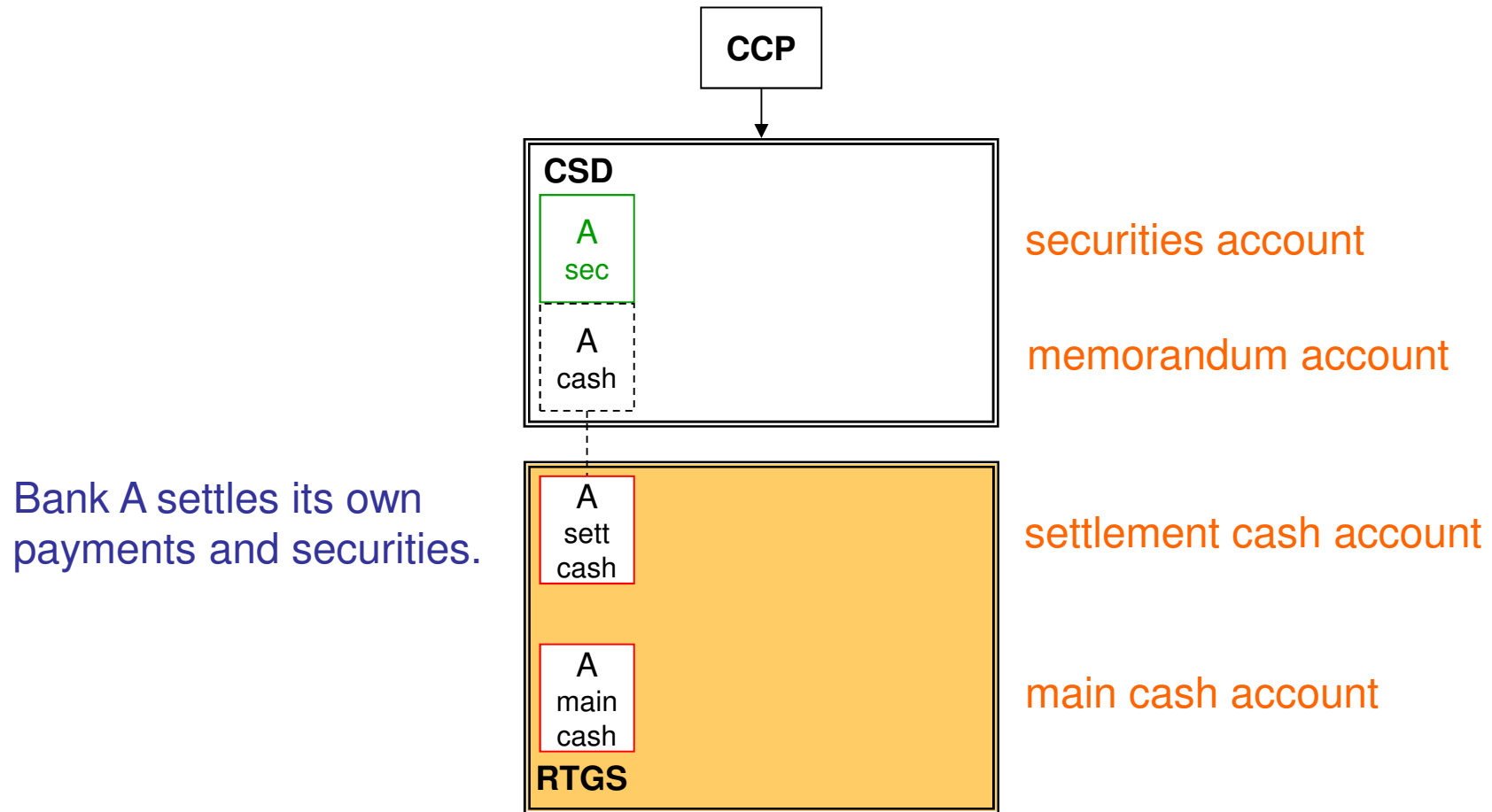
1.1 CSD internal clearing & settlement (interfaced)



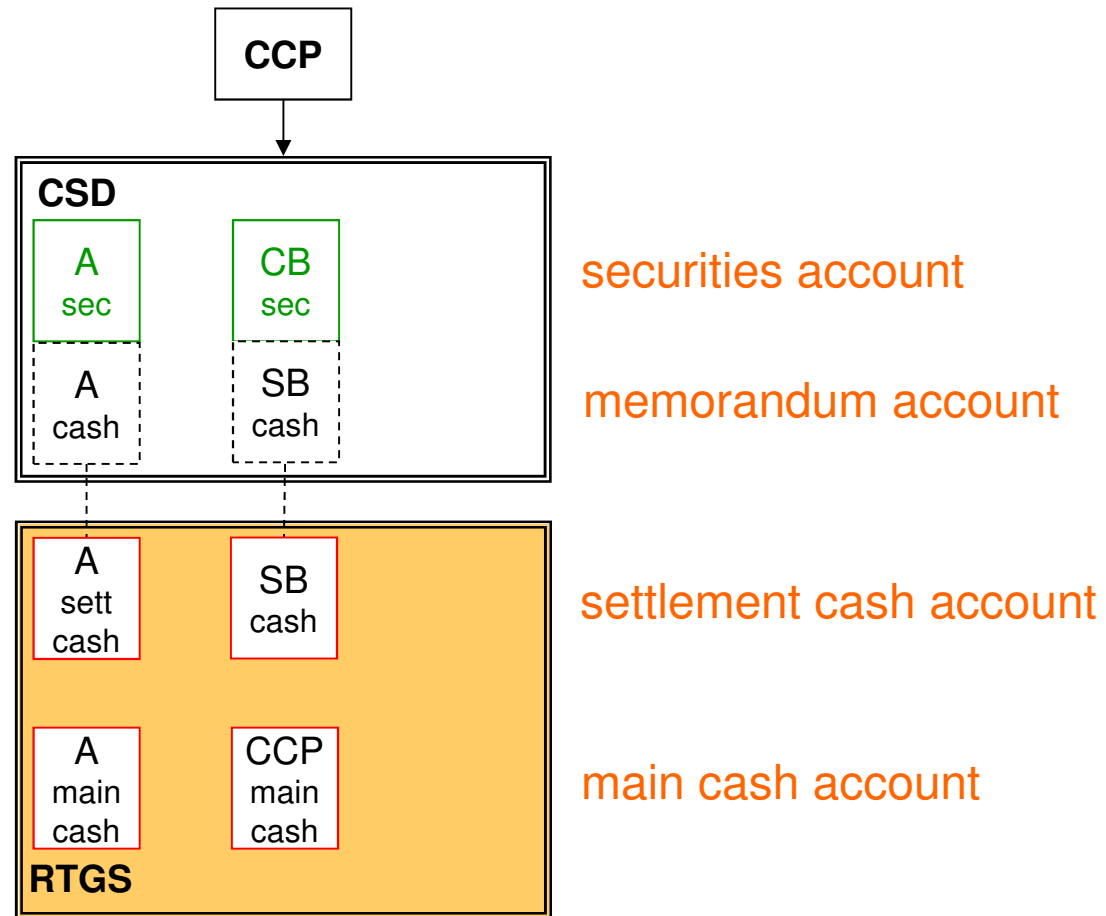
Independent CSD & RTGS
co-ordinated across a
communications interface.

communications interface

1.1 CSD internal clearing & settlement (interfaced)

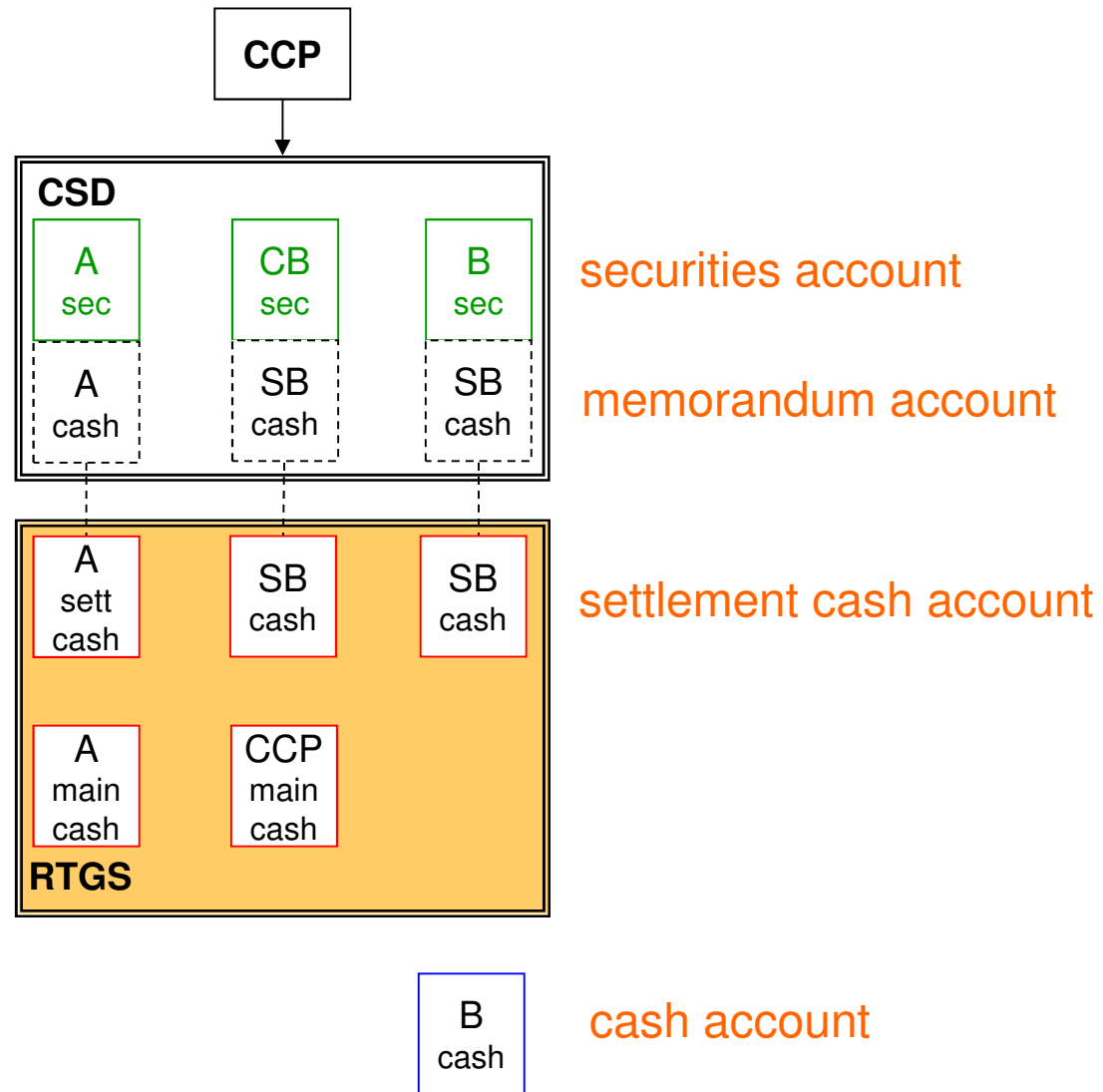


1.1 CSD internal clearing & settlement (interfaced)



CCP uses a settlement bank (SB) to settle payments and a custodian bank (CB) to settle securities.

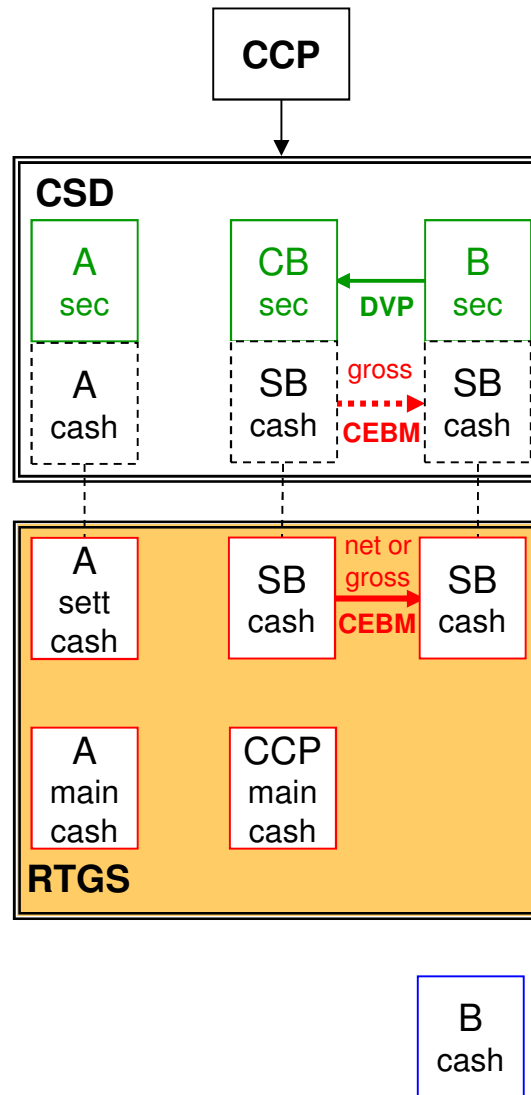
1.1 CSD internal clearing & settlement (interfaced)



Bank B has no central bank account and uses a settlement bank (SB) to settle payments but settles its own securities.

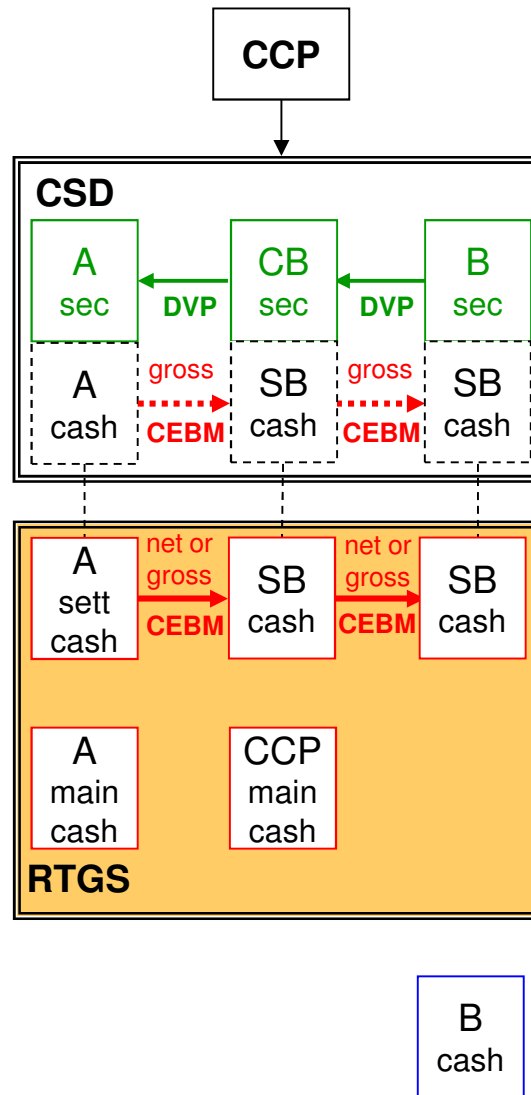
1.1 CSD internal clearing & settlement (interfaced)

B delivers to CCP
DVP against CeBM

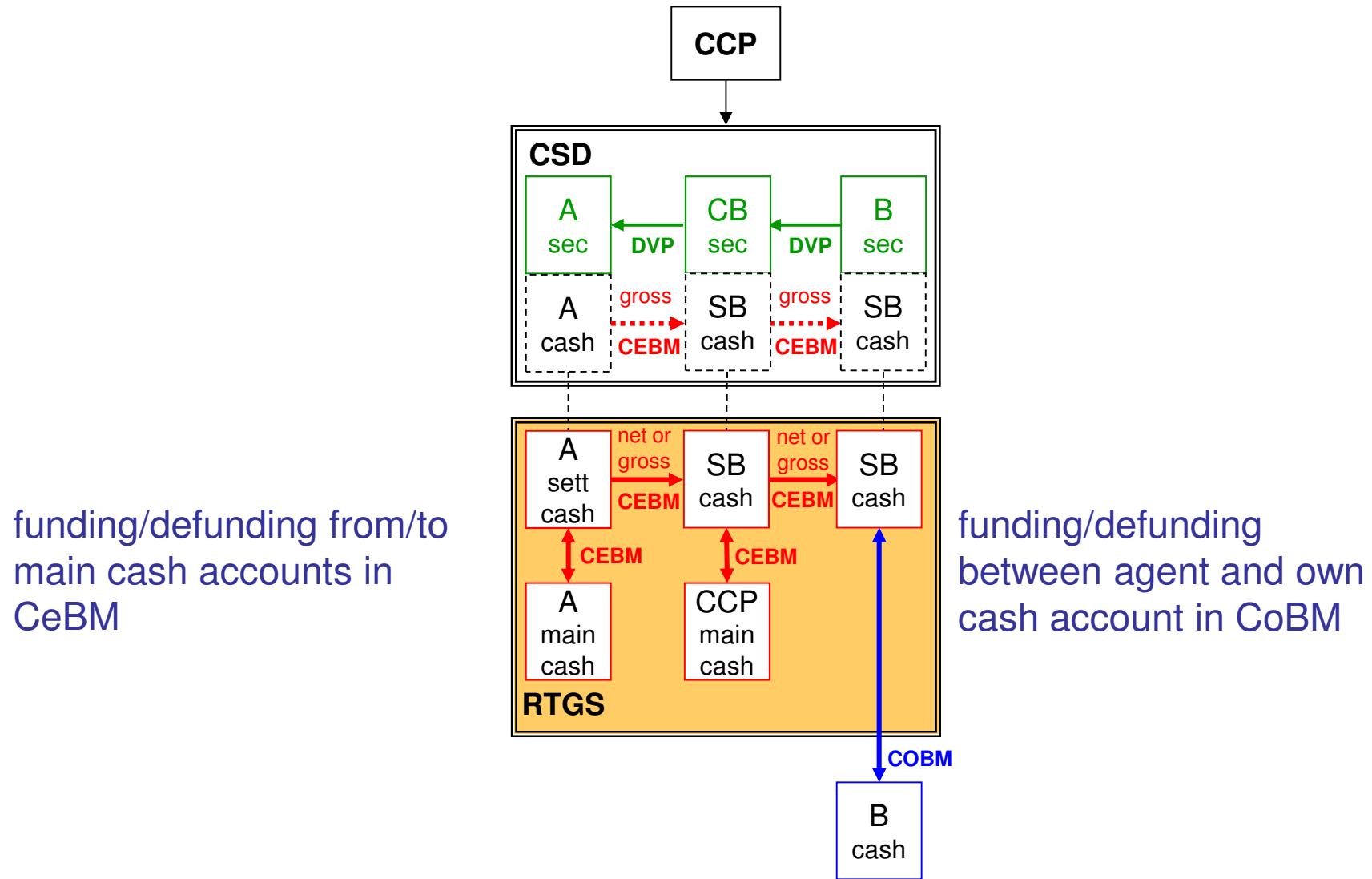


1.1 CSD internal clearing & settlement (interfaced)

CCP delivers to A
DVP against CeBM



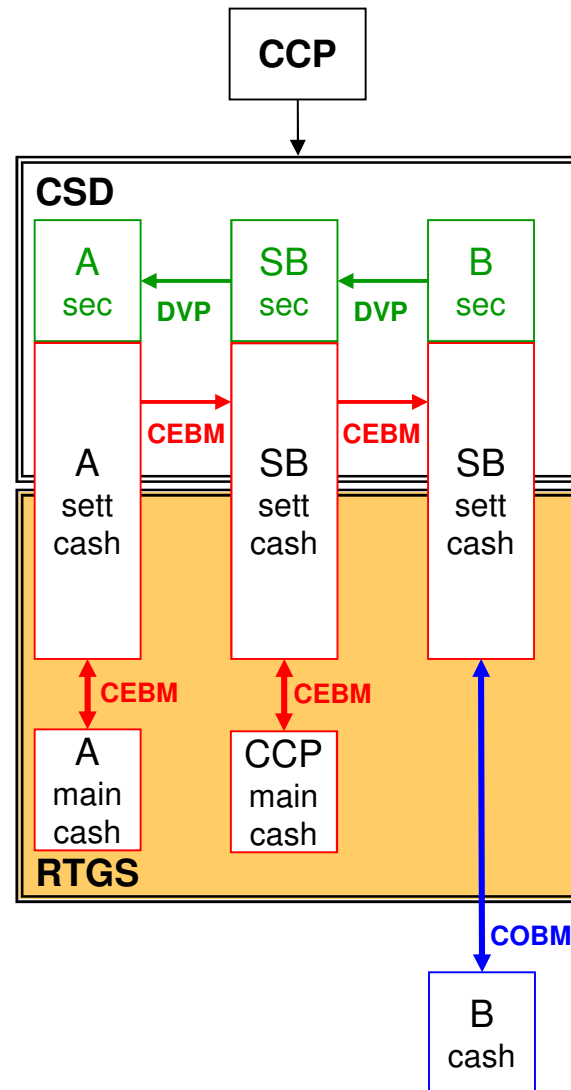
1.1 CSD internal clearing & settlement (interfaced)



eg Denmark, Greece, Italy (Express I), Spain

1.2 CSD internal clearing & settlement (integrated)

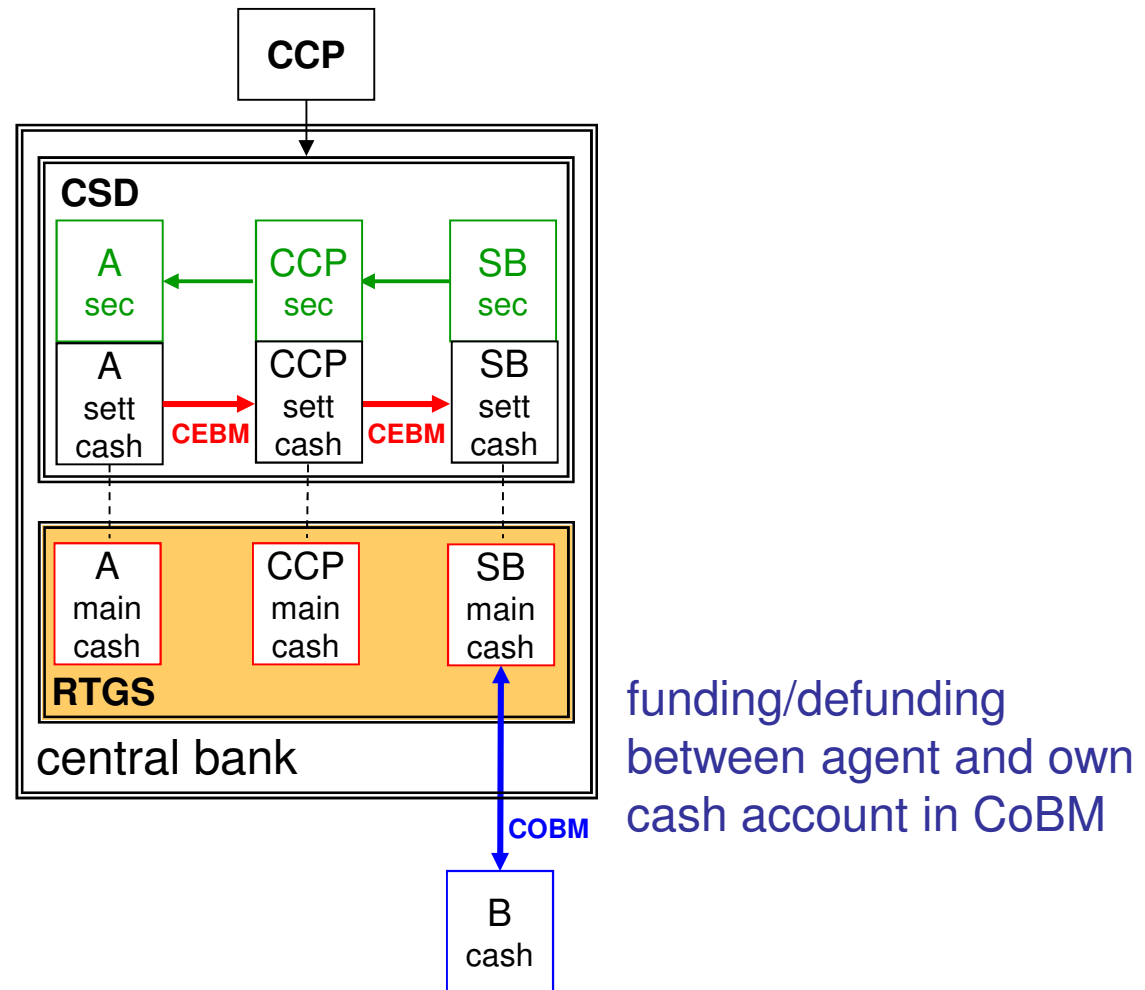
Central bank outsources payments in CeBM to an independent CSD.



eg France, Sweden

1.3 CSD internal clearing & settlement (embedded)

Central bank operates CSD with embedded payment mechanism, but final settlement is in CeBM.

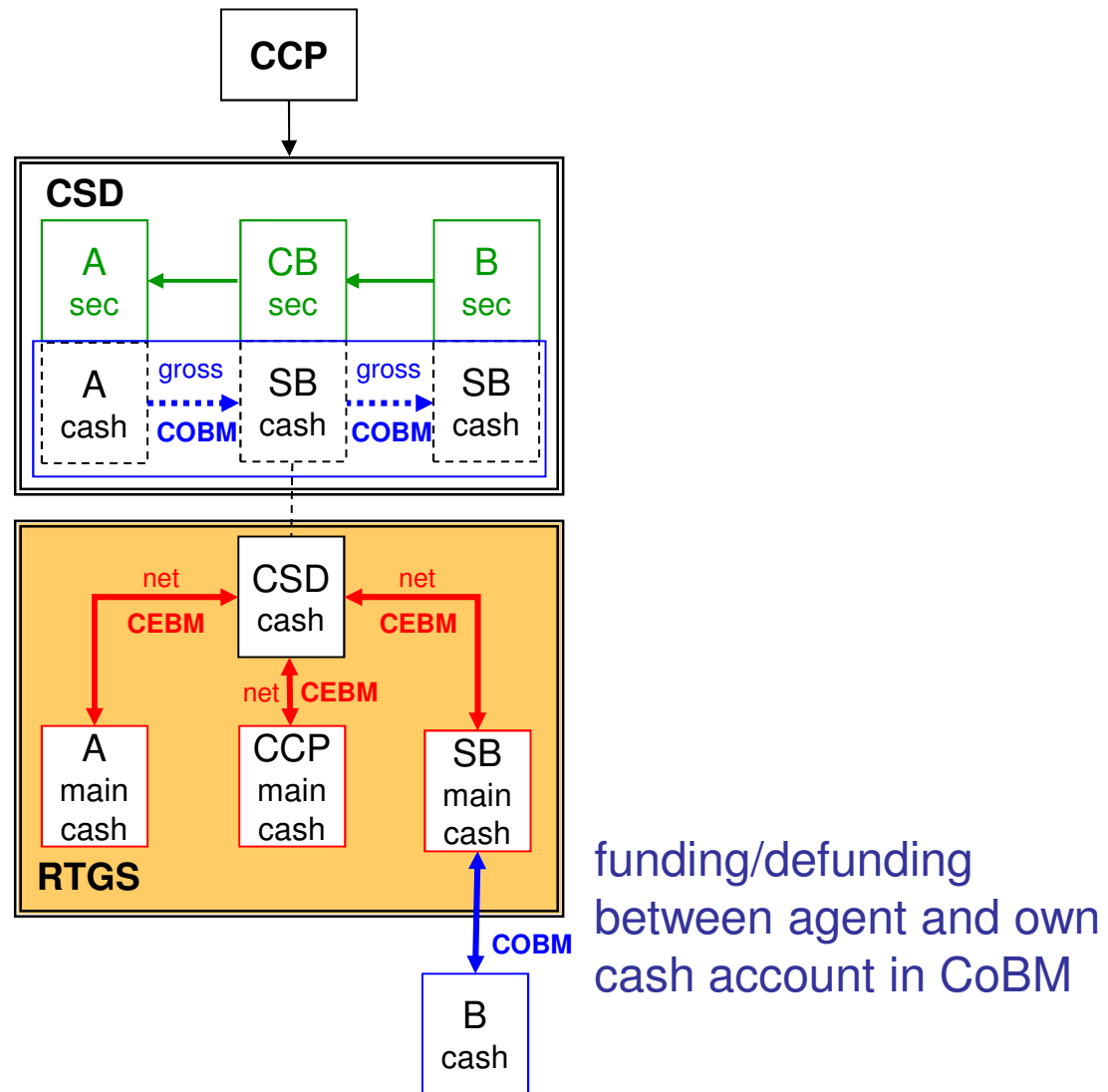


funding/defunding between agent and own cash account in CoBM

eg Belgium

1.5 CSD internal clearing & settlement (autonomous pre-funded)

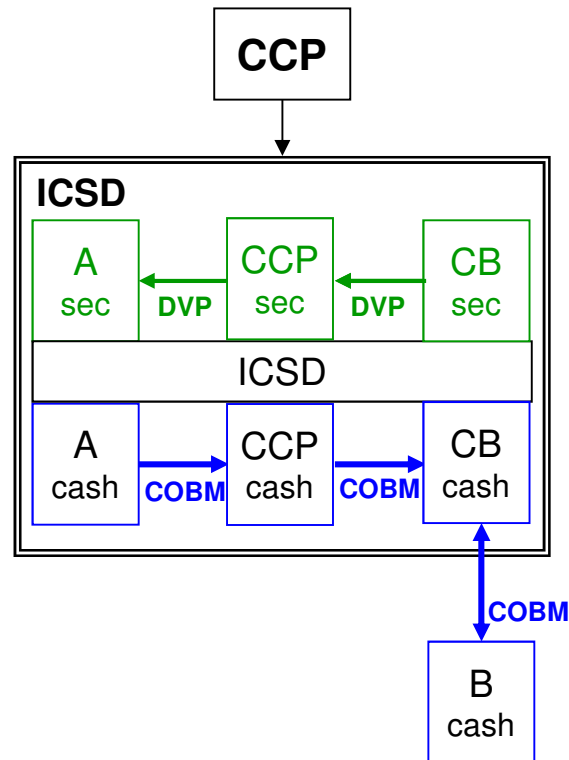
Independent CSD operates payments across its own books in CoBM but payments in the CSD are guaranteed by the funding in CeBM. At the end of the day, balances are paid in CeBM.



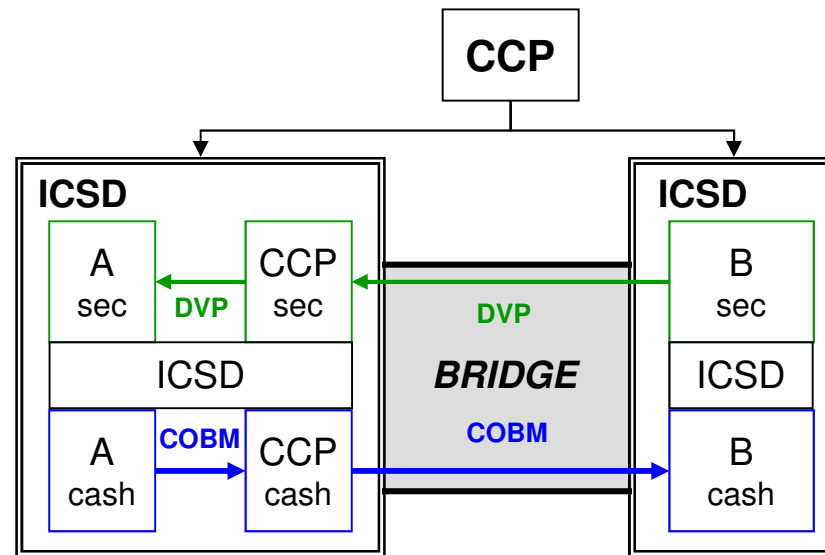
eg Finland (1.4 Italy Express II and 1.6 UK & Germany not shown)

2 ICSD internal clearing & settlement

ICSD operates SSS with embedded payment mechanism in CoBM.

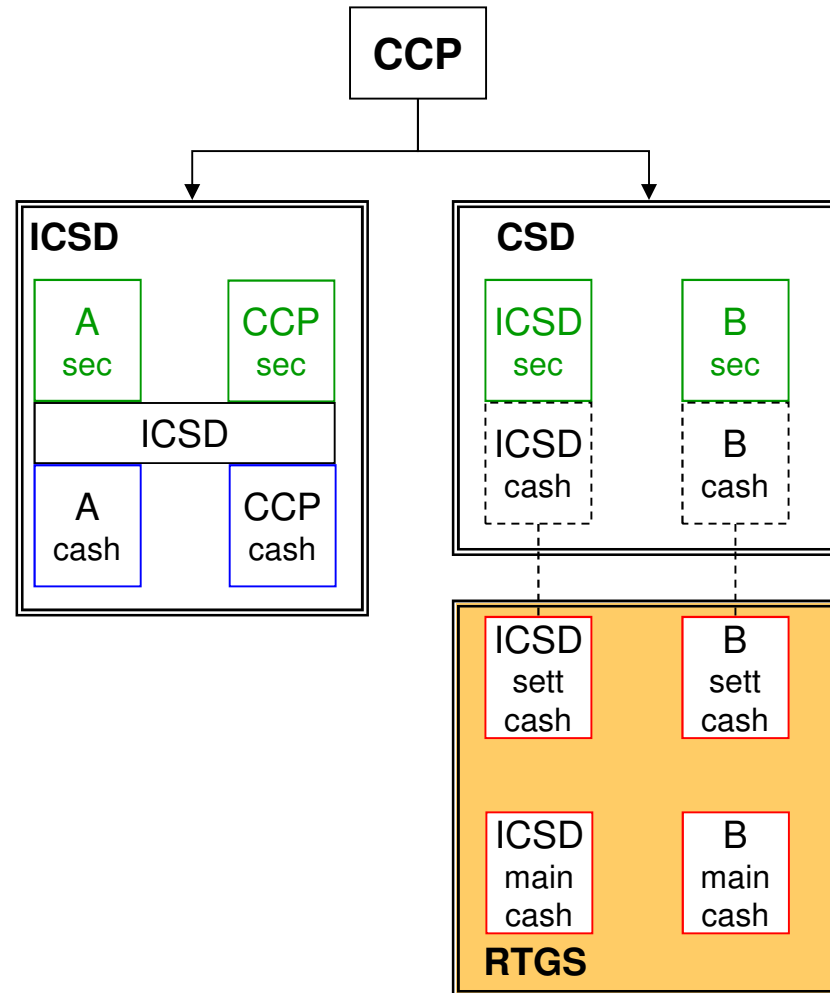


3.1 ICSD-ICSD clearing & settlement



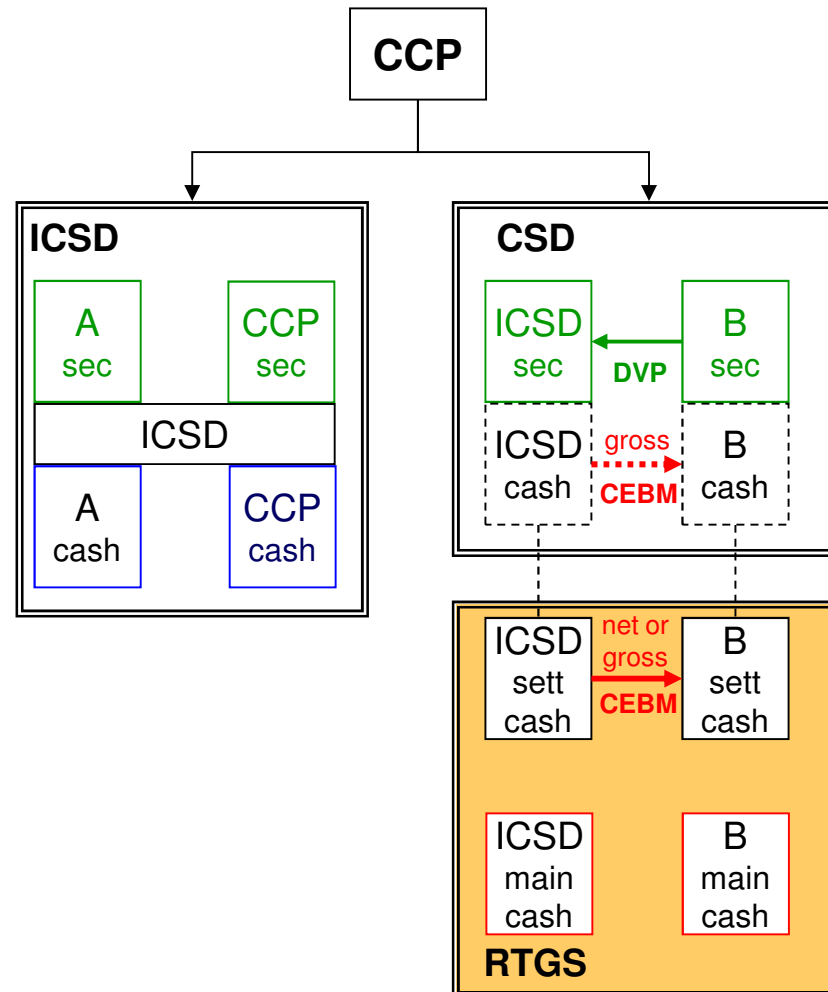
NB CCP is a member of both ICSD but is only shown in the lefthand ICSD to reflect CCP practice of only delivering within the same depository as the buyer.

4.1.1 CSD-ICSD clearing & settlement



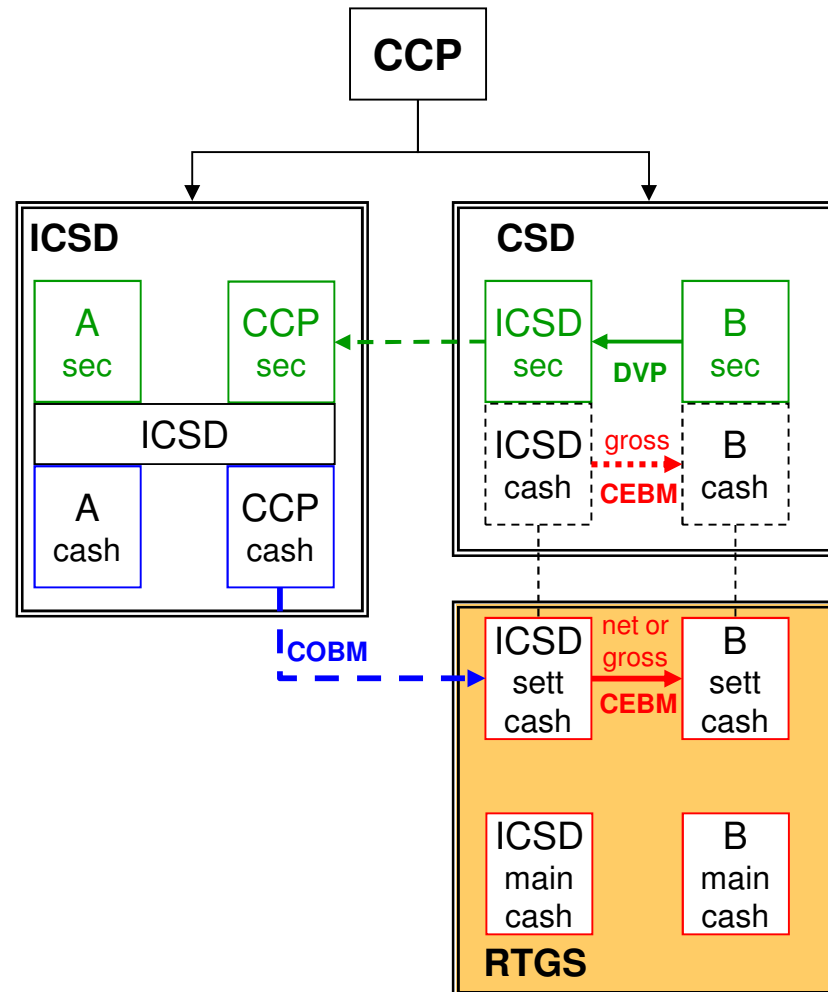
4.1.1 CSD-ICSD clearing & settlement

B delivers to ICSD omnibus account
DVP across CSD



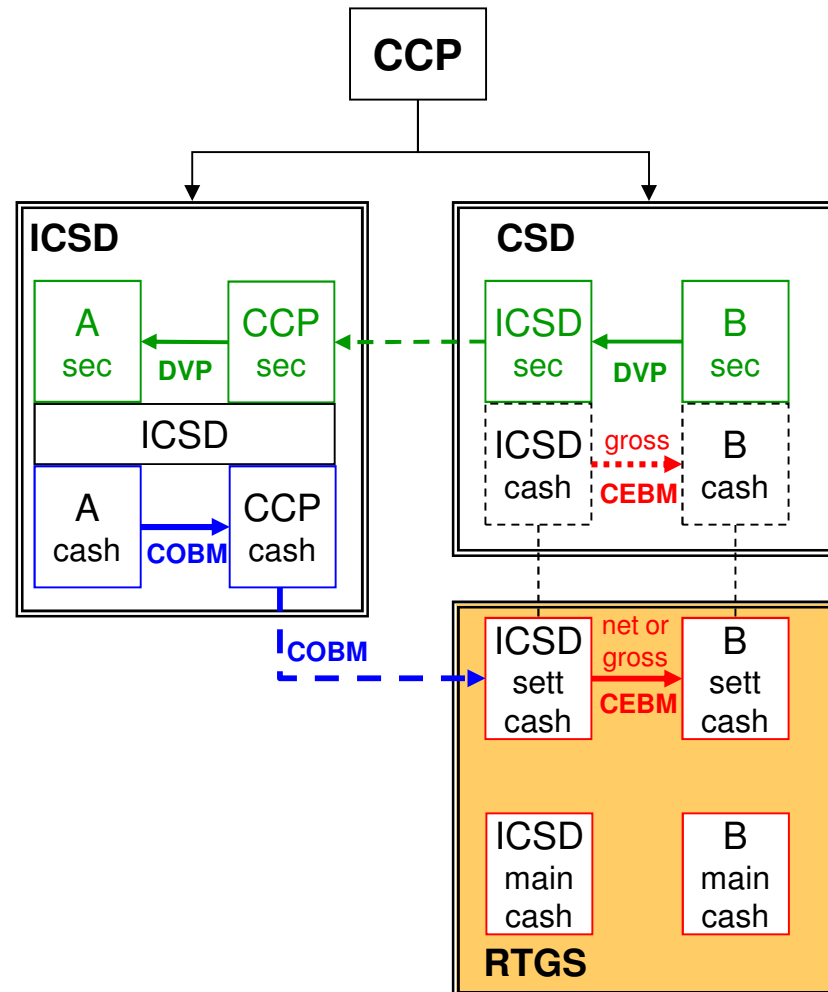
4.1.1 CSD-ICSD clearing & settlement

ICSD reflects delivery in its own books by crediting securities to CCP at ICSD and simultaneously debiting cash account of CCP at ICSD.

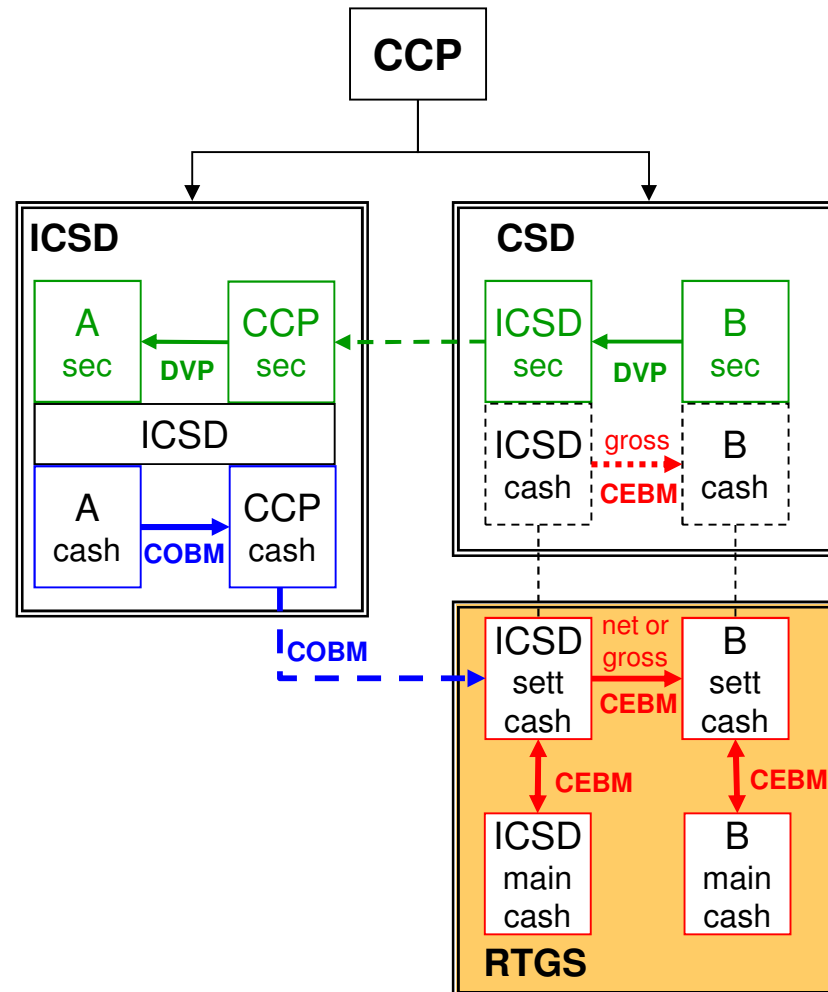


4.1.1 CSD-ICSD clearing & settlement

CCP delivers to A
DVP across ICSD
in CoBM.



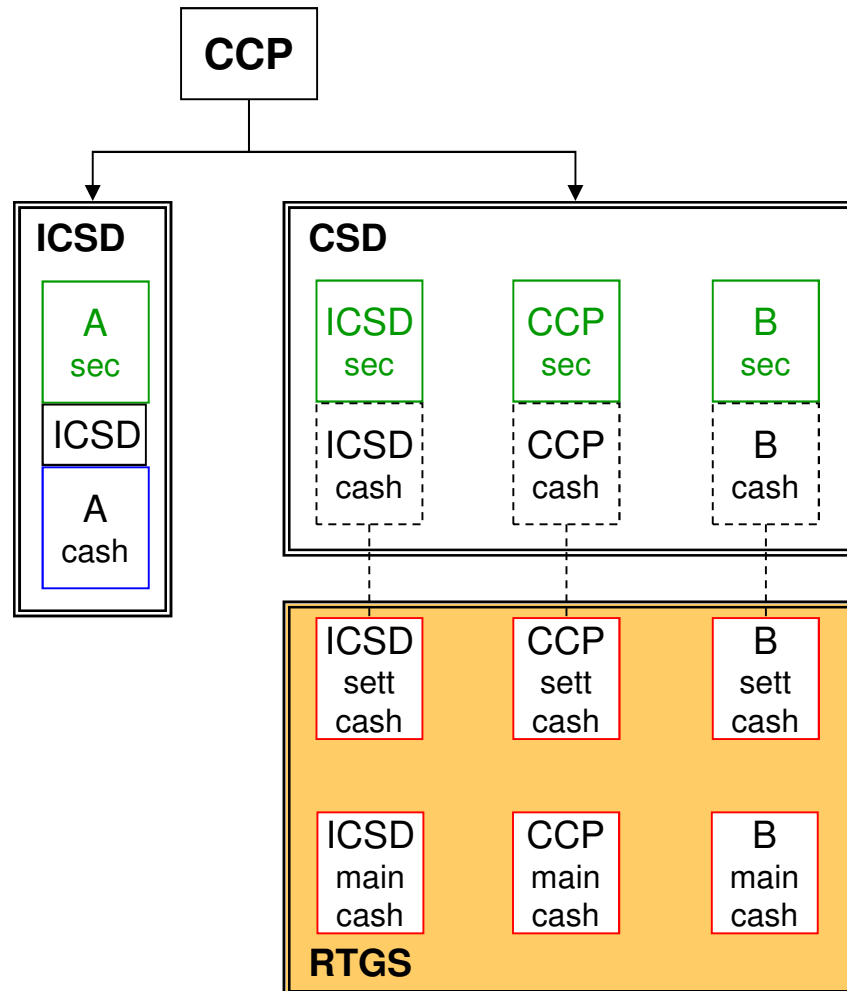
4.1.1 CSD-ICSD clearing & settlement



funding/defunding
from/to main cash
accounts

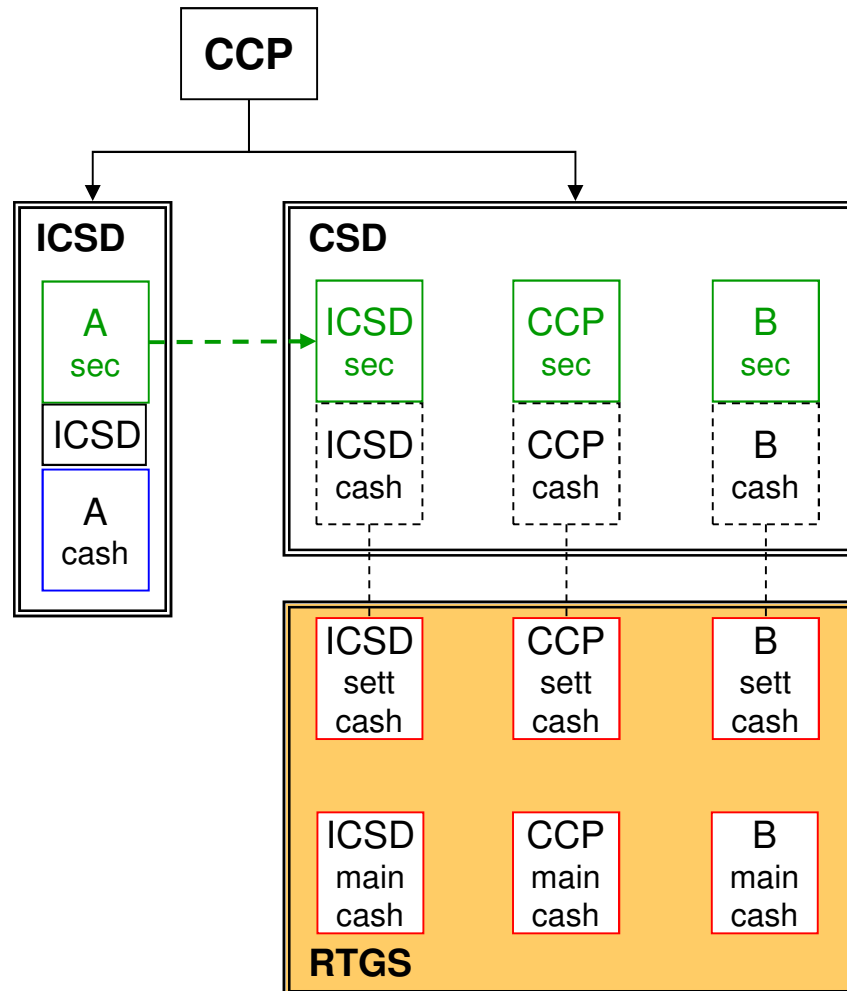
eg Germany

4.1.2 CSD-ICSD clearing & settlement



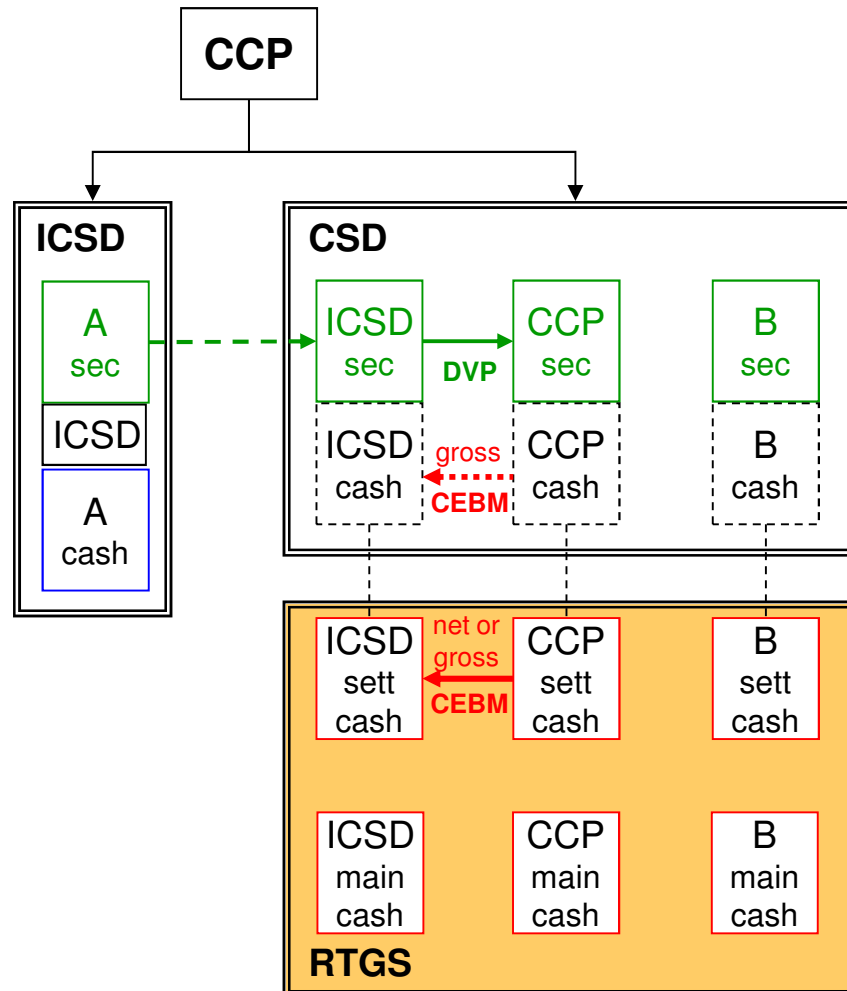
4.1.2 CSD-ICSD clearing & settlement

Securities account of A at ICSD debited and ICSD omnibus account at CSD credited.



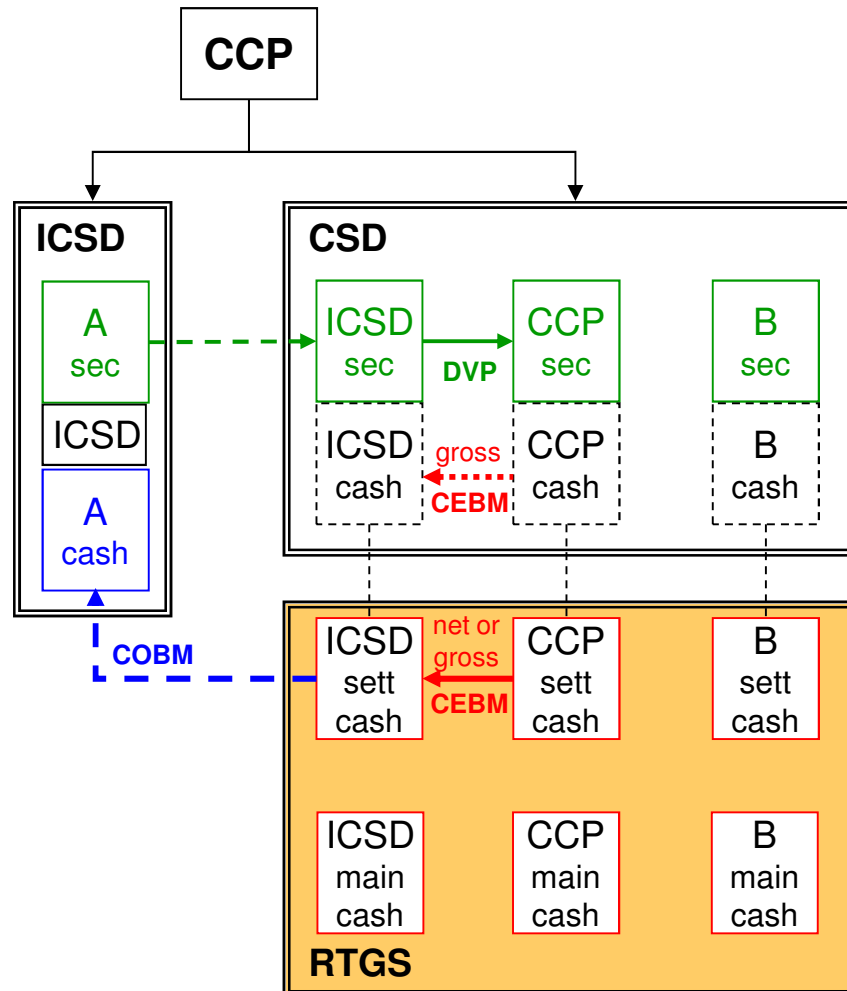
4.1.2 CSD-ICSD clearing & settlement

ICSD delivers to CCP
DVP across CSD
against CeBM.



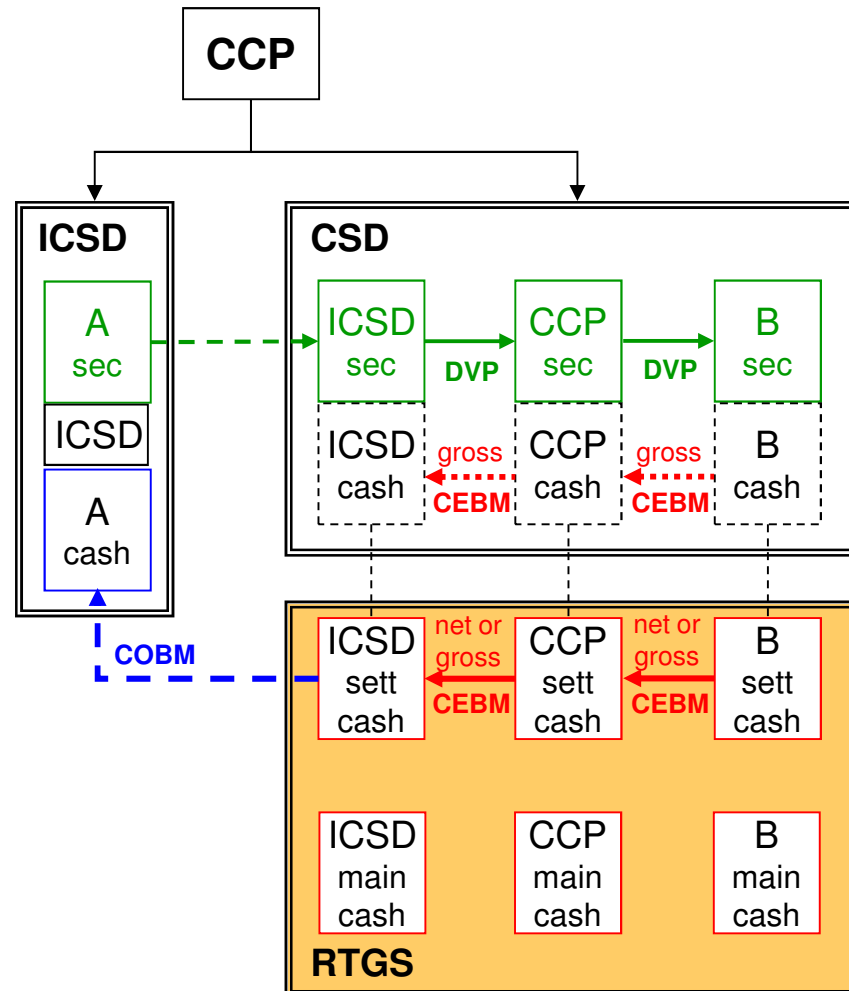
4.1.2 CSD-ICSD clearing & settlement

Cash account of A
at ICSD credited
by ICSD in CoBM.

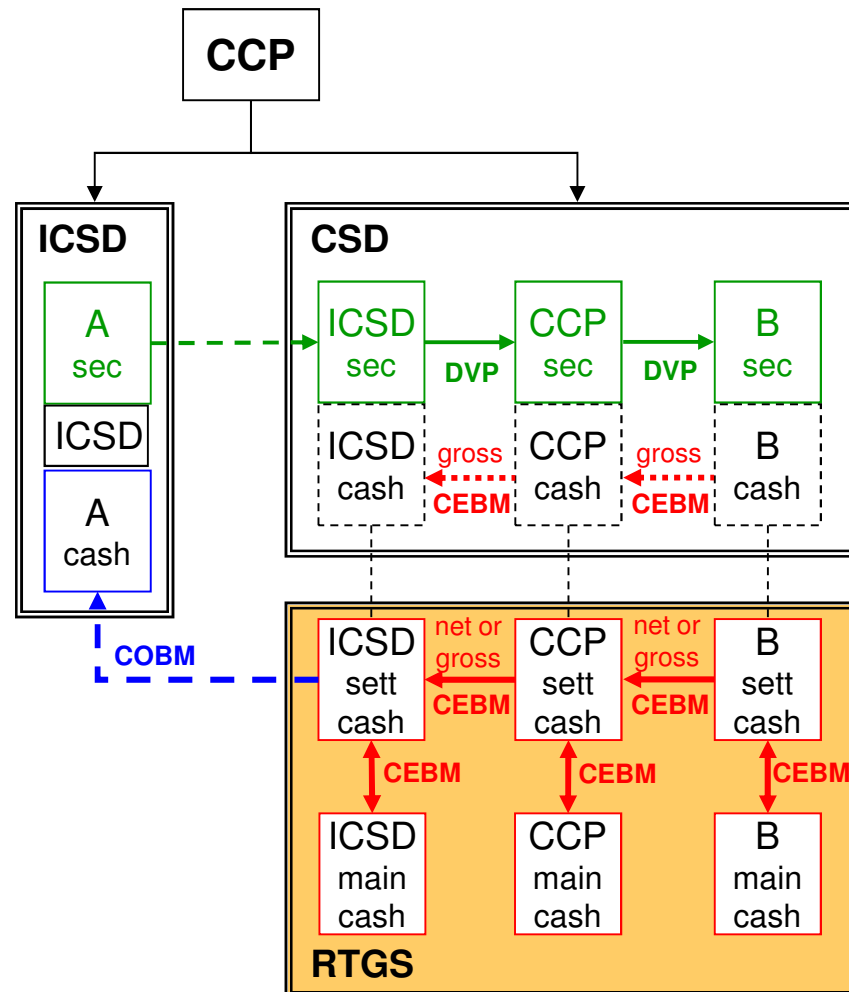


4.1.2 CSD-ICSD clearing & settlement

CCP delivers to B
DVP across CSD
against CeBM.



4.1.2 CSD-ICSD clearing & settlement

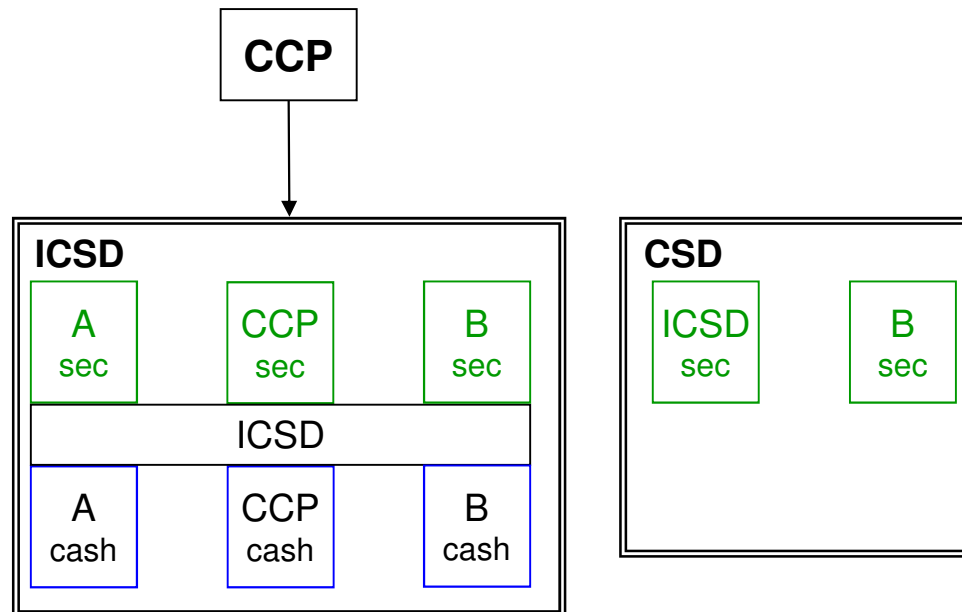


funding/defunding
from/to main cash
accounts

eg Germany

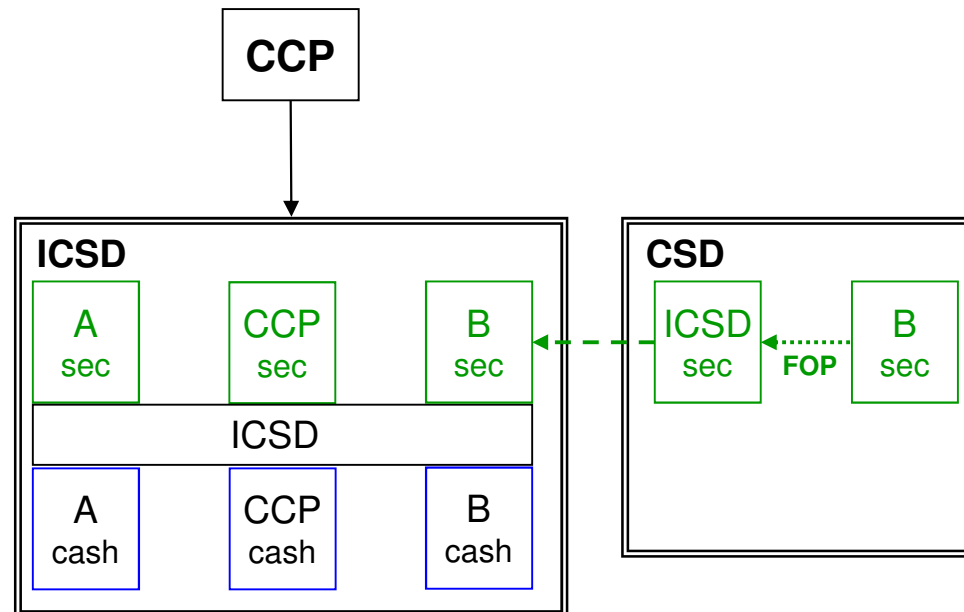
4.1.3 CSD-ICSD clearing & settlement

CCP is a member of only
of the ICSD.



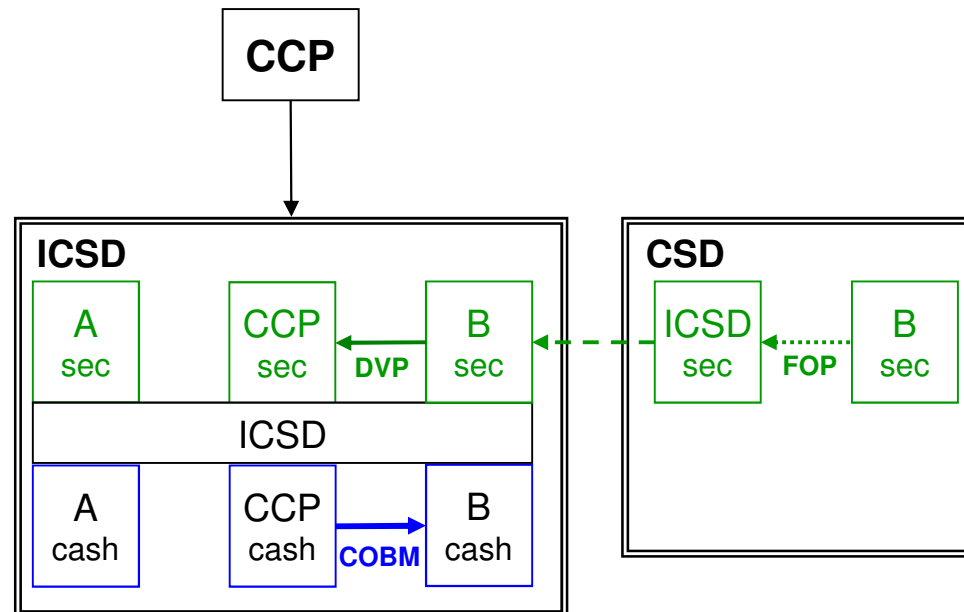
4.1.3 CSD-ICSD clearing & settlement

Securities 're-aligned' from CSD to ICSD by transfer FOP into ICSD omnibus account at CSD and crediting of B account at ICSD.



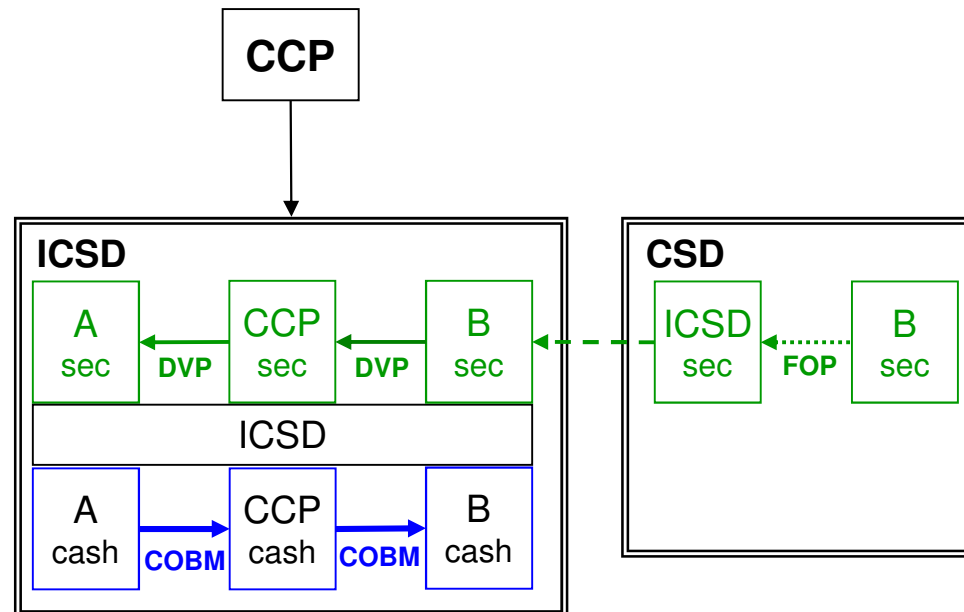
4.1.3 CSD-ICSD clearing & settlement

B delivers to CCP
DVP across ICSD
against CoBM.



4.1.3 CSD-ICSD clearing & settlement

CCP delivers to A
DVP across ICSD
against CoBM.

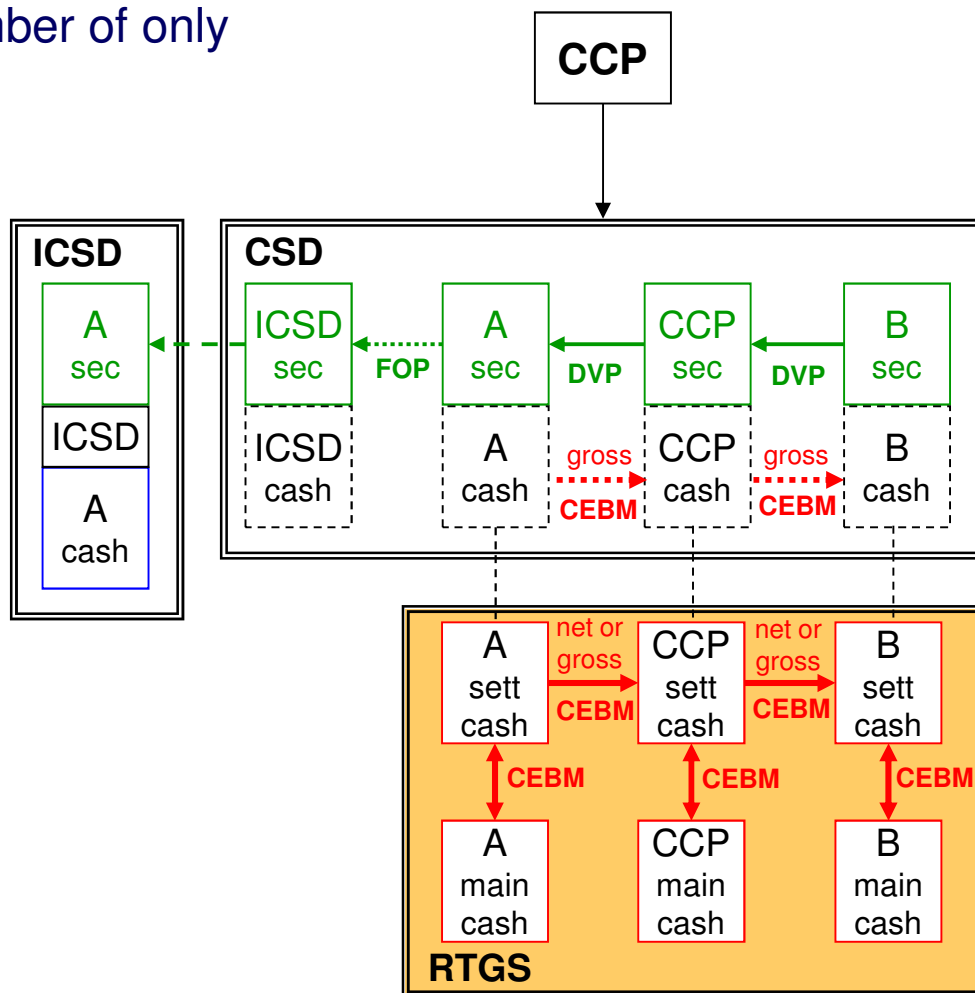


eg LCH-Clearnet Ltd and Spain

4.1.4 CSD-ICSD clearing & settlement

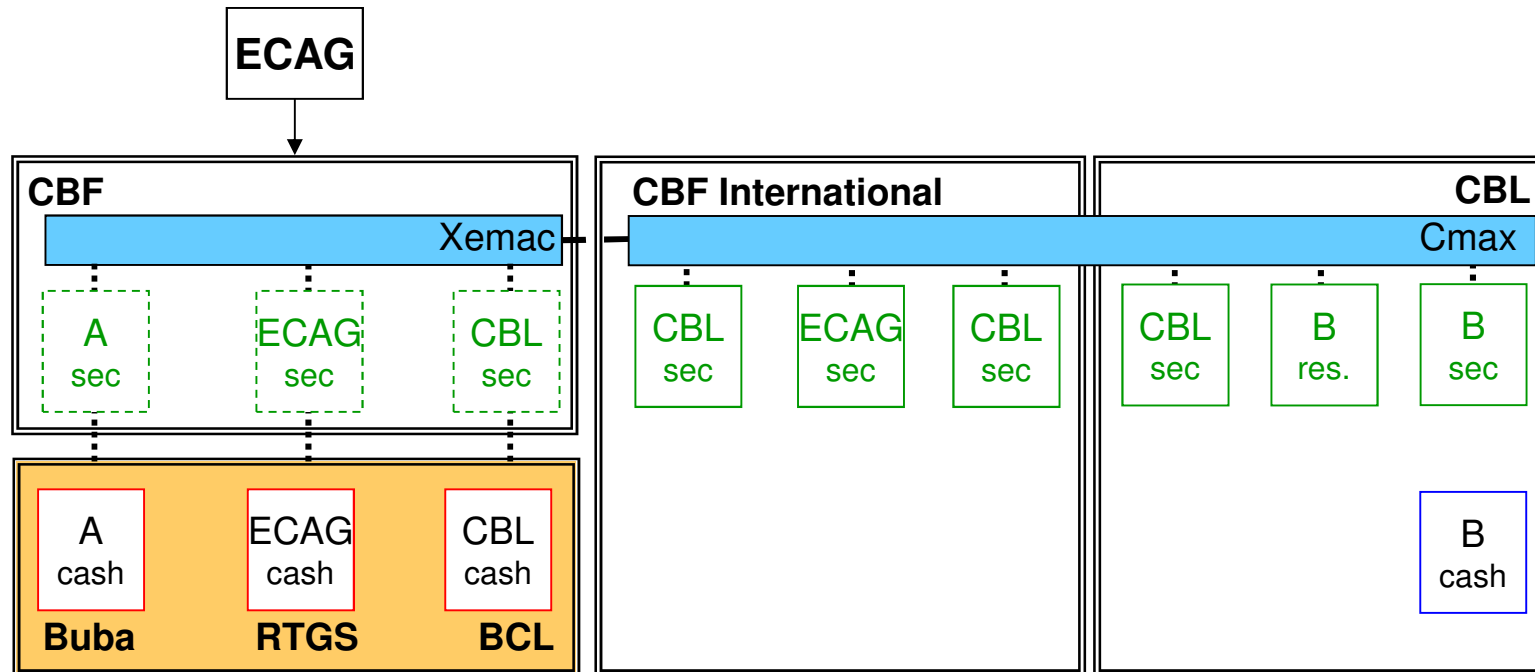
CCP is a member of only one of the CSD.

Securities 're-aligned' from CSD to ICSD by transfer FOP into ICSD omnibus account at CSD and crediting of A account at ICSD.



eg LCH-Clearnet SA and France

4.2 CSD-ICSD clearing & settlement for EGCP



EGCP = Euro GC Pooling

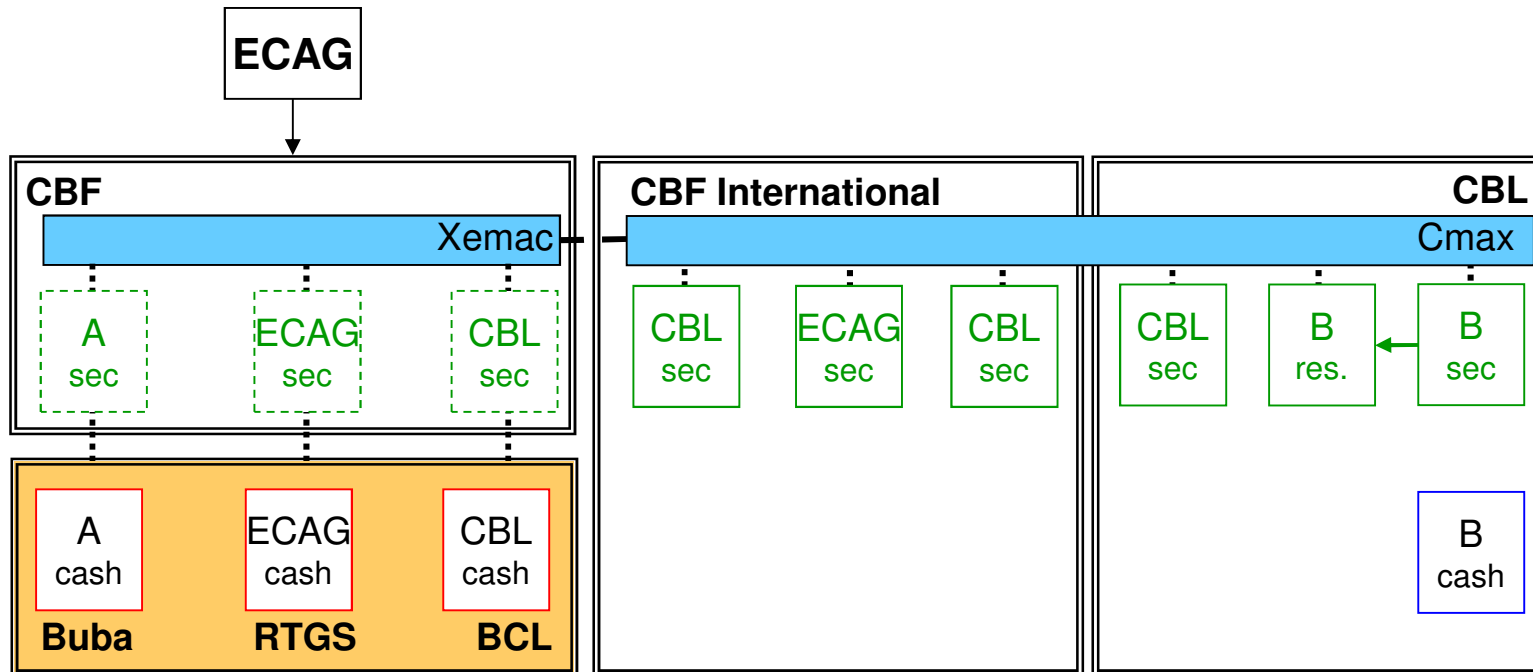
ECAG = Eurex Clearing AG

CBF = Clearstream Banking Frankfurt

CBL = Clearstream Banking Luxembourg

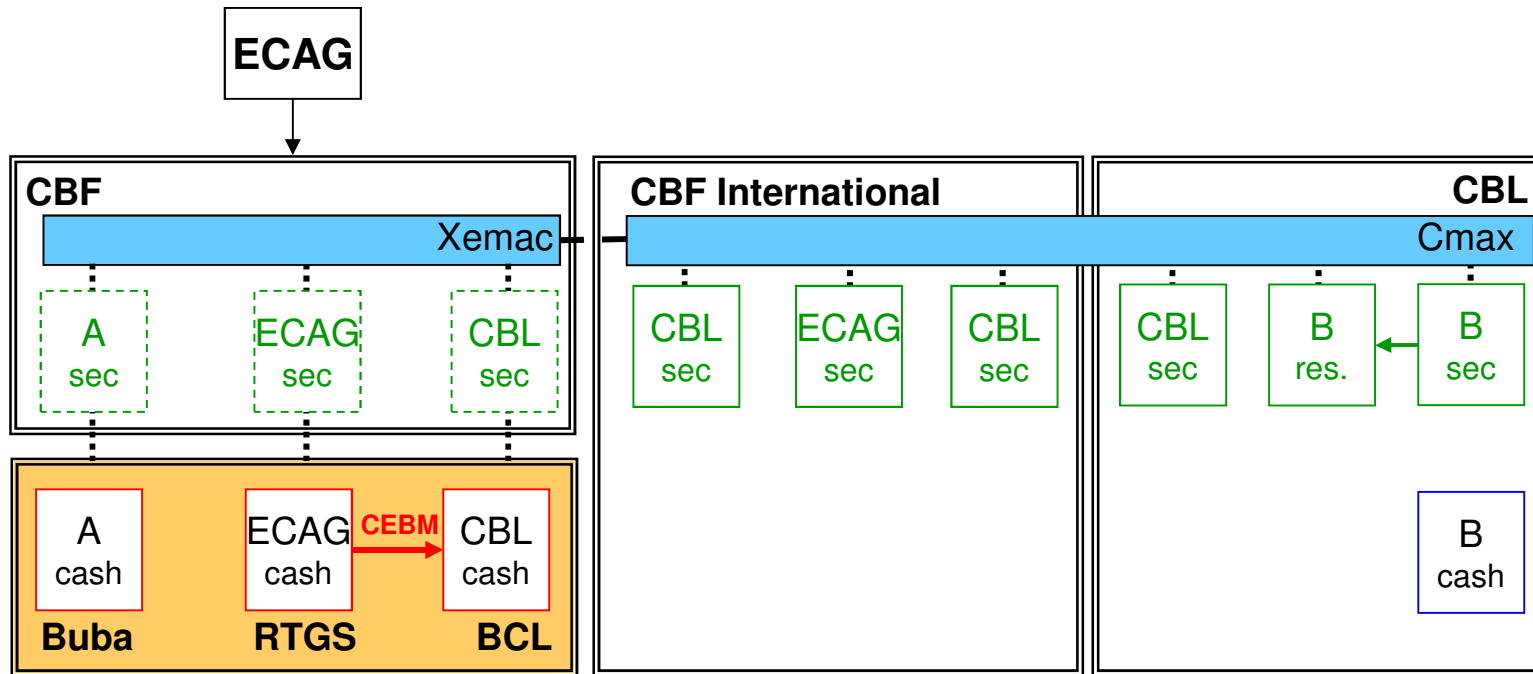
Xemac, Cmax = collateral management systems

4.2 CSD-ICSD clearing & settlement for EGCP



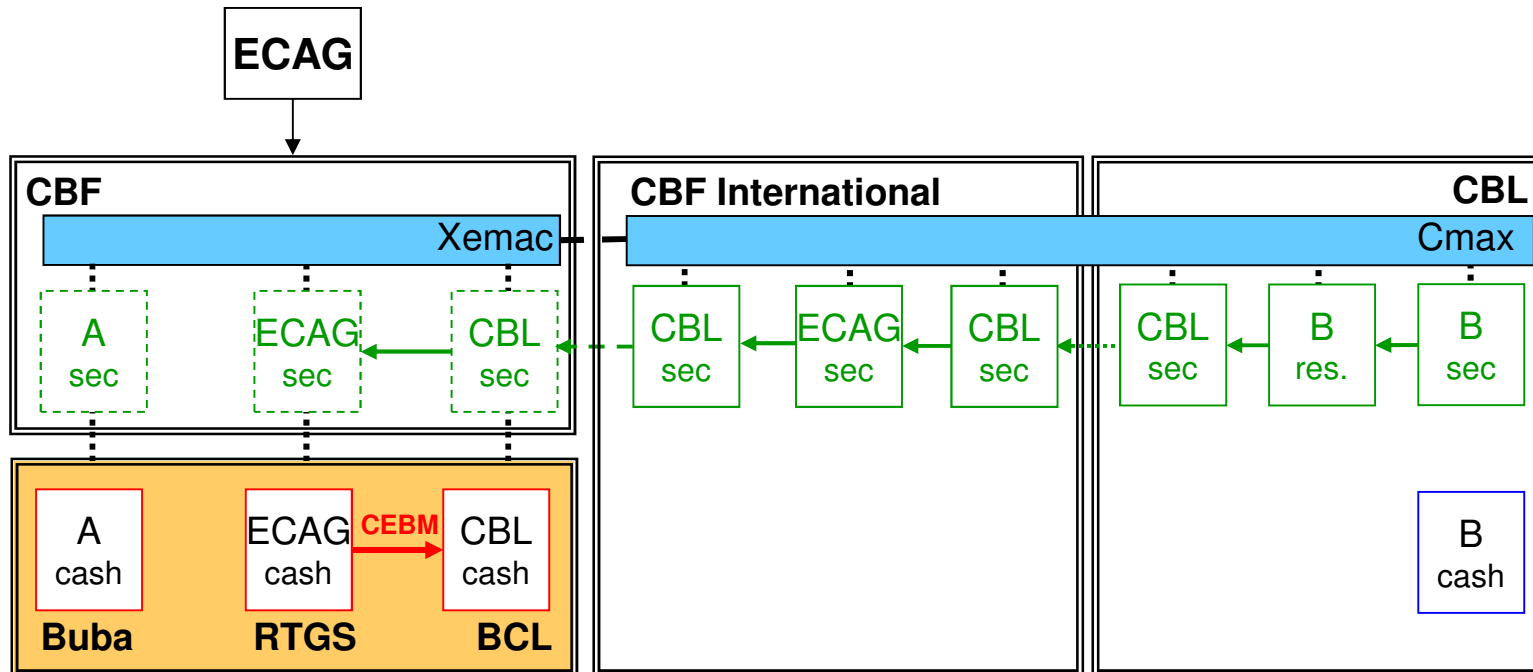
- 1 Xemac checks sufficiency of eligible collateral held by B in CBL.
- 2 If sufficient, collateral is reserved in CBL.

4.2 CSD-ICSD clearing & settlement for EGCP



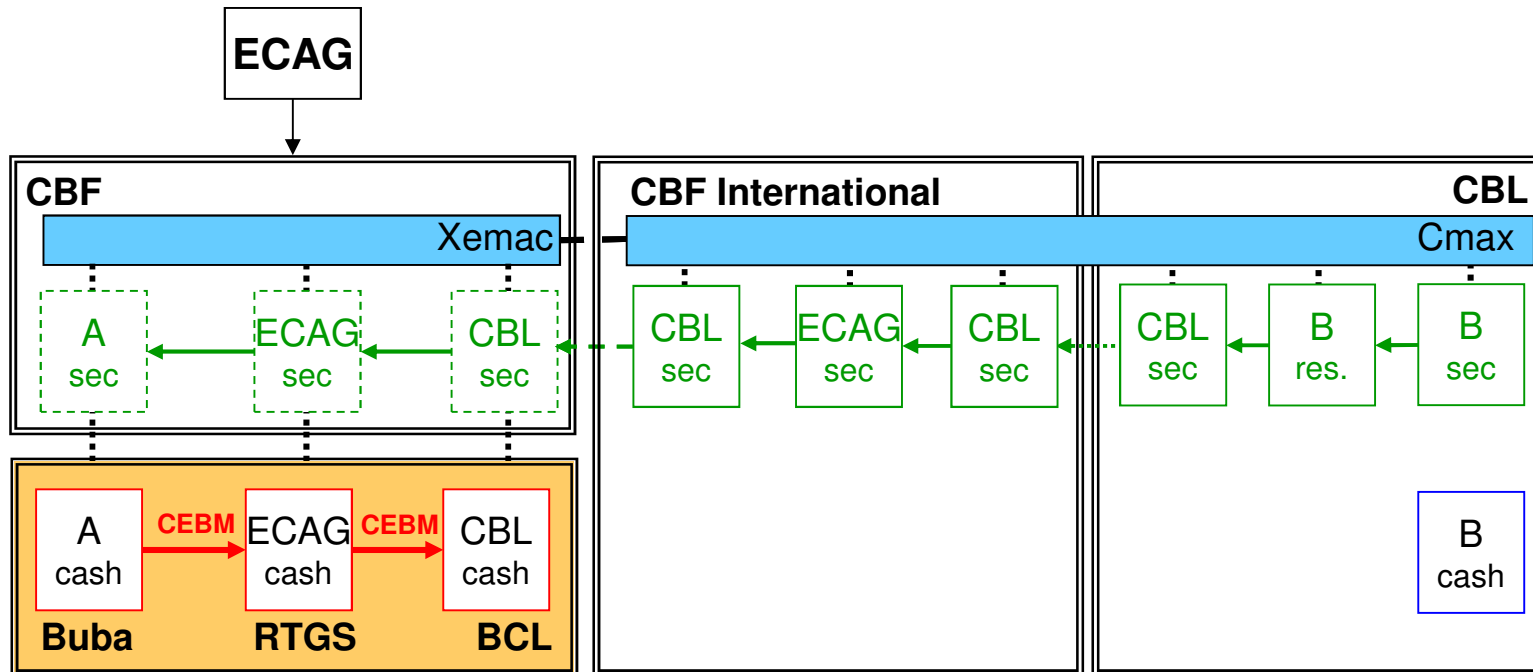
3 Upon confirmation of reservation, ECAG pays CBL cash account in CeBM.

4.2 CSD-ICSD clearing & settlement for EGCP



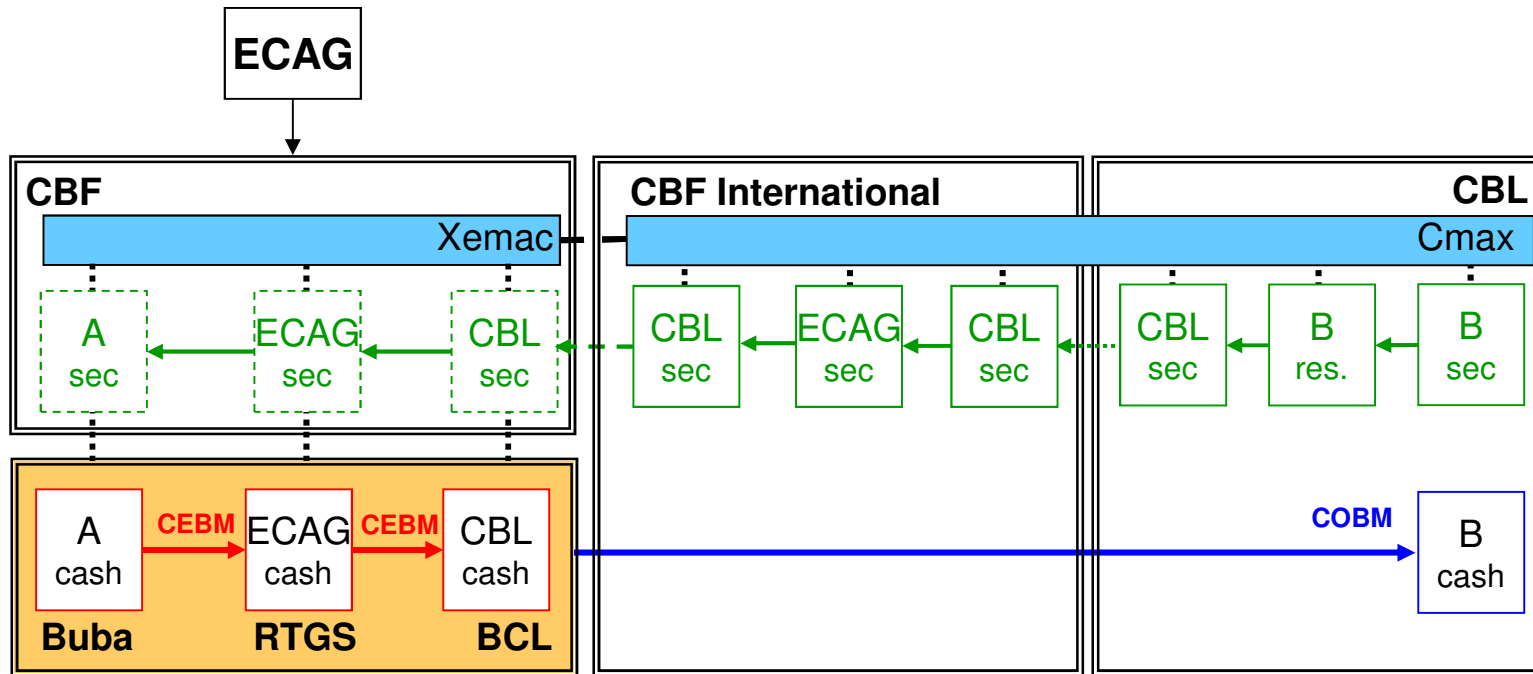
- 4 Upon confirmation of payment, securities released and re-aligned to ECAG across CBL.

4.2 CSD-ICSD clearing & settlement for EGCP



5 Mirror image transaction between ECAG and A.

4.2 CSD-ICSD clearing & settlement for EGCP



6 Cash credited to B across CBL in CoBM.



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ERC Operations Group Update

Tony Platt, Chairman of the ERC operations group





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ERC Operations 2011 Activity

- **Triparty settlement Interoperability and cash settlement study engagement.**
- **Repo trade matching best practice statement.**
- **Repo margin. Operational guidelines, revision.**
- **Consultation responses.**
- **Ongoing support and lobbying for Repo White Paper recommendations.**
- **ERC Ops group development.**

Tri Party Settlement Interoperability

Objectives

- Common model. CCP agnostic as far as possible.
- Basket/tri-party dependent product liquidity to be driven by product quality, as opposed to settlement barriers.

Challenges

- Common process evolution for CCP's supporting both central and commercial bank money mechanisms.
- Full DVP flows across and within ICSD's to protect from loss of credit or liquidity.
- Implementation schedules. Priority versus competitive product development.
- Further bridge settlement enhancements required? Avoid replacing one settlement barrier with another.

Current Status.

- A revised full DvP model has been proposed by the tri party providers but run into a debate regarding CeBM and CoBM settlement.
 - **Resulting in the cash settlement study as presented by Richard Comotto.**



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Repo Trade matching

Drivers for matching

- Convergence/harmonisation of settlement timelines (T+2 proposal) reduced pre settlement risk mitigation period.
- US market developments. Regulatory driven change and potential impact globally.
- The need for transparency on matched pending flows to aid intra day credit facility management.
- Increase in term book size. Emphasis on bilateral term repo risk mitigation. Growth in Off-side settlement risk through increased term business.

Automation Challenges

- Multiple potential service providers.
- Broad adoption. On boarding strategy.
- Structured financing transactions presenting new confirmation and affirmation challenges.
- Non mandatory budget constraints

Current Status

- **Attached as appendix 1**, now published on the ICMA website.
- Not an immediate mandate, but a guideline to target risk reduction, particularly in the bi-lateral forward starting, term and structured repo product space.



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Repo margin. Operational guidelines, revision

Aiming for January 2012 publication with full ERC adoption by end June 2012

Revision Headlines (under discussion)

- Margin to be based on actual rather than assumed settlement. (portfolio value based on call date -1 eod). Requires an agreed and coordinated approach for adoption. Under discussion.
- GMRA 2011 now embraces 2 margin calculation methods. Increased scope for dispute. Participants should ensure mutual agreement and documentation of margin calculation to be used and whether it is applied at a transaction or portfolio level.
- Guidelines on minimum transfer amounts and interest.
- Avoid netting of consecutive days margin movements and bad practice of trading out of a margin call.
- Migration towards a call date +0 settlement of margin.



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Repo margin. Operational guidelines, revision

- Margin to be based on actual rather than assumed settlement. (portfolio value based on call date -1 eod actual). Ensure that margin is retained until the exposure has been removed through settlement.

Current prevailing convention.

- Include all pending on side legs.
- Exclude all pending off side legs



- Collateral released prior to settled termination of the repo.
- Trades under margin prior to on side settlement.
- No exposure allowances made for fails.

Proposal under discussion

- Exclude all pending on side legs
- Include all pending off side legs.



Consequences

- Margin retained until mtm exposure has been removed via confirmed expiration.
- Trades excluded until live.
- Allow for fails in the margin calculation.

Issue becomes less relevant on a same day margin call settlement basis, but allowance for fails would be best practice.

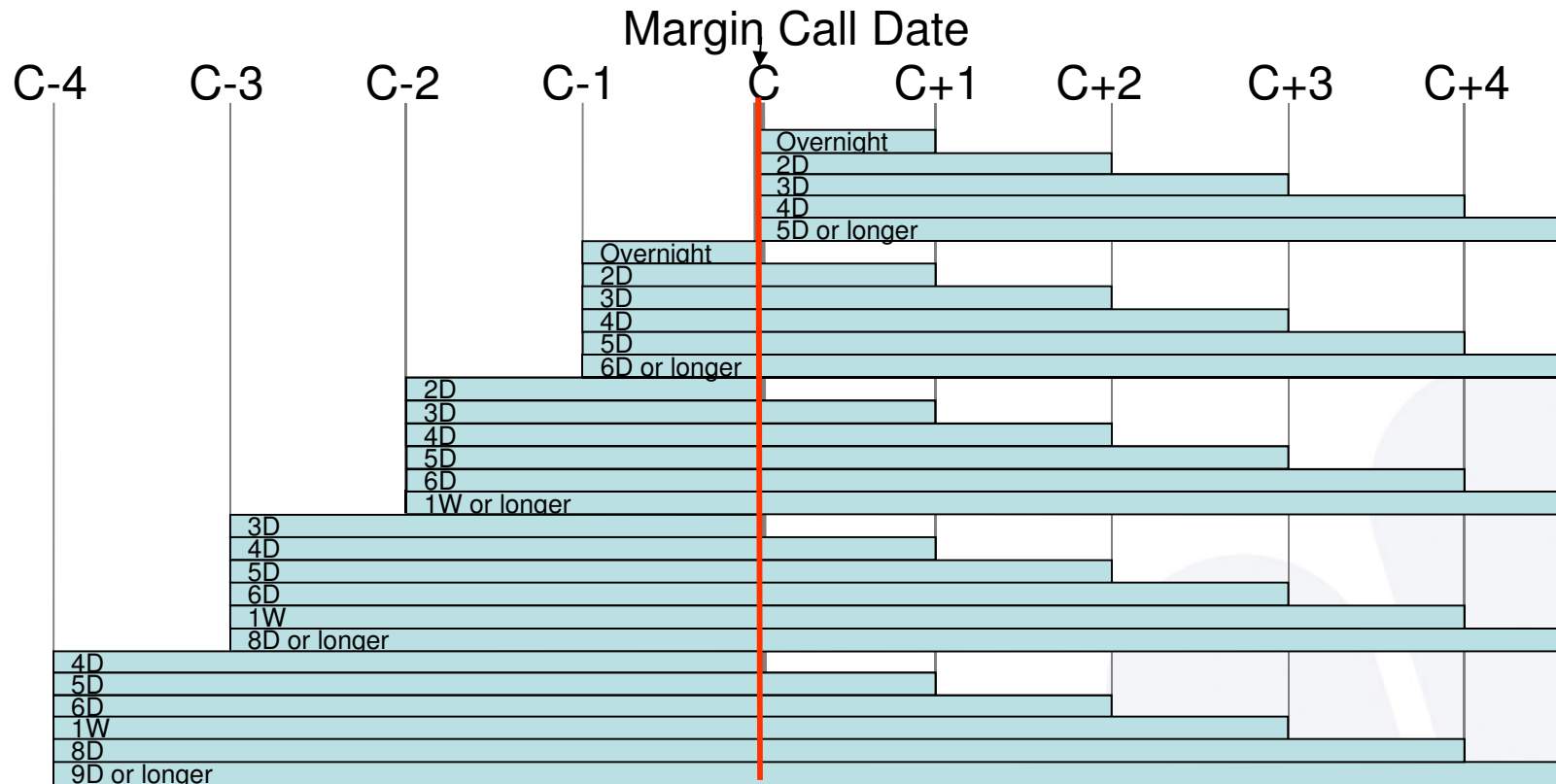


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ERC Operations Margin Guidelines revision.

Transactions to include in a mark-to-market calculation



- Any trade that starts on, ends on or spans C, Call Date, will be included.
- Any trade that starts after or ends before C (provided the offside settled) will be excluded

Regulatory consultation.

Objectives

- Ensure a good understanding of the intentions of each consultation document. Support ICMA in establishing appropriate regulation and legislation regarding the Secured Funding Markets.

Challenges

- Volume of consultation documents for review.
- Ensuring collaboration and consistency where appropriate across market groups and participants responses.

Role of ERC Ops

- Ensure ERC/ICMA is furnished with, and including, an operations specialist view in its responses to the various regulatory consultation documents. (e.g. Agent / CSG consultation, Securities Law directive, Settlement harmonisation)

Recent focus areas for consultation responses.

- CPSS-IOSSCO principles for FMI's.
- Securities Law Directive amendments.
- Settlement date harmonisation.

Increase visibility, capacity and capability of the group.

Capability

- Increase group membership and participation. Update; Group size increased to 16 members.
- Improve group diversity to add different perspectives to the group. (A team of just Repo specialists will offer one perspective) Include Equity Financing specialists in the forum. Ensure debate and agenda covers all asset classes. Injected some Equity Repo specialisation. Looking to ensure we have all Operations functions covered with appropriate levels of expertise, e.g. Repo Margin processing and protocol.

Visibility

- Increase meeting frequency and increase face to face participation to the greatest extent possible. Bi-Monthly meeting schedule with a material uptick on physical attendance and participation.
- Increased presence in key industry meetings in support of the ERC agenda. Representation at BoG, Monti Titoli, ECB, various CCP and ICSD meetings.



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Planned or anticipated activity.

- Conclude Repo Margin guidelines revisions and target implementation date.
- Sponsor trade matching and act as an industry escalation point for non adherence.
- Represent the Repo Market Operations groups in escalation of market infrastructure instability and seek guidance on points of practice.
- Continued engagement regarding interoperability.
- Ongoing support of the repo white paper recommendations and observations.
- Ongoing regulatory consultation review and response.
- T2S and CCBM2 . Operational consultation.
- Operational input regarding credit claim collateral developments.
- Partner with MPC to review validity of current terminations and cash buy in rules.

Appendix 1. Repo Matching Best practice statement.

Recommendation to the ICMA on Bi Lateral Repo matching as a driver for risk reduction

The European Repo Council & operations committee recommends the same day affirmation of specific types of bi-lateral and non electronic Repo trade activity either orally or through an automated mechanism. We refer members to the ICMA annual survey which identifies that Repo product flow has increased in the growth of volume, complexity and duration over the past five years. The ERC White paper on the European Repo Market highlights the sensitive areas of liquidity management and the importance of Repo to support market stability and that a broad regimented control of the product is desirable to reduce operations risk.

Currently Bi Lateral trade matching exists, predominantly within the settlement cycle and some participants may not instruct their trading until inventory is available, outsource their activity to a 3rd party or execute cross regionally. This may all impact a timely and accurate trade ticket match or affirmation. Indeed, if trade affirmation is based on settlement, affirmation of the off leg value date could be many months into the future.

Recent market developments are causing these practices to be less sustainable than ever before. Specifically, there is a drive for trade date completeness in risk. The FSA liquidity requirement also supports the need for a same day match of economics. This will assist with accurate regulatory and local book and records for internal and external risk management. Additionally future plans to bring settlement into T+2 for the cash product, growth in T2S flow, demand for interoperability on same day, the increasing volume of longer dated deals, and finally deals with a degree of term date optionality all support matching activity.

Today much of the focus for matching is on the sensitive credit risk elements of the client community and asset classes as a priority. The committee however supports a positioning of control at the core product level across all counterparties and asset classes within the Repo product. In particular there are higher risks in specific Repo products and transaction attributes and lifecycle events.

Whilst the trade date matching of all Repo activity is desirable, priority should be given, but not limited to the following which highlight the sensitivities to size, uncertainty and complexity of trading:

- OTC Large Trades over 50 million Euro's – size will influence economic impact of error
- Open Trades – the duration risk of open trade vs. a term trade may impact funding, hedging. (Rate re-pricing and rate changes are key part of managing this risk if the trade is not settled out – then only closure would identify this risk)
- Term (> 1 week) transactions – duration compounding cash differences on incorrect nominal, pricing et al
- Evergreen transactions - with the longer term duration an economic difference may be compounded
- Amortising and Capitalising trades – movement of nominal and cash difference will impact funding and position risk management

The group recommends that affirmations should take place on recorded lines and that a formal acknowledgement is made of the key economic events outlined herewith.

Specifically the committee recommends the following features of transaction are affirmed:

- Counterparty
- Trade date
- On and off leg value date Term/open/fixed trade
- Nominal
- Price
- Haircut
- Repo rate – fixed/ floating and spread over details
- Call days for open trades

Additionally post trade amendments should also be affirmed:

- Re-pricing
- Open trade closures
- Amortisation events
- Capitalisations
- Changes in haircut

The group recognised that the Tri-party and margin processes events were controlled sufficiently in market operations today to not warrant additional affirmation to current market-matching and validations.

We also recommend the following terms of distribution once ratified by Ops group and David Hiscock:

1. ICMA website
2. Email to market distribution
3. Market guidance notes (ICMA hand book)



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Update on the European repo market White Paper on short selling & settlement failures

Richard Comotto





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Market Practice issue

Richard Comotto





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The future of the GMRA: GMRA 2011

Lisa Cleary





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GMRA 2011

- The Global Master Repurchase Agreement 2011 was published in May 2011.
- The GMRA 2011 is the result of a review process which considered various factors including lessons learned from the financial crisis, changes made to other standard master documentation and feedback from ICMA's ERC committee. The review focused on both commercial and practical considerations as well as legal and regulatory considerations.



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GMRA 2011: Key amendments

- Definition of Event of Default- Act of Insolvency definition
- Method of calling an Event of Default
- Default valuation time
- Method of margin calculation- definition of Transaction Exposure
- Return of margin securities- Cash Equivalent Amount
- Set off



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GMRA: Upgrading

- 2011 Global Master Repurchase Agreement Protocol
 - Efficient and cost effective method of upgrading
 - Multilateral adherence
 - Upgraded default provisions
 - Transparency



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GMRA: Future initiatives

- GMRA 2011 guidance notes
- Annexes to the GMRA 2011:
 - Buy/sell back
 - Equities
 - Agency
 - Bills
- Term repo Annex working group



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2011 ICMA GMRA Legal Opinions

- In 2011 ICMA obtained opinions on the GMRA 1995, 2000 & 2011 in 62 jurisdictions.
- A new opinion will be obtained for Russia.
- Opinions address enforceability of netting provisions and recharacterisation risk.
- Basic counterparty coverage (companies, banks and securities dealers) and extended counterparty coverage (also includes insurance companies, hedge funds and mutual funds).
- Opinions available at: <http://www.icmagroup.org/legal>



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Contact

Thank you, Ladies and Gentlemen

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Eurepo

Andreas Biewald





Eurepo ® – Update

Agenda

1. Eurepo® – Change in the definition
2. Eurepo® - Changes in the code of conduct
3. A new index for secured funding ?

Eurepo® - Change in definition

OLD

› “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 Eurepo® GC basket.**”

NEW

› “Eurepo® is the rate at which, at 11.00 a.m. Brussels time, **one bank** offers, in the euro-zone and worldwide, funds in euro to another **bank** if in exchange the former receives from the latter the best collateral **within the most actively traded European repo market.**”



Clarification of the counterparty

Specification of the collateral

Eurepo ® - Changes in the code of conduct

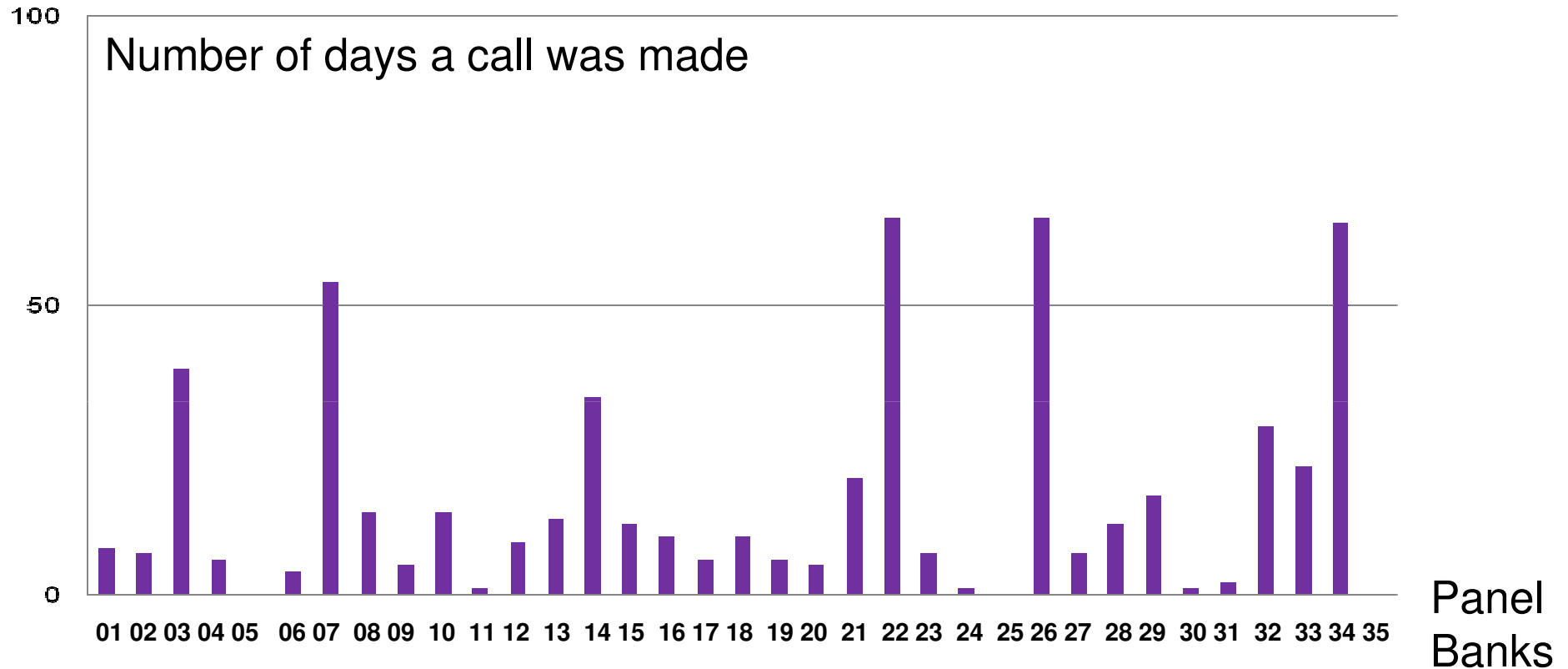
- › Elimination of the rotation system
- › Specification of the steering committee
- › All details on <http://www.euribor-ebf.eu>

Eurepo ® - Quotation obligation in the code of conduct

Panel banks must quote EUREPO:

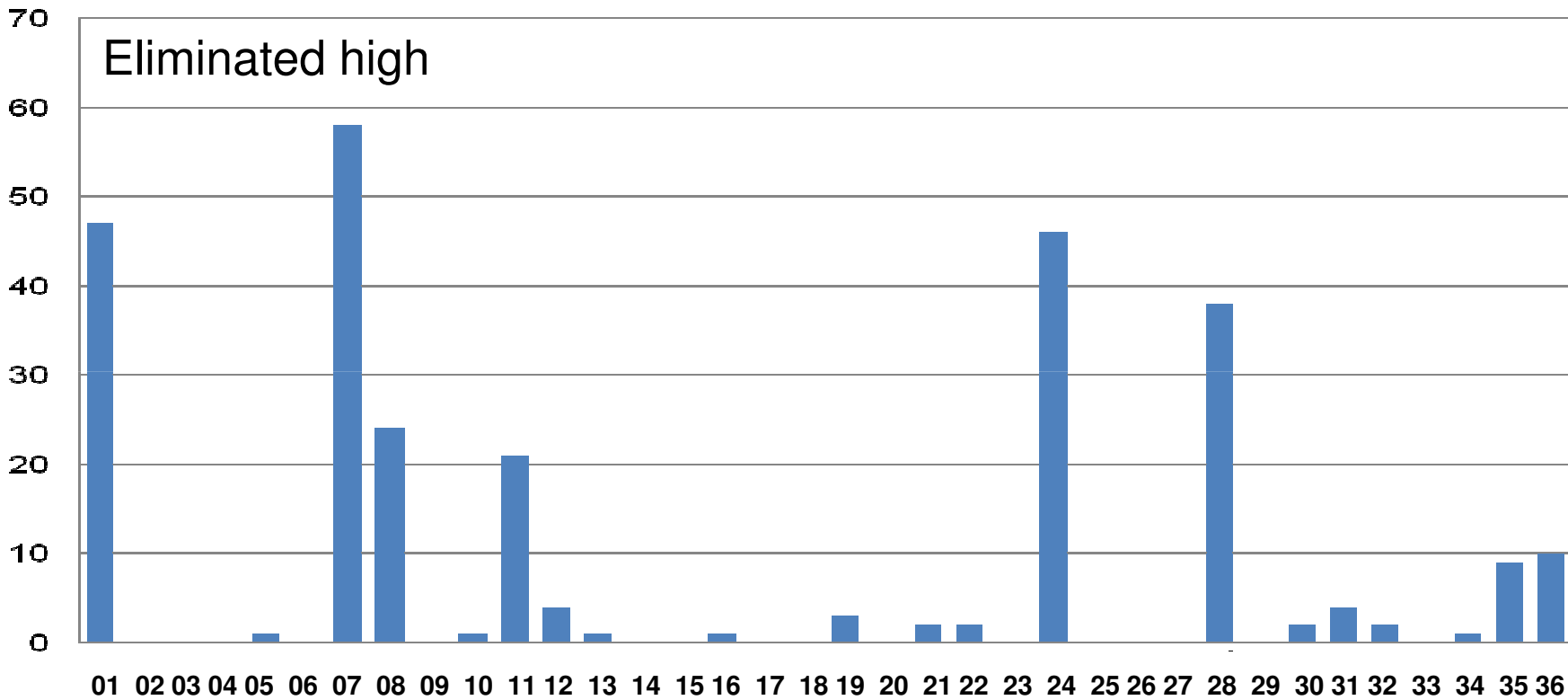
- for the complete range of maturities as indicated by the Steering Committee
- daily except on Saturdays, Sundays and Target holidays (.....)

Eurepo - Thomson Reuters intervention Q2 - 2011 (65 Fixing days)



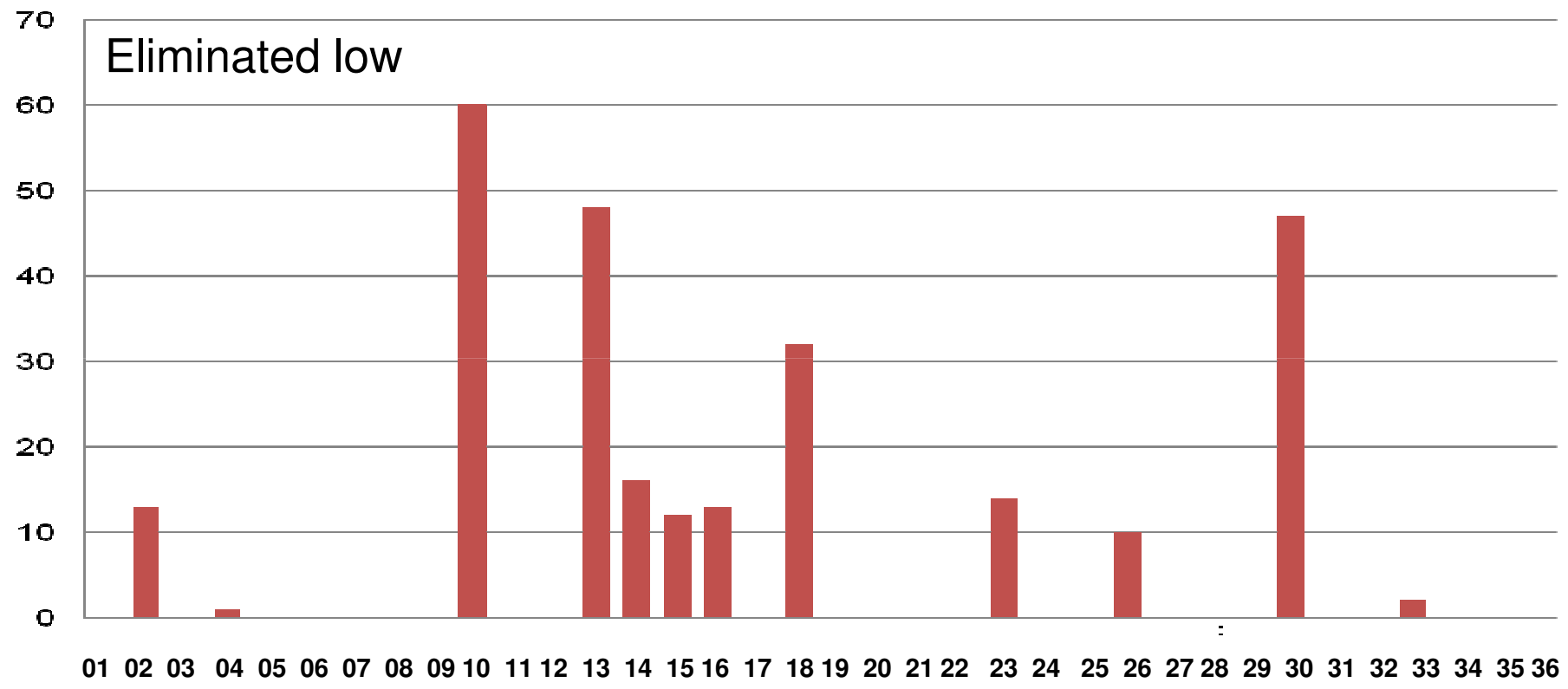
ERC urges all members to fulfil their quotation obligations

Eurepo Quality of contributions 2nd Quarter 2011 NB 65 fixing days in period



ERC urges all members to quote according to the definition of Eurepo

Eurepo Quality of contributions 2nd Quarter 2011 NB 65 fixing days in period



Update on benchmark discussions with Euribor-EBF

- › **Eurepo steering committee has set up a task force about a new € secured benchmark .**

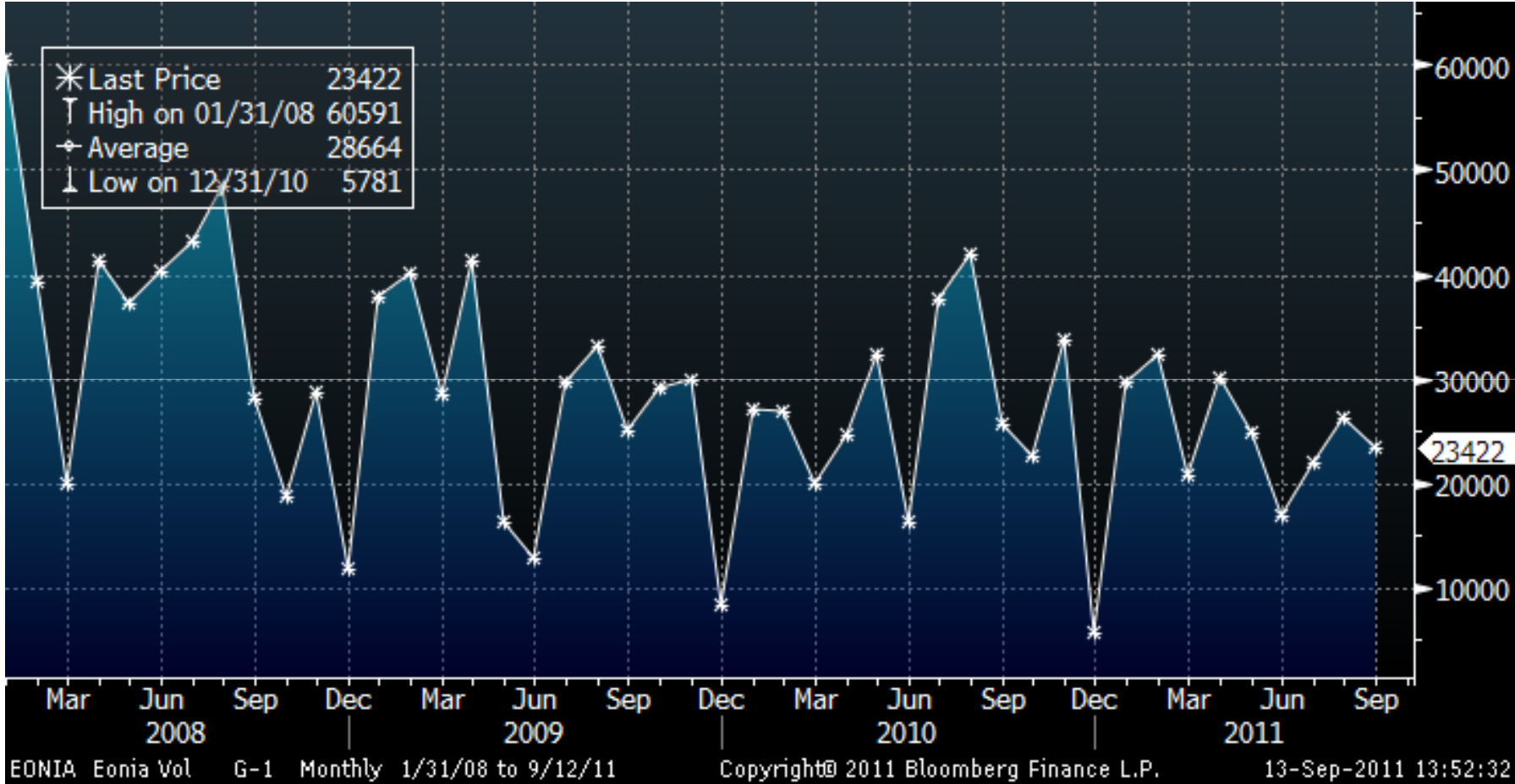
Members are from Unicredito, Calyon, Commerzbank, DEXIA.

The group has not hold a meeting yet.

- › **Therefore I present my personal views:**

There is demand for a new € secured benchmark by our members taking into consideration the shrinking volume of the unsecured EONIA fixing.

EONIA Volume (month-end figures)



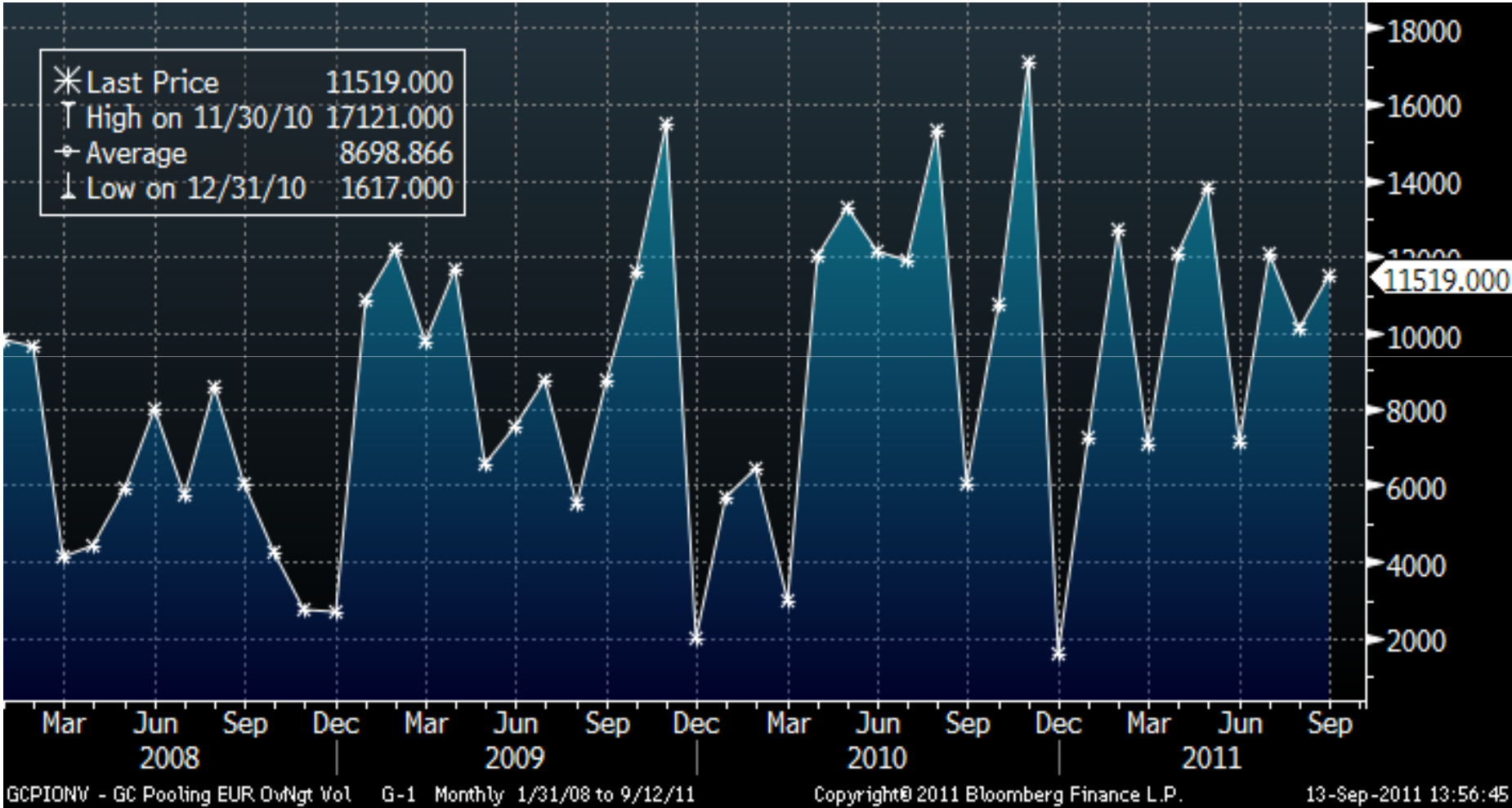
Main features of a new index

- › **secured index**
- › **Collateral: traded O/N volume in CCP eligible € Collateral**
- › **weighted average**
- › **under the authority of Euribor-EBF**

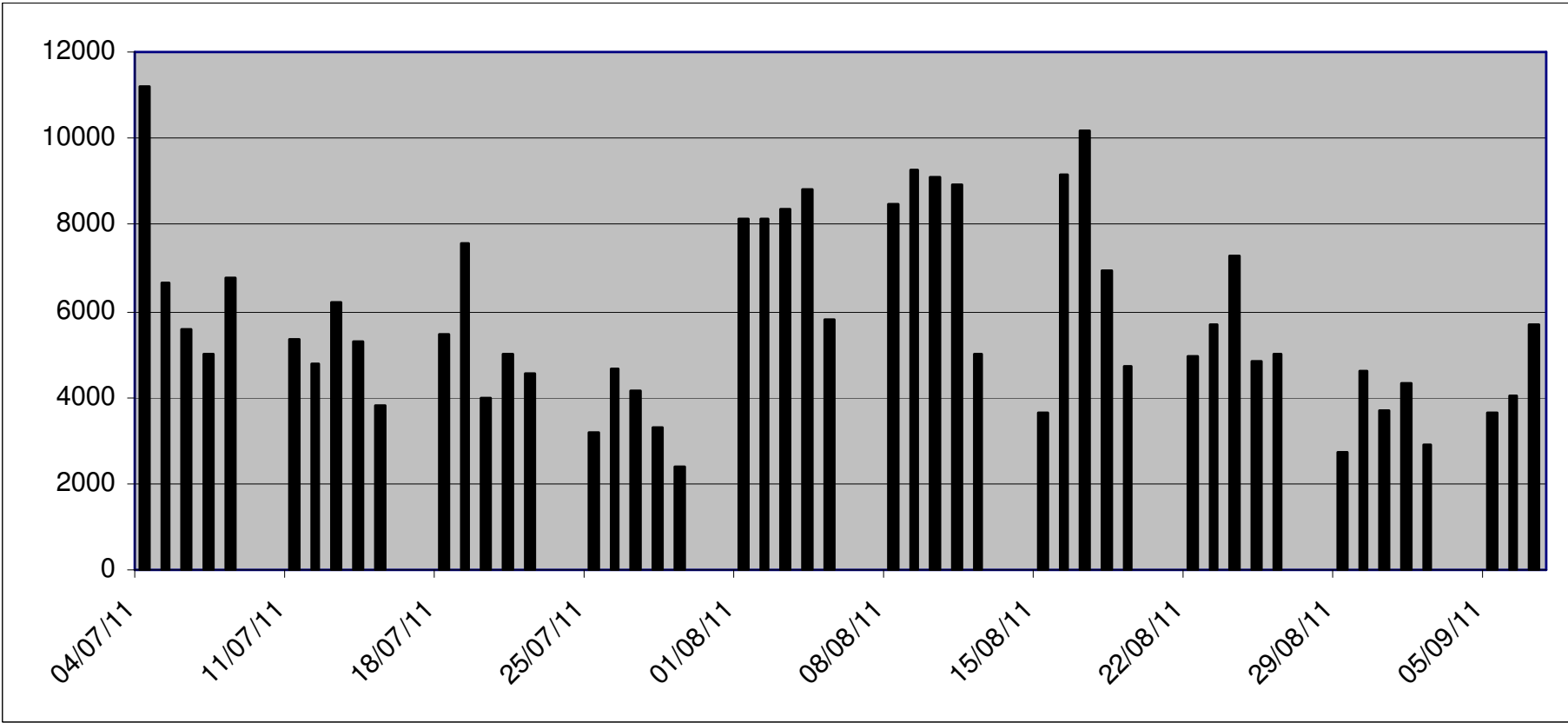
Potential data provider

- › **central counterparties providing data from ECNs**

GC Pooling: Volume in O/N per day



MTS Italy : Volume in O/N per day



Source: MMF Daily Bulletin

Thanks for your attention !

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Regulatory Issues

David Hiscock



CPSS & IOSCO joint proposal regarding Principles for Financial Market Infrastructures (FMIs)

- Consultation on **Principles for FMIs**, issued on 10.03.11
 - Proposal to establish **24 Principles applicable across all FMIs**
 - Covers payment systems; CSDs; SSSs; CCPs and trade repositories
 - **ERC comments submitted** to meet 29.07.11 deadline
 - Expressed general concerns regarding applicable background considerations
 - Commented on specific principles – based upon Ops Group evaluation
 - Established , sound and efficient market practices for repo should not be impeded
 - Fully supportive of establishing robust internationally agreed standards
 - Called for surveillance and review of enactment

Financial Stability Board – Effective Resolution of Systemically Important Financial Institutions (SIFIs)

- Consultation on **measures to aid SIFI resolution**, issued on 19.07.11
 - Proposal to **provide for a temporary stay on rights to close out netting**
 - Akin to proposed EU framework for bank recovery and resolution
 - **ERC comments submitted** to meet 02.09.11 deadline
 - Reiterated points made in 03.03.11 response to European Commission
 - Noted that arrangements need to be carefully developed to take account of repo
 - The aim of allowing for the orderly resolution of a failing institution must be balanced with the market need for prompt close out so as to mitigate the risk of loss
 - Established , sound and efficient market practices for repo should not be impeded

EU proposal regarding financial sector taxation

- Consultation on **EU financial sector taxation**, issued on 22.02.11
 - Specific question regarding potential special treatment of overnight secured credit (mainly through repos)
 - Allegedly cheap, unstable and systemically risky
 - **ERC comments submitted** to meet 19.04.11 deadline
 - Refute that repo provides “unstable funding leading to systemic risk”
 - Repo provided an essential backstay to market liquidity during the crisis
 - Repo facilitates liquidity management and reduces systemic risk
 - used by market participants and central banks alike
 - GMRA provides a robust legal framework for repo
 - Taxing repos would create unnecessary frictions, harm liquidity and increase risk

Proposed new regulatory capital standards

- Basel III rules text, covering **capital and liquidity**, issued on 16.12.10
 - On the 20.07.11 the European Commission issued its related proposals
- Elements of particular relevance to the ERC
 - Liquid assets
 - New **Liquidity Coverage Requirement**, to be introduced by 2015
 - Leverage ratio
 - To be set, including repos **taking account of master netting** (not cross-product)
 - CCP exposures
 - **2% risk weight** to be applied in respect of trade exposures

Review of Markets in Financial Instruments Directive

- European Commission services reviewing draft Directive and Regulation
 - Formal **proposal for revised legislation** likely to be made in mid-October
 - New **market structure rules** delineating permitted types of trading
 - RMs; MTFs; OTFs & SIs plus a minimised amount of OTC;
 - Significant **extension of transparency requirements**
 - Pre- & post-trade transparency to apply to all bonds admitted to trading on a RM or subject to a prospectus: subject to limited system of waivers
 - thresholds for delayed reporting of large trades to be determined later

Evolving EU legal framework for post-trading

- European Commission continues to progress a series of measures
 - Settlement finality and financial collateral directives already established
 - Significant **pipeline of new legislative measures**, including:
 - European Market Infrastructure Regulation (EMIR);
 - Securities Law Directive (SLD);
 - Central Securities Depositories Regulation; &
 - Close out netting
 - Two **expert working groups** aiding identification of necessary further actions
 - Expert Group on Market Infrastructures (EGMI);
 - Tax barriers Business Advisory Group -T-BAG
 - **24.10.11 Conference** on European post trading landscape: “The Road Ahead”

Progress & next steps regarding shadow banking

- In July the FSB approved initial recommendations for strengthening the oversight and regulation of the shadow banking system
 - Broadly defined as credit intermediation involving entities and activities outside the regular banking system
 - Four **key risk factors** identified: maturity transformation; liquidity transformation; imperfect credit risk transfer; and leverage
 - Five areas now identified for further work to gauge the need for action
 - Regulation of banks' interactions with shadow banking entities (indirect regulation);
 - Regulatory reform of money market funds (MMFs);
 - Regulation of other shadow banking entities;
 - Regulation of securitisation; and
 - **Regulation of activities related to securities lending/repos**, including possible measures on margins and haircuts



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Contacts

Thank you, Ladies and Gentlemen

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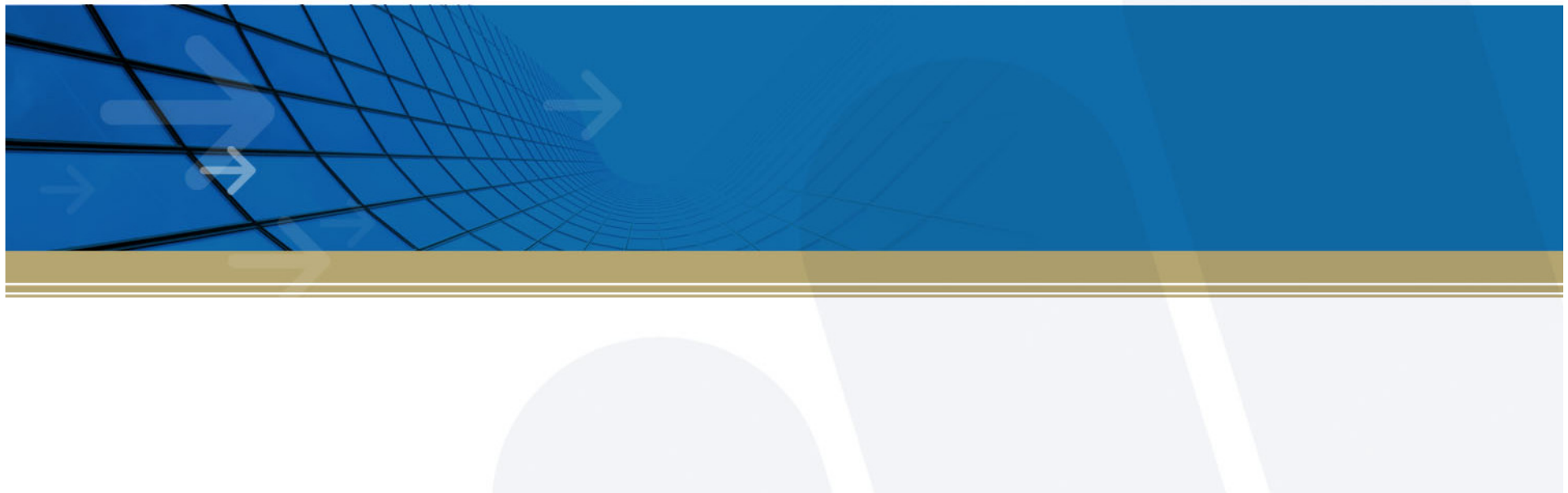


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European Repo Council

21st European repo market survey
conducted in June 2011





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Survey overview

- Outstanding value of contracts at close of business on Wednesday, 8th June 2011
- 59 responses from 55 groups



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Headline numbers

- **June 2011** **EUR 6,178 billion**
- December 2010 EUR 5,908 billion
- June 2010 EUR 6,979 billion
- December 2009 EUR 5,582 billion
- June 2009 EUR 4,868 billion
- December 2008 EUR 4,633 billion
- June 2008 EUR 6,504 billion
- December 2007 EUR 6,382 billion
- June 2007 EUR 6,775 billion
- December 2006 EUR 6,430 billion
- June 2006 EUR 6,019 billion
- December 2005 EUR 5,883 billion
- June 2005 EUR 5,319 billion
- December 2004 EUR 5,000 billion

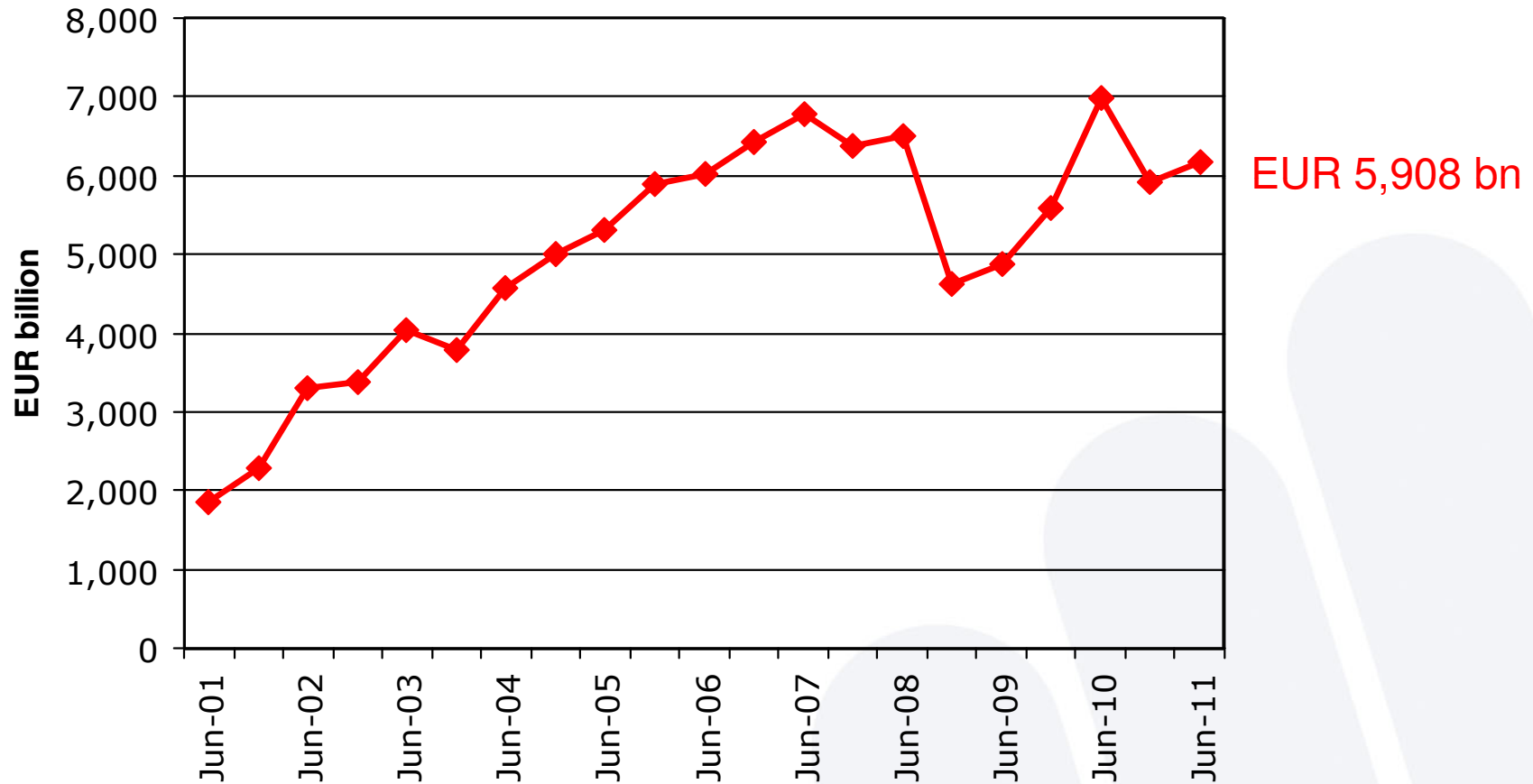


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Headline numbers

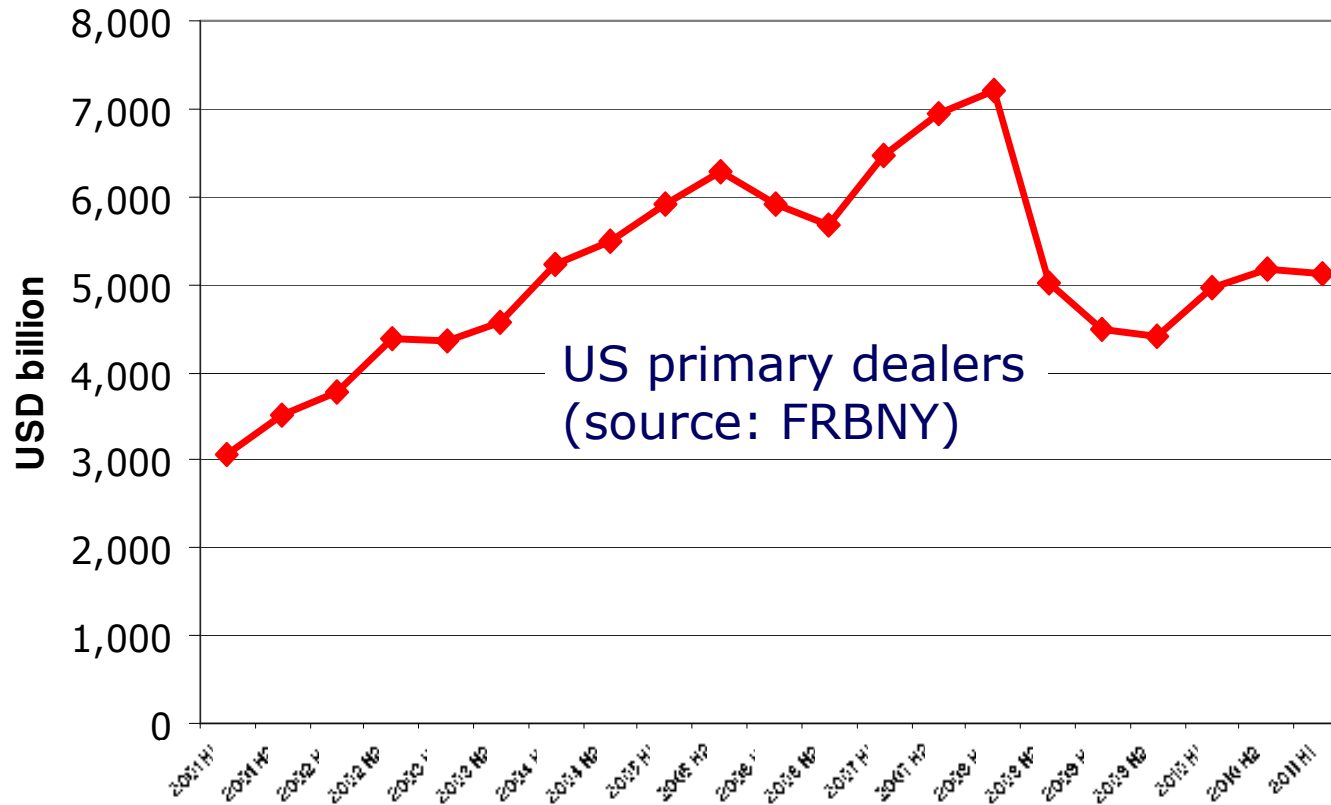




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US market



USD 5,135 bn



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Comparable market growth

- 49 respondents in last 3 surveys
 - +3.6% since December 2010
- 53 respondents in June 2010 and 2011 surveys
 - +10.2% year-on-year



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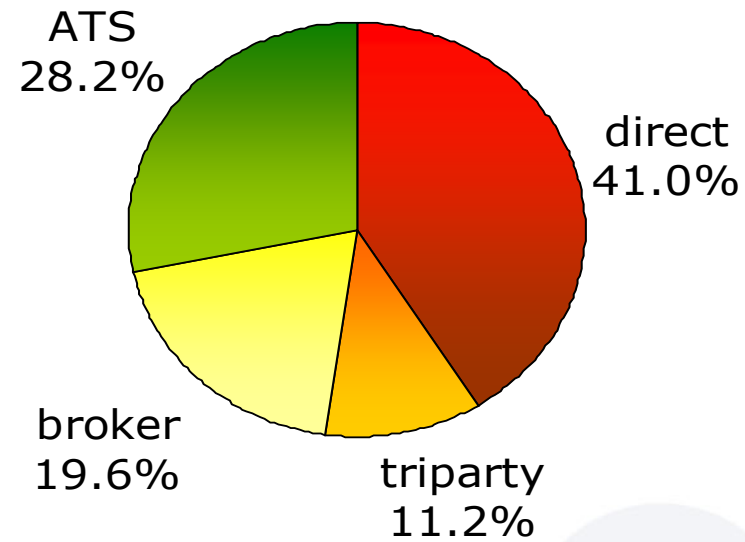
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Counterparty analysis



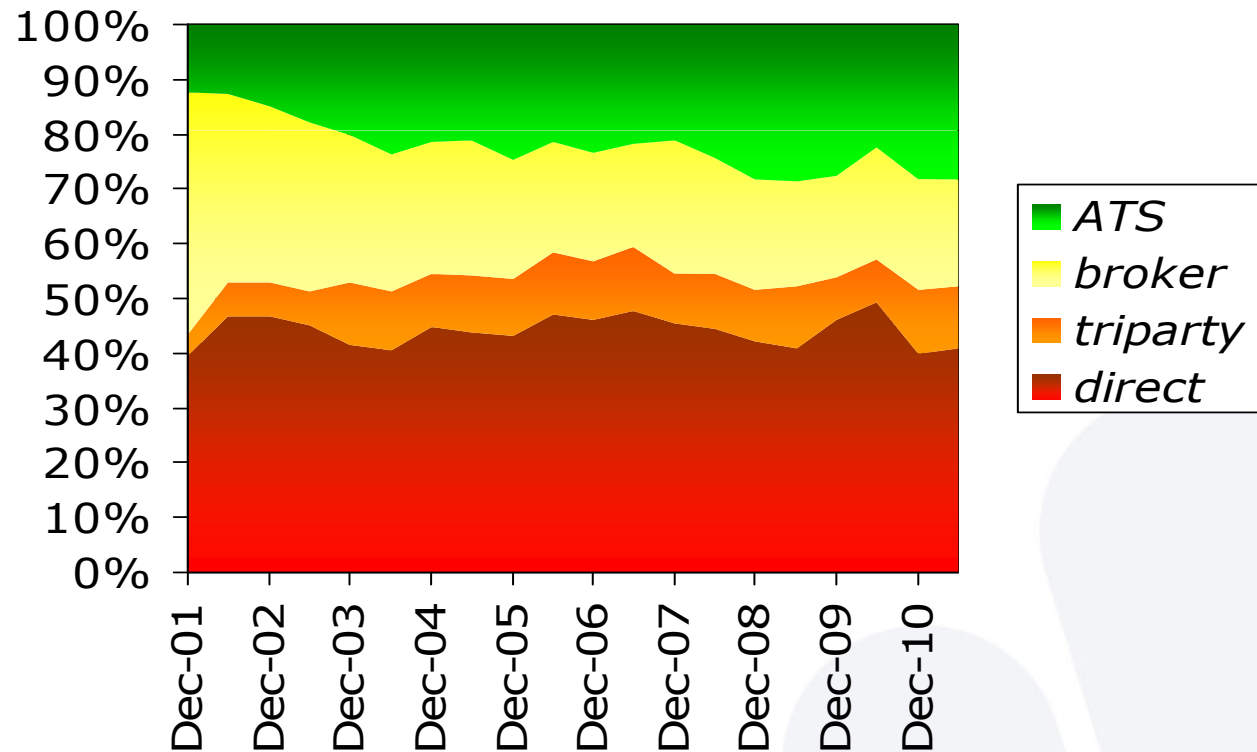


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Counterparty analysis



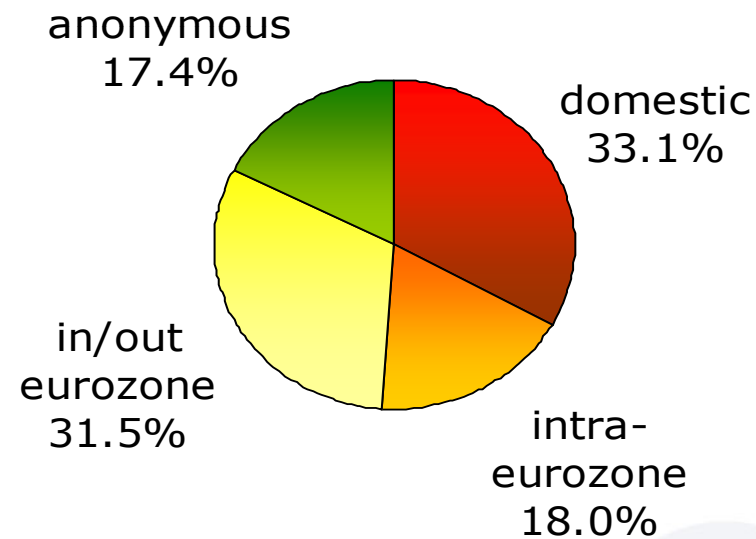


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Geographical analysis



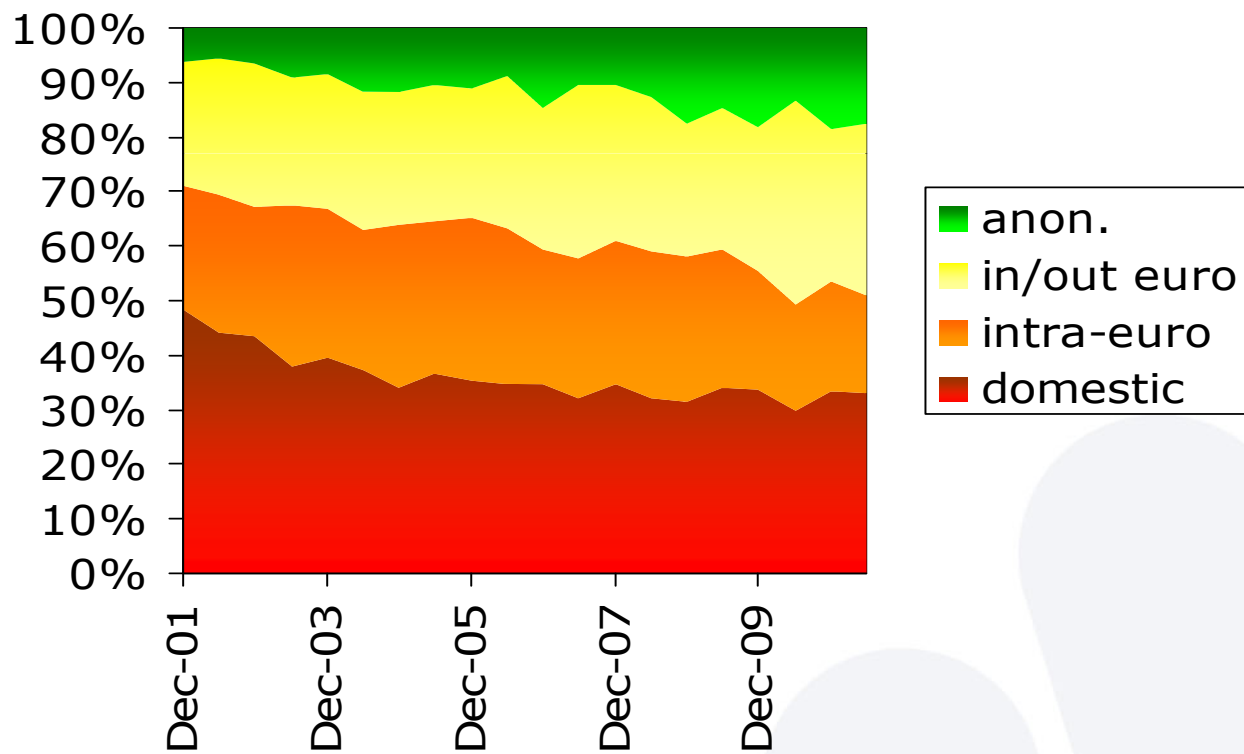


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Geographical analysis



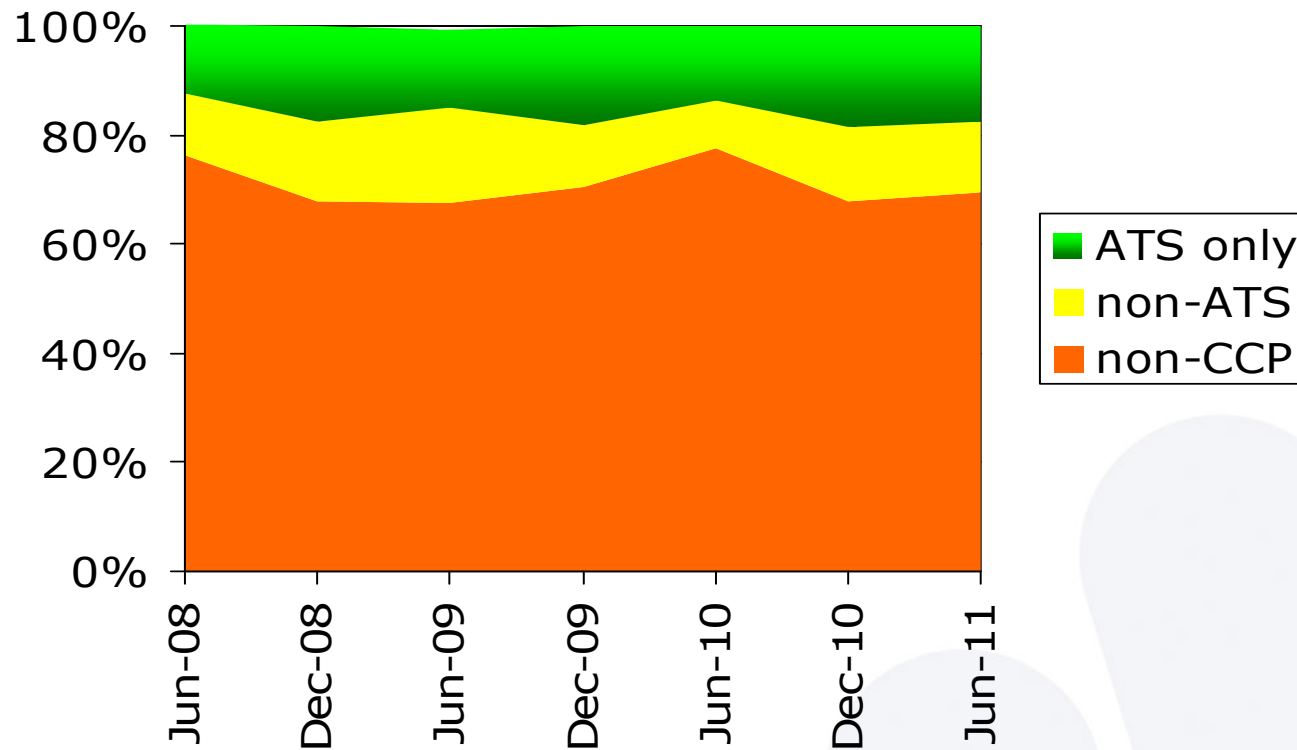


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Business cleared across CCP



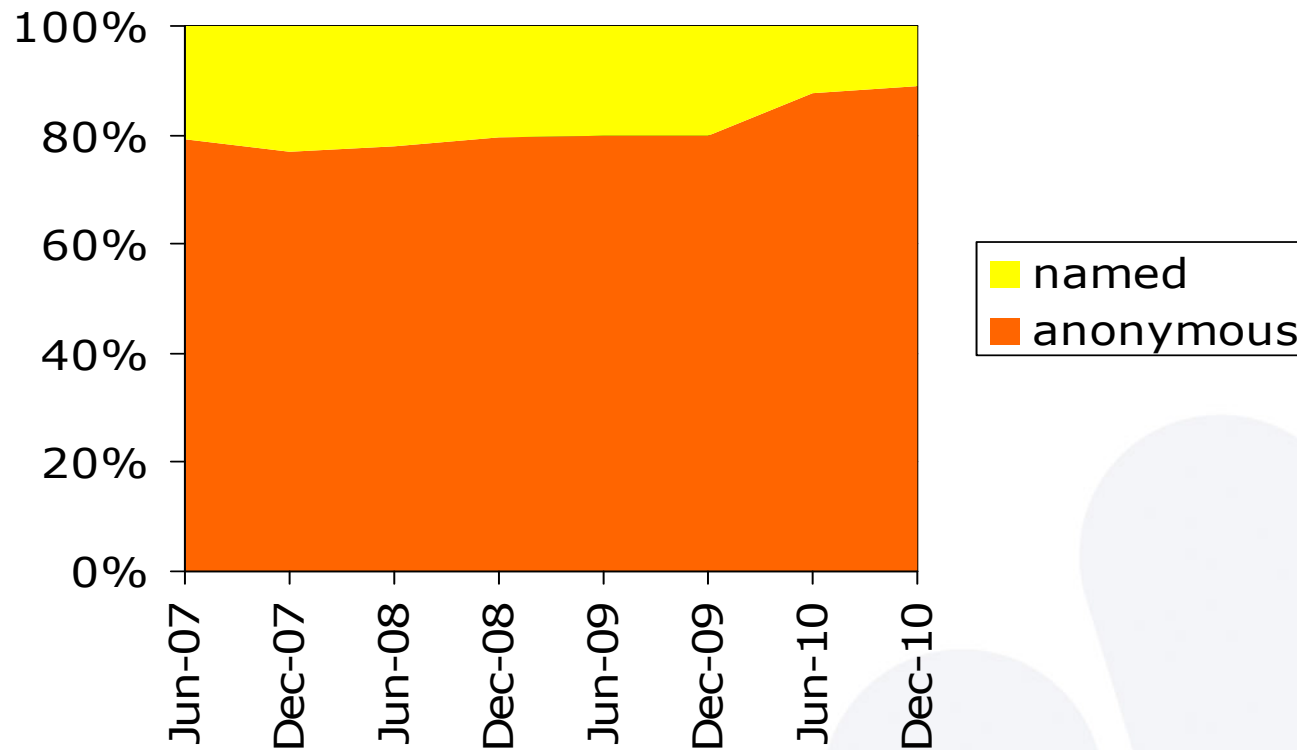


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Anonymous ATS business



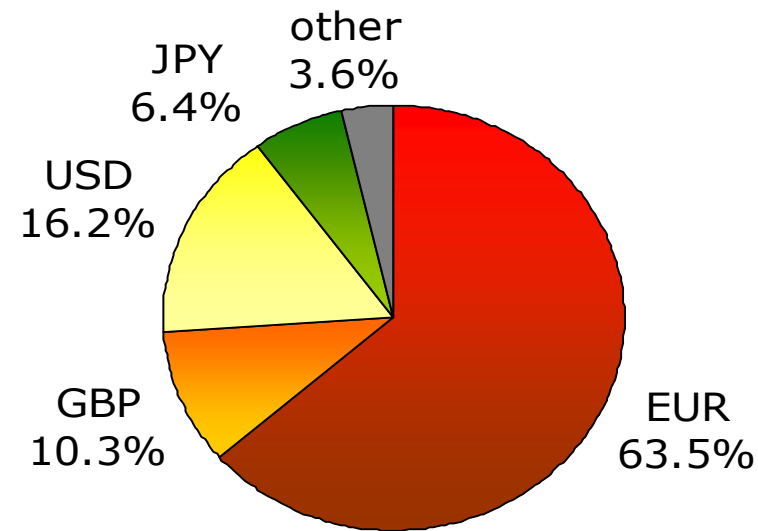


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Currency analysis



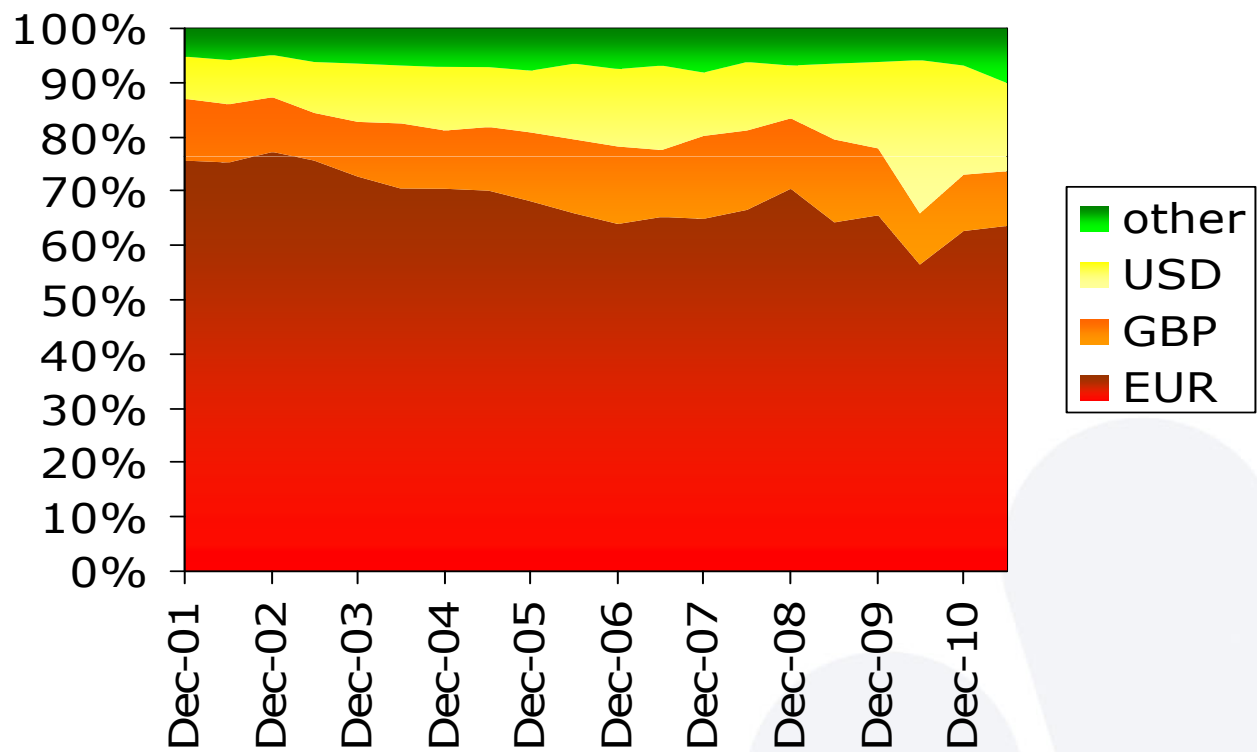


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Currency analysis



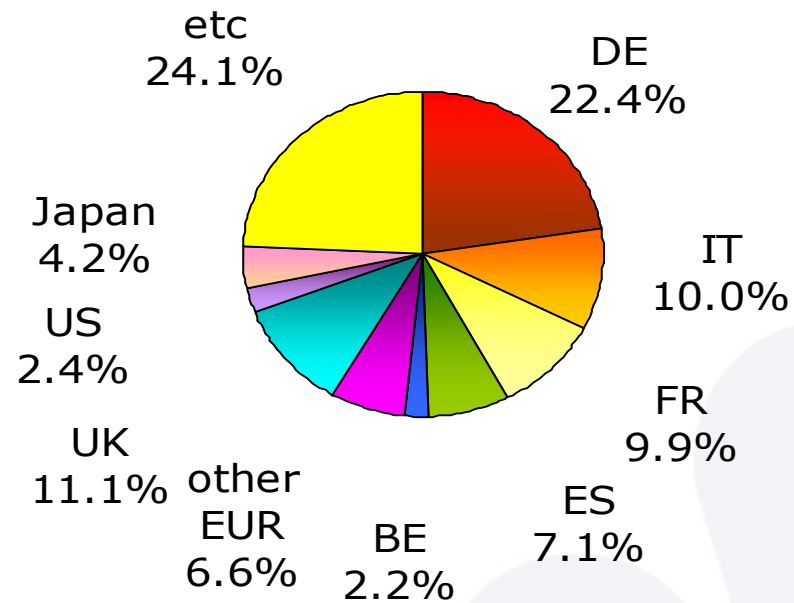


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Collateral analysis



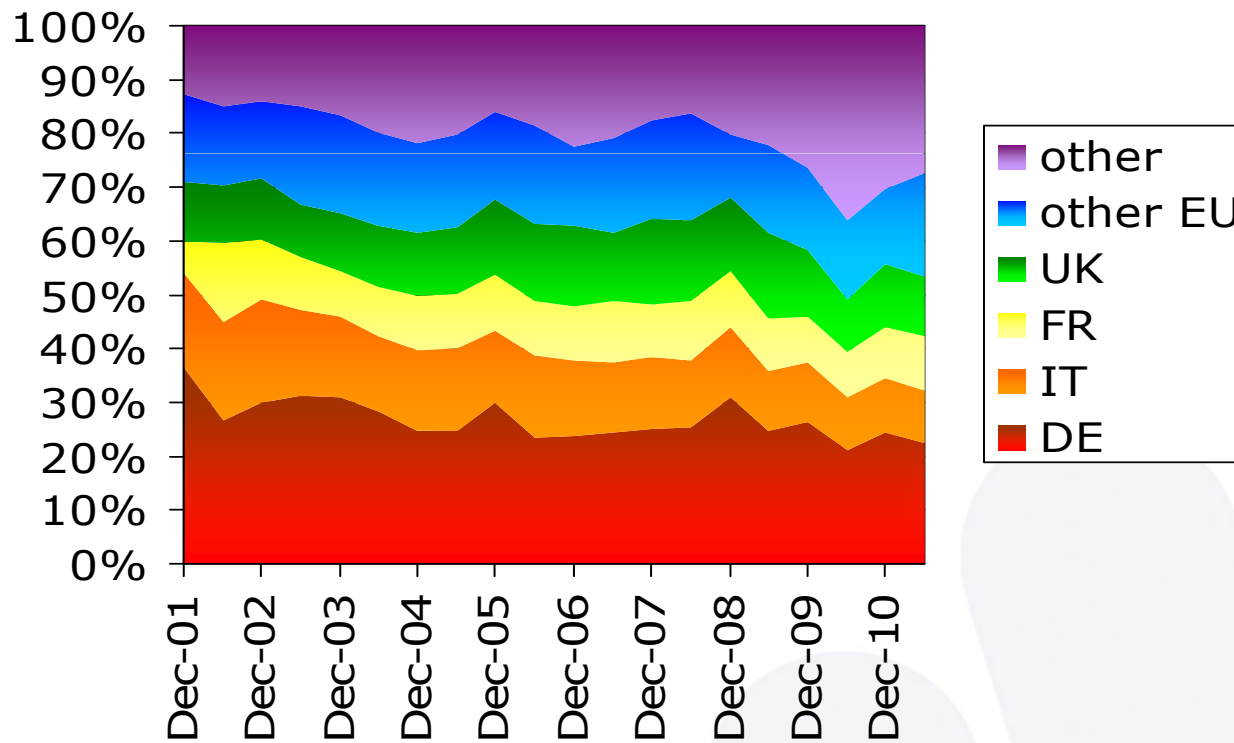


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Collateral analysis





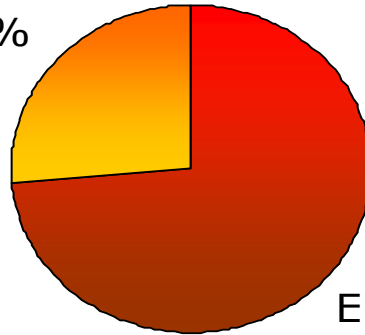
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21st European repo market survey conducted in June 2011

Collateral analysis

EU non-
govis
26.3%



EU govis
73.7%

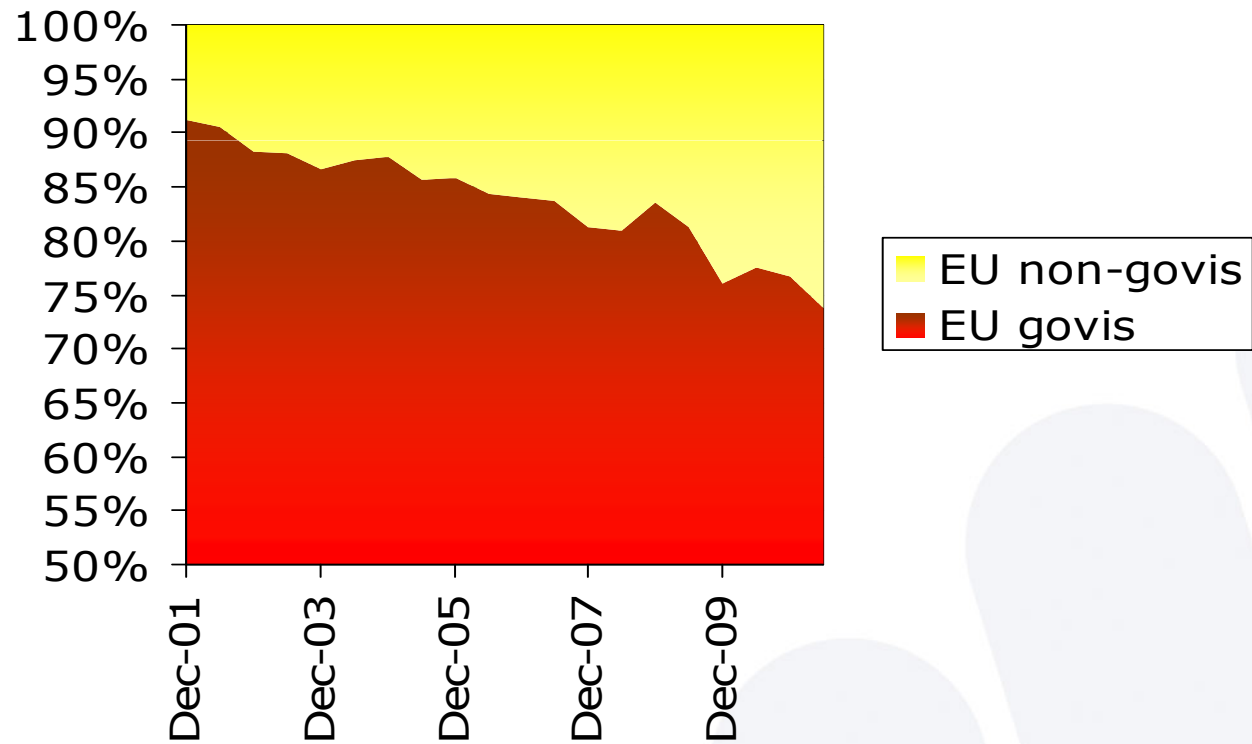


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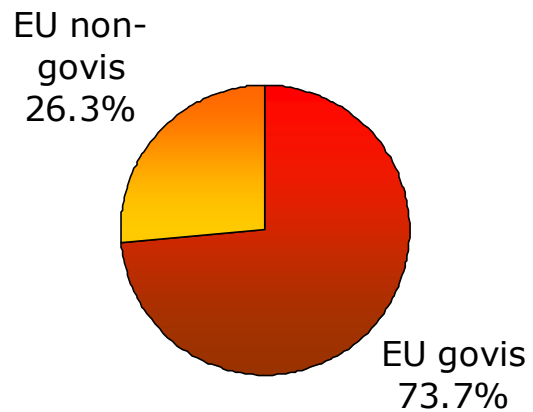
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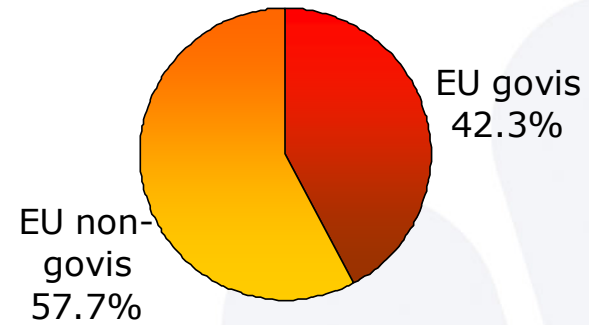
Collateral analysis



Collateral comparison



banks



tri-party

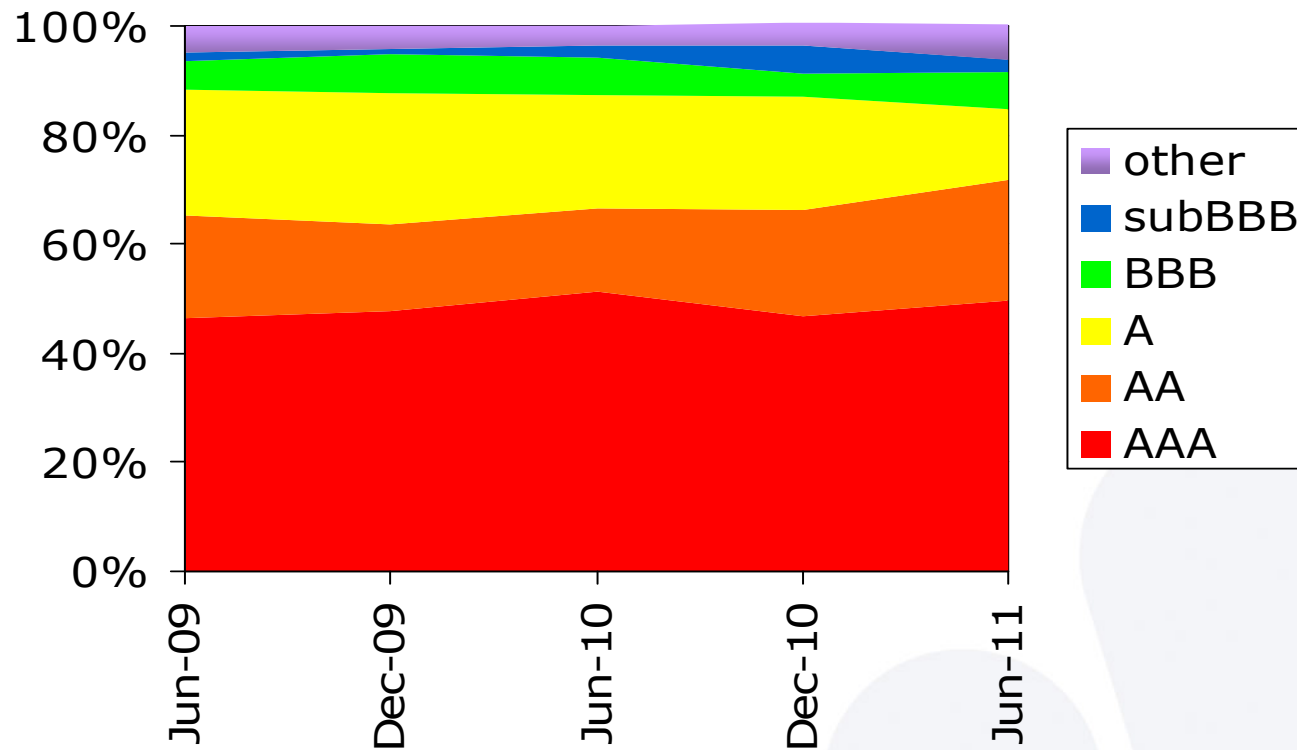


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Collateral analysis (tri-party)



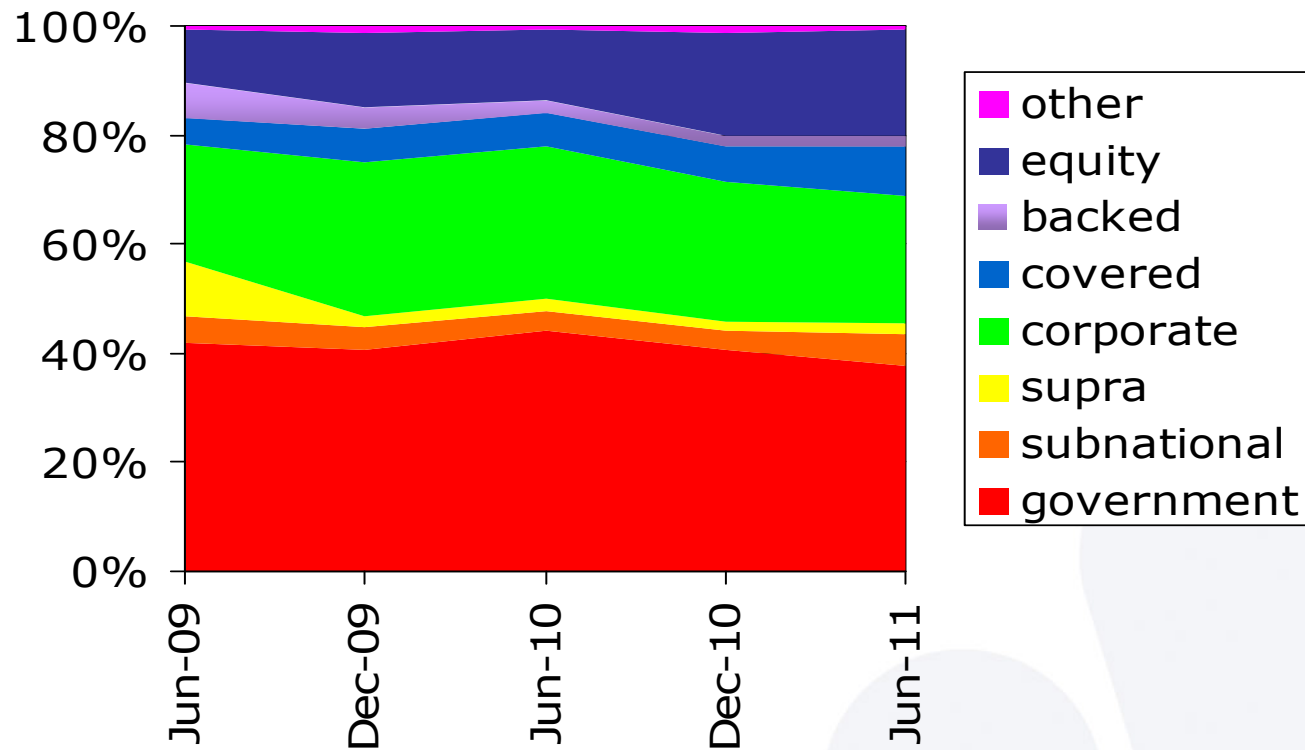


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Collateral analysis (tri-party)



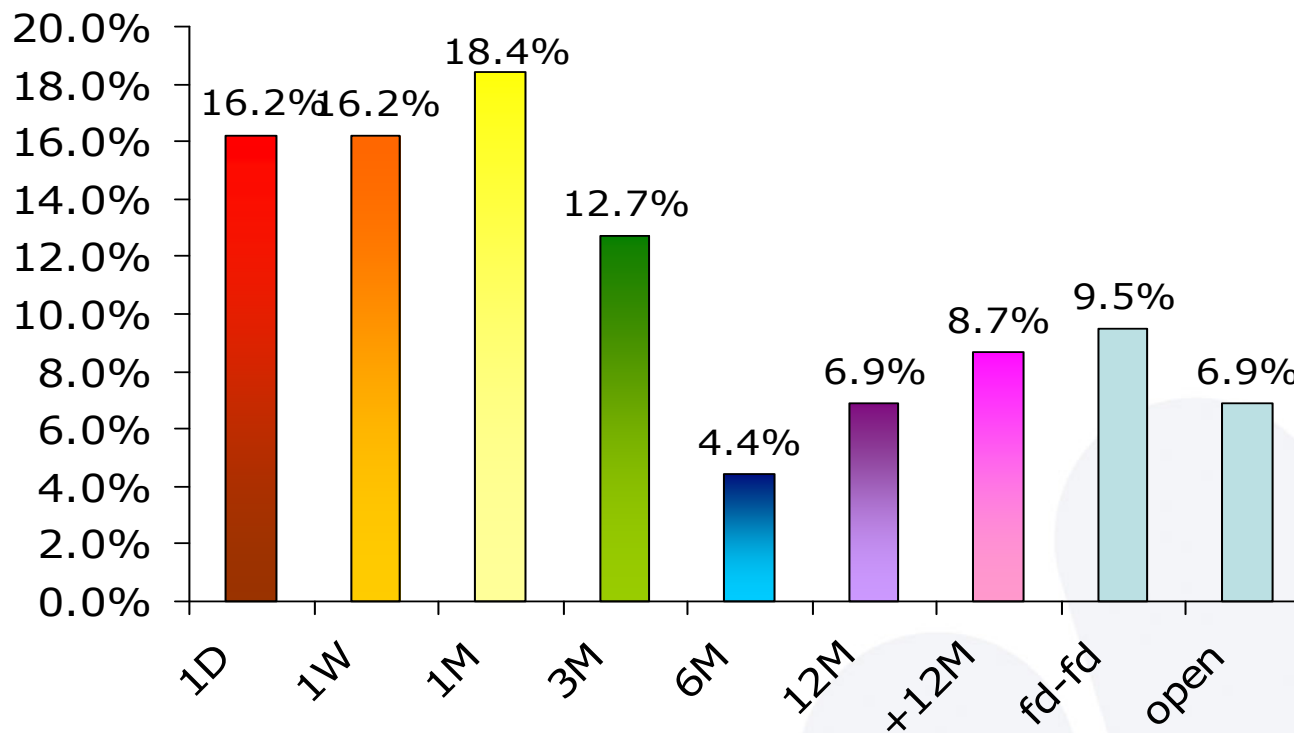


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Maturity analysis



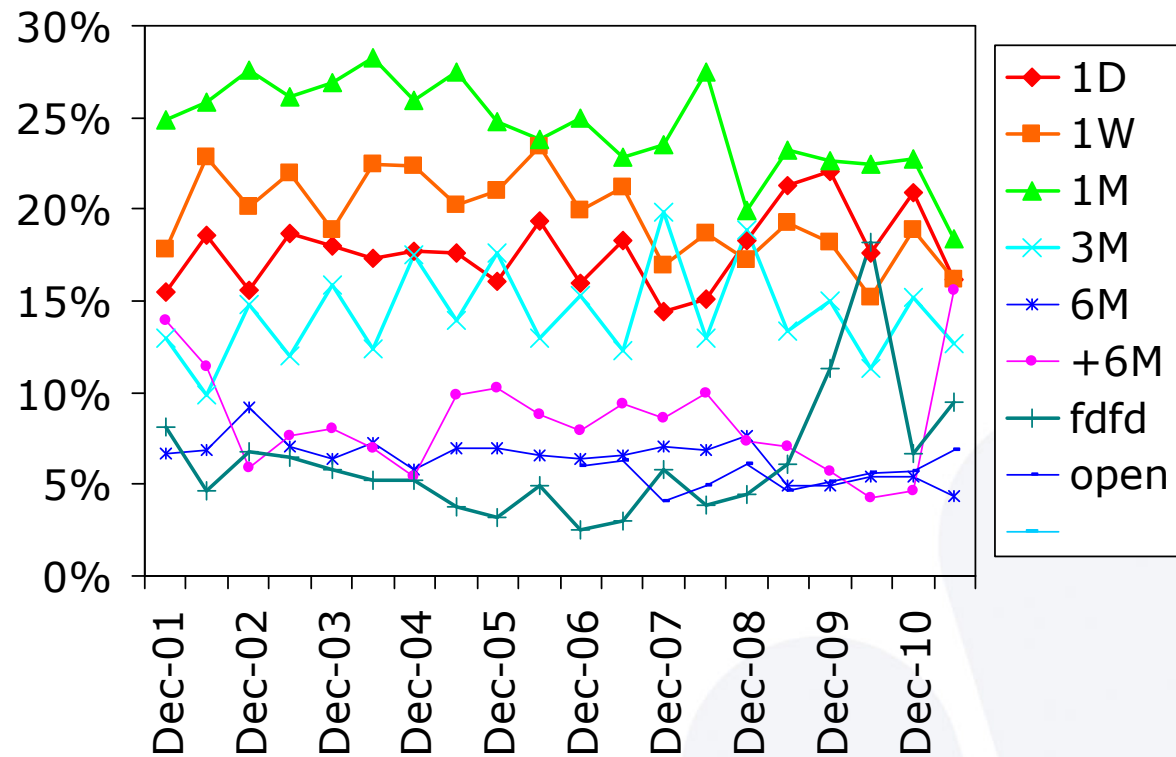


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21st European repo market survey conducted in June 2011

Maturity analysis



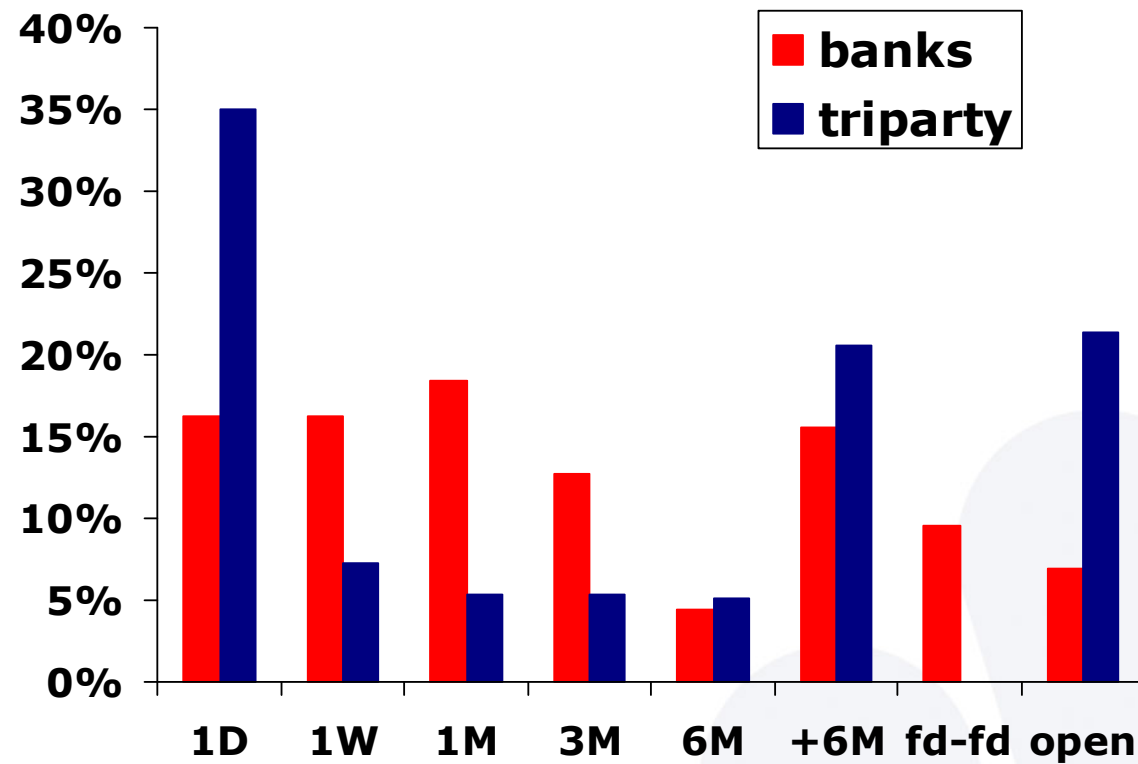


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Maturity comparison



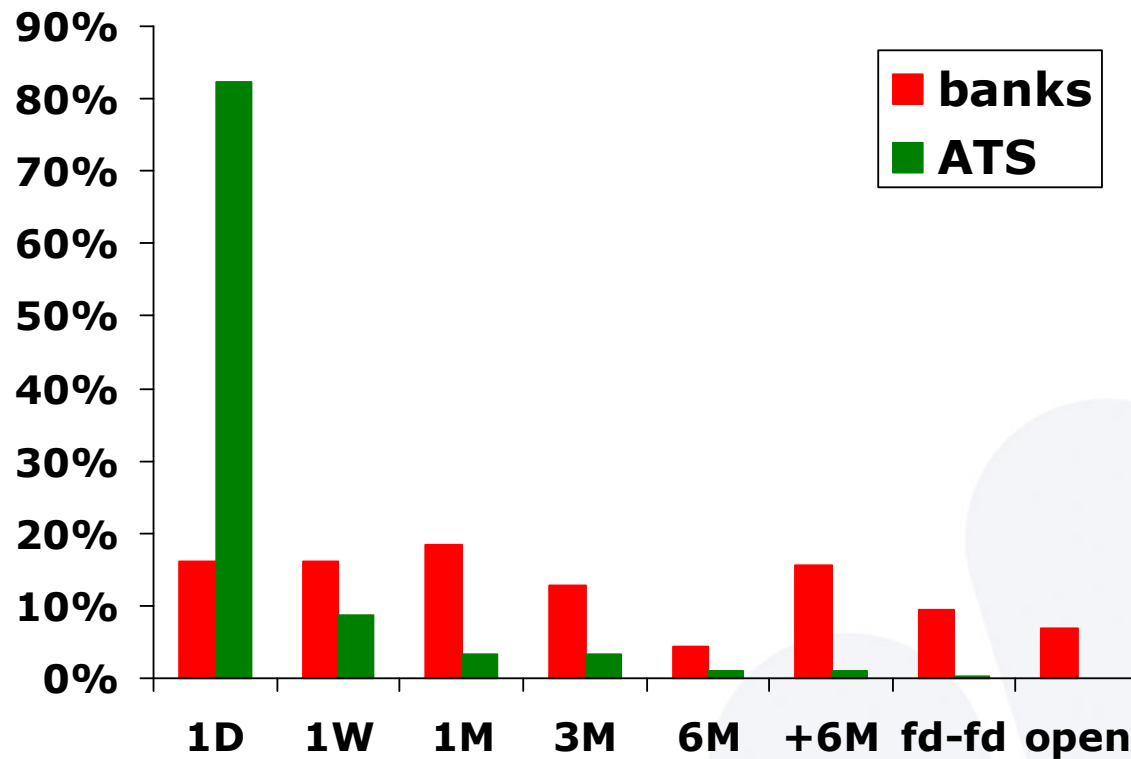


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21st European repo market survey conducted in June 2011

Maturity comparison



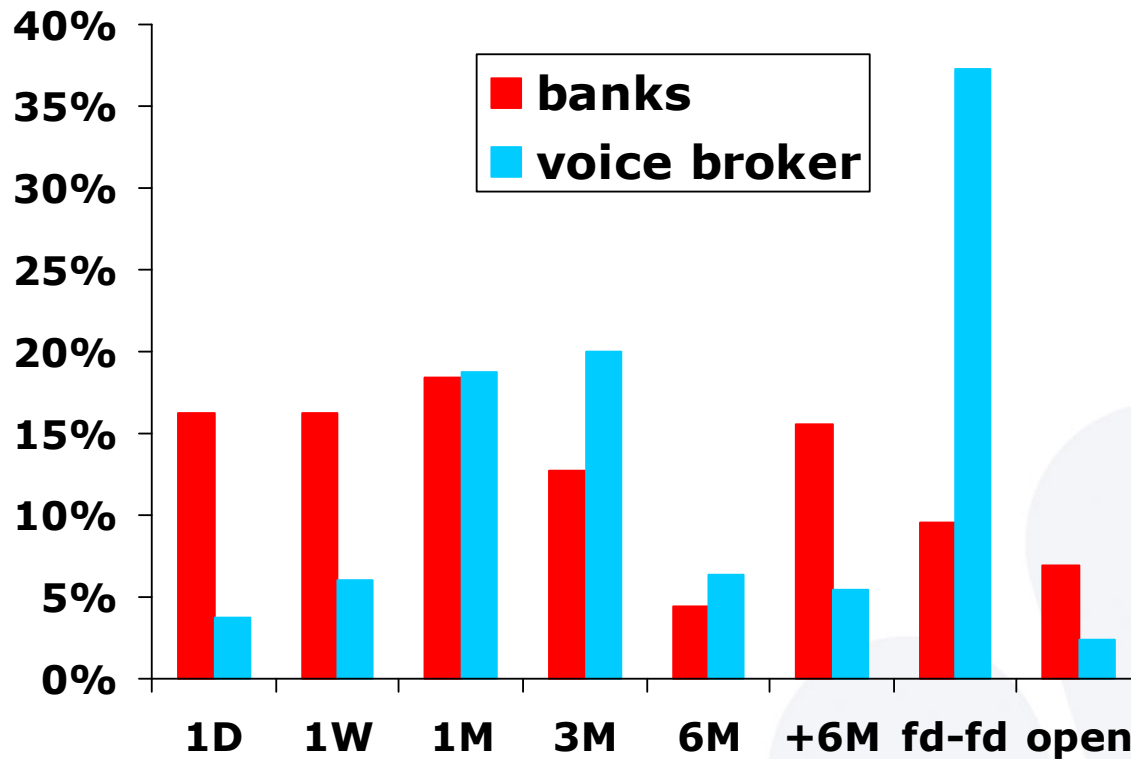


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21st European repo market survey conducted in June 2011

Maturity comparison



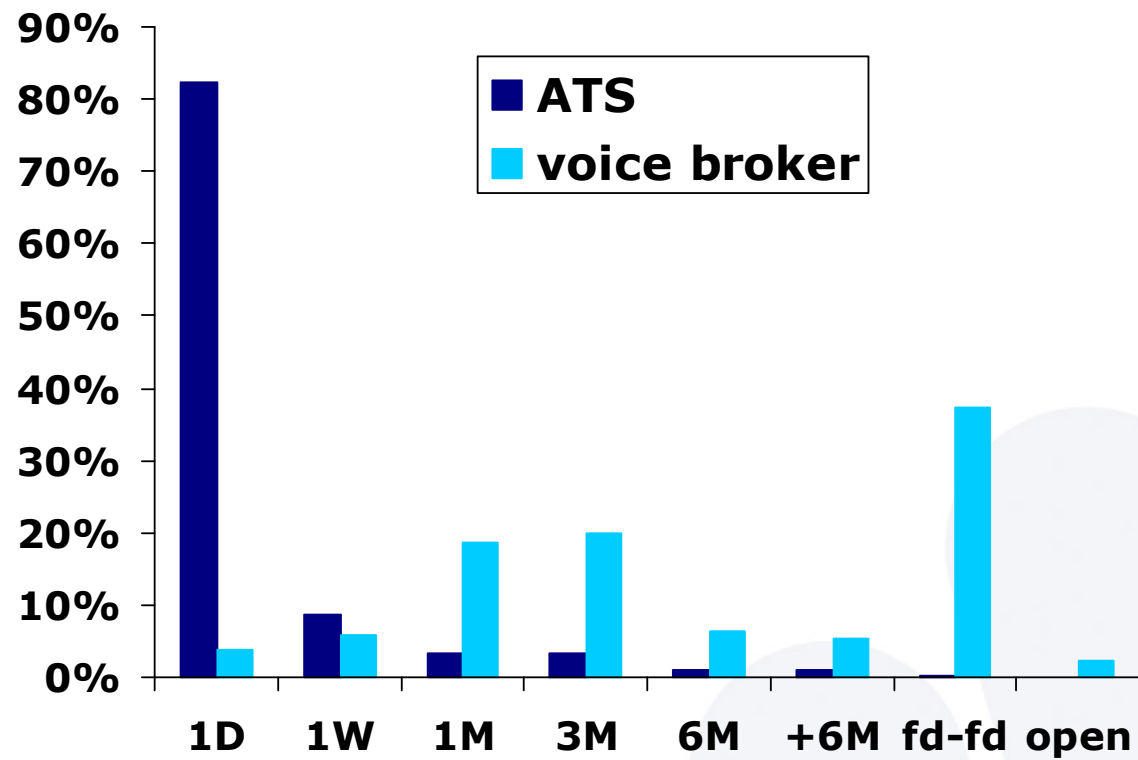


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21st European repo market survey conducted in June 2011

Maturity comparison



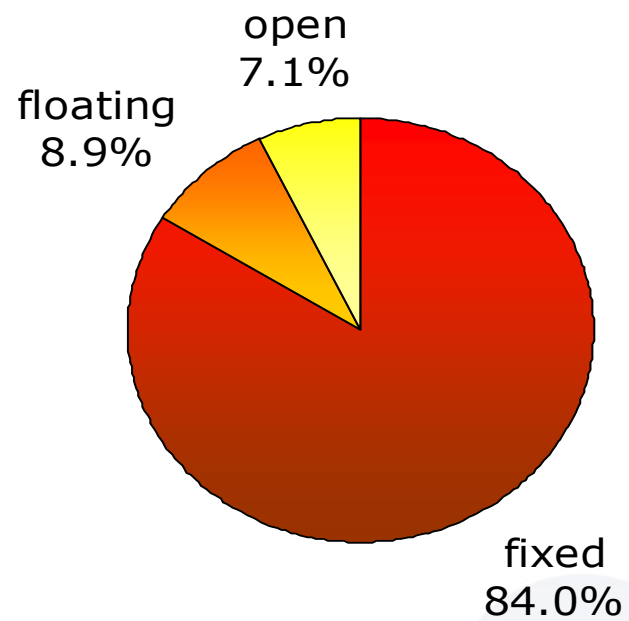


ICMA

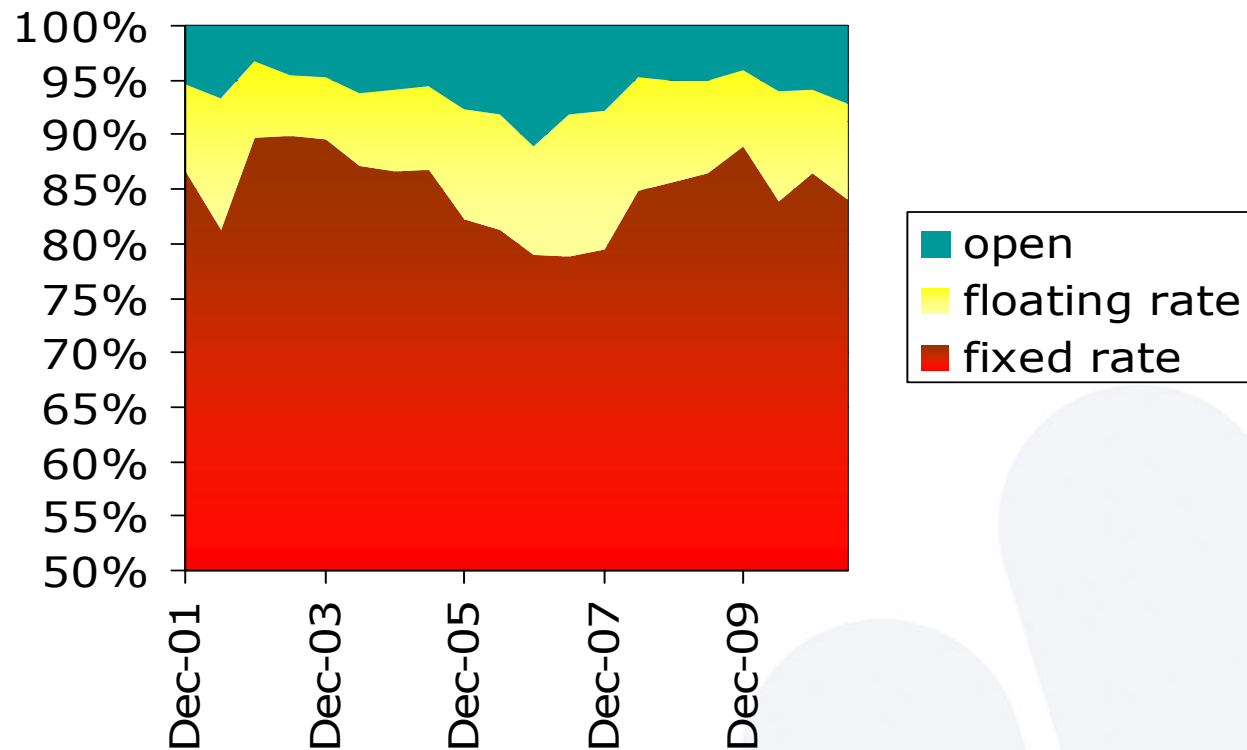
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Rate analysis



Rate analysis





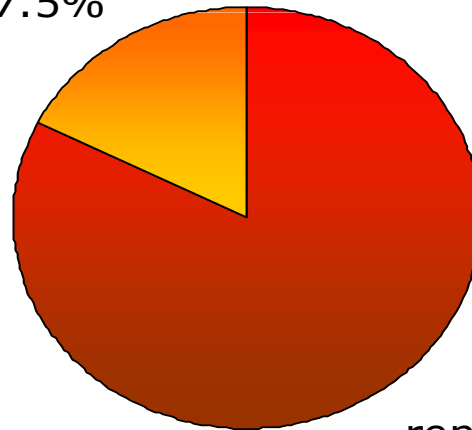
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Product analysis

lending
17.5%



repo
82.5%



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Next survey

Wednesday, 7th December 2011





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Any other business





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Next meeting

An ERC Annual general meeting will be hosted by Clearstream on the 18 January 2012 in Luxembourg

