International
Capital
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Association

ICMA

EUROPEAN REPO COUNCIL

Minutes of the Annual General Meeting of the ICMA European Repo Council held on March 11, 2011, in London

Location: The Great Hall, 60 Victoria Embankment, London, hosted by JP Morgan in the context of the Annual Securities Financial and Collateral Management Conference
Time: 9:30 am – 12:00 pm

Presenting:

Mr. Godfried De Vidts (ERC Chairman), ICAP Securities plc, London
Ms. Lisa Cleary, ICMA, Zurich
Mr. David Hiscock, ICMA, London
Ms. Lalitha Colaco-Henry, (ERC Secretary), ICMA, London
Mr. Nicholas Hamilton (ERC Ops Deputy Chairman), JP Morgan Securities Ltd.
Mr. Richard Comotto, ICMA Centre

The following member firms were represented at the meeting:

ABN AMRO N.V., Amsterdam
Banco Bilbao Vizcaya Argentaria, S.A., Madrid
Banco Santander, S.A., Madrid
Barclays Capital Securities Limited, London
BNP Paribas, Paris
Caja de Madrid, Madrid
Citigroup Global Markets Limited, London
Commerzbank Aktiengesellschaft, Frankfurt
Commonwealth Bank of Australia, Sydney
Confederación Española de Cajas de Ahorros (CECA), Madrid
Credit Suisse Securities (Europe) Limited, London
Daiwa Capital Markets Europe Limited, London
Deutsche Bank AG, Frankfurt
Dexia Bank Belgium NV/SA, Brussels
DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt
EuroMTS Limited, London
GESMOSA-GBI, Agencia de Valores, S.A., Madrid
HSBC Bank plc, London
HSBC France, Paris
ICAP Securities Limited, London
ING Bank N.V., Amsterdam

IntesaSanpaolo S.p.A, Milan
J.P. Morgan Securities Limited, London
Jefferies International Limited, London
Landesbank Baden-Württemberg, Stuttgart
Lloyds TSB Bank plc, London
Merrill Lynch International (trading as Bank of America Merrill Lynch), London
Mizuho International plc, London
Morgan Stanley & Co. International PLC, London
Nomura International plc, London
Société Générale S.A., Paris
Tradeweb Europe Limited
UBS AG, London Branch, London

The following member firms were not represented at the meeting:

Aurel BGC, Paris
Banca IMI S.p.A., Milan
Bank Julius Bär & Co. AG, Zurich
Bank of Scotland plc, London
Banque et Caisse d'Epargne de l'Etat, Luxembourg
Bayerische Landesbank, Munich
Caja de Ahorros y Pensiones de Barcelona (La Caixa), Barcelona
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London branch
Crédit Agricole Corporate and Investment Bank, Paris
Danske Bank A/S, Copenhagen
Eurex Repo GmbH, Frankfurt
Fortis Bank, Brussels
Goldman Sachs International, London
ING Belgium SA/NV, Brussels
KBC Bank N.V., Brussels
Kredietbank SA LuxembourgeoiseKBL European Private Bankers S.A., Luxembourg
MF Global UK Limited, London
Mitsubishi UFJ Securities International plc, London
Monte dei Paschi di Siena Capital Services Banca per le Imprese S.p.A., Siena
National Australia Bank, London
National Bank of Greece S.A., Athens
NATIXIS, Paris
NIBC Bank N.V., The Hague
Norddeutsche Landesbank Luxembourg SA, Luxembourg
Nordea Bank Danmark A/S, Copenhagen
Raiffeisen Zentralbank Österreich AG, Vienna
Royal Bank of Canada Europe Limited, London
The Royal Bank of Scotland plc, London

UniCredit Bank AG, Munich
UniCredit Bank Austria AG, Vienna
WestLB AG, Düsseldorf

1. Welcome by Martin Scheck, Chief Executive, ICMA

Mr. Scheck welcomed the delegates to the AGM and noted that the packed room was illustrative of the important role of the ERC Council and ERC Committee and the operation of the debt capital markets as a whole. He noted that ICMA's mission is three-fold – to improve market efficiency, to set internationally accepted standards of market practice and to liaise closely with governments, regulators, central banks and stock exchanges, both at national and international levels. ICMA is also committed to the harmonisation of standard documentation and the review of the GMRA 2000 is integral to this commitment, to ensure that the Agreement retains its pre-eminent position as the foremost agreement for documenting cross-border repo transactions. A GMRA Working Group was set up and ICMA is very grateful to the members of that Working Group for all their hard work. The Working Group considered the lessons learnt from the financial crisis, the amendments that have been made to other Master Agreements such as the GMSLA, feedback from the market and the recommendations of the European Financial Markets Lawyers Group. Lisa Cleary will take you through the revisions to the Agreement as well as the 2011 legal opinion exercise. The GRMA 2011 is likely to be published early next month.

Mr. Scheck also extended his thanks to the ERC Ops group which focuses on market infrastructure issues, which form a critical part of ICMA's work. He also thanked Richard Comotto and noted that the results of the 20th bi-annual survey were being presented later in the meeting.

Mr. Scheck also emphasised that ICMA works with a number of Councils and Committees which focus on all aspects of the debt capital markets. For example, the Regulatory Policy Committee, chaired by Robert Gray, looks at providing comprehensive and cohesive responses to consultation papers and to regulators. Additionally, the Primary Markets Practices Committee, the Legal and Documentation Committee and the Issuer Forum focus on primary market issuance. The Primary Market Practices Committee consists of the syndication managers of member firms active in arranging syndicated bond issues in Europe and is concerned with market practice in the primary market. The Legal and Documentation Committee consists of the heads and senior members of the legal transaction management teams of member firms active in lead-managing syndicated bond issues in Europe and is concerned with documentation including the ICMA Primary Market Handbook (formerly known as the IPMA Handbook) and regulatory changes that affect documentation. The Issuer Forum brings together representatives of members' funding and treasury departments to discuss market practice and regulatory developments affecting debt issuance by financial institutions

ICMA is also looking to strengthen its Secondary Market Practices Committee to make sure that our Secondary Market Rules and Recommendations are as relevant as possible to members. To this end, ICMA is in the process of carrying out a review of the ICMA Secondary Market Rules and Recommendations to ensure that they are fit for purpose and properly reflect and support best market practice. MiFID is also a major work-stream and ICMA has been working with other trade associations to ensure there is no duplication of effort.

There has also been a considerable amount of work that ICMA is doing in relation to sovereign bond markets. This has included a consultation with members on ICMA's Sovereign Bond Consultation Paper. Responses to that paper identified two key issues – the need for improved transparency of the terms and conditions of sovereign bond issues, especially those issued by way of an auction process (as opposed to syndication), and collective action clauses. On the latter point, the Eurogroup (the finance ministers of the Eurozone) recently decided to include Collective Action Clauses (CACs) in all Eurozone sovereign debt issues starting mid-2013. Accordingly, ICMA are preparing a revised working draft of the Collective Action Clause in the ICMA Primary Market Handbook.

On the buy-side of the market ICMA is continuing to build up the Asset Management and Investors Council (AMIC), chaired by Bob Parker of Credit Suisse Asset Management. AMIC is a forum where ICMA's buy-side members can discus asset management issues of common interest in order to reach a consensus on market-led initiatives, market practice guidelines and responding to consultation papers from regulators. The AMIC has recently been looking at Credit Rating Agencies and is of the view that reforms need to be well conceived in order to maintain the public-good aspects of credit ratings and to avoid unintended consequences such as increased costs and reduced access to capital markets. The AMIC has also been looking at corporate governance issues and Level Two of the Alternative Investment Fund Managers Directive, amongst other things.

ICMA has also recently moved to new premises in London which has given us the opportunity to host seminars, roundtables and other events for our members. Mr. Scheck urged delegates to look out for such invitations, especially as such events are free for Members.

In addition, ICMA has worked to ensure that the GRMA and GMSLA workshop was held more frequently to accommodate the demand. On education more broadly, the ICMA Centre at the University of Reading provides high quality ICMA Executive Education to Members and to the market at large. ICMA has recently revised its suite of courses on offer and 600 people took the courses last year, up from 400 the year before.

Finally, on membership, Mr. Scheck noted that ICMA has 62 new members which has boosted the total membership to over 400 firms. This emphasises one of the strengths of ICMA, which is its broad membership which, amongst other things, means that when ICMA talks with regulators it is clear that the Association has the broad support of the industry as opposed to merely representing a very narrow point of view.

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

The Chairman extended his sincere thanks to JP Morgan for hosting the annual general meeting in such a beautiful room. The Chairman also thanked the staff at ICMA given the volume of regulatory changes being proposed by Brussels.

Patrick Pearson, the head of the financial markets infrastructure unit at the European Commission had spoken at the last ERC general meeting in Amsterdam. He had referred to the ERC's White Paper of July 13th as a welcome initiative that identified a number of problems with the market infrastructure. Paul Bodart, in his capacity as co-chair of the harmonisation of settlement cycles working group, had also spoken at the Amsterdam meeting. David Hiscock would provide an update on the findings of the working group and the CSD consultation that ended two weeks ago. The

Chairman indicated that he wanted to flag a number of issues that the ERC Committee had been looking at so that the Council had a comprehensive idea of the various regulatory initiatives that will impact the market in the coming months and years.

The Eurosystem had recently organised a meeting on CCBM2 where one of the participants had noted a lack of education on repo markets. The Chairman expressed surprise as ERC had done much to set up repo seminars in most European capital cities as well as Moscow, Hong Kong, and Shanghai. Thanks also went to Richard Comotto for his efforts in this regard. The Chairman also asked for a sponsor to come forward for the next professional repo course.

The creation of two new European institutions was noted. The European Financial Stabilisation Mechanism (EFSM) is an emergency funding programme reliant upon funds raised in the financial markets and guaranteed by the European Commission using the budget of the European Union as collateral. It will have a total volume of up to 500 billion euros. Additionally, the European Financial Stability Facility (EFSF) will provide loans in conjunction with the IMF to cover the financing needs of euro area Member States in difficulty. Both the EFSM and the EFSF will play an important role in setting new types of collateral to be used for repo transactions.

The ERC has also been looking at the reform of Basle 3/CRD IV regarding the use of collateral. Initially, only 100% of government bonds had been envisaged. However, Mario Nava, who is responsible for the European Commission's work regarding the reform of the CRD, has now said that Europe has obtained a deviation where 40% of the liquidity buffer can be made up of corporate collateral. This is a step in the right direction but the ERC's preference is that the liquidity buffer be expanded to equities and also to gold. Regarding the latter, the ERC has endorsed a letter from the World Gold Council to consider gold as collateral. The Chairman went on to state that he understood that there are only a few years left before this window of opportunity to increase the types of collateral will close, so the ERC will remain vigilant and ask for a wider basket before 2018.

The Expert Group on Market Infrastructures (EGMI), chaired by Patrick Pearson has now had three meetings. The objective of EGMI is to contribute to the development of an efficient, safe and sound European post-trade market. The Chairman had been asked to chair a working group looking at collateral. The various working groups presented their findings at the last EGMI meeting, at which time the Commission also presented a draft framework paper. Since that meeting, industry participants have taken steps to clarify the purpose of this work and will engage actively to ensure that it is clear what the supposed outcome of this work is to be as it is looking increasingly likely that a further regulatory initiative is envisaged. Note that a conference will be organised later this year by the Commission where policy steps and the long term future of the post trade area will be discussed.

In December, Eduard Cia and the Chairman represented the ERC at the annual conference of the Russian National Securities Market Association (NSMA). This annual event is supported by the banking community and the Russian Central bank and great progress has been made in developing the legal framework for repo in Russia. Ms. Cleary will report further on this. The first repo survey from Russia is also included at the end of our 20th repo survey.

The European Central Bank's regular COGESI meeting also contributes to initiatives that should improve the stability of repo markets. The COGESI addresses issues and developments which are relevant for the euro securities settlement industry and which are of common interest for the Eurosystem, market infrastructures and market participants. The last meeting of the COGESI discussed the final report prepared by the CPSS on "Strengthening repo market infrastructures". CCBM2 is also now on track to deliver a comprehensive and easy to use collateral central bank management that will bring efficiencies to all. The last COGESI meeting also discussed the forthcoming CPSS IOSCO standards for CCPs in light of the derivatives work undertaken. Minutes of these meetings are posted on the ECB website and delegates were urged to review them periodically.

The ERC Committee also had an ad hoc meeting with the ECB in Frankfurt where various issues of interest were discussed. This meeting should help both the private and official sector in understanding the needs of the market. The Chairman also noted that Tony Baldwin was the ERC's representative to the permanent meetings hosted by the Bank of England in the SLRC.

At the last Council meeting, Tony Platt, chair of ERC Ops Group, called for more participation from ERC Council firms. The Chairman was pleased to report that more banks have come forward but more active membership is still needed. There are a large number of projects underway on which the ERC Ops will need to advise the ERC Committee. To help the chair of the ERC Ops Group, a deputy chair – Nicholas Hamilton - has been elected.

The ERC Committee had also had a presentation on the New MIC, the Italian initiative initially supported by the Bank of Italy in the light of the crisis that has now been reformed as a fully private structure. The Committee had also been given a presentation on the use of funds as collateral, given by Clearstream in January.

3. Approval of the minutes of the ERC Meeting held on Wednesday, 27th October 2010 in Amsterdam

The Chairman asked if there were any comments on the minutes of the last Council meeting held on October 27th, 2010 in Amsterdam. No comments were raised and the minutes were unanimously approved.

4. Update on legal framework

Ms. Lisa Cleary said that just over a year ago ICMA's ERC committee had put together a working group to consider whether it was necessary to update the 2000 version of the Global Master Repurchase Agreement (GMRA), the market standard agreement for documenting cross border repo. The working group was made up of market practitioners and legal and documentation colleagues from within Member firms. The working group was also kindly assisted by Michael Raffan from Freshfields Bruckhaus Deringer and Habib Motani from Clifford Chance. The group also worked closely with SIFMA's MRA review working group and kept the European Financial Market Lawyers Group (EFMLG) informed of its discussions. In its coordination of the review process, ICMA had proactively reached out to the market in order to ensure that the result was a revised agreement which satisfied the requirements of its users and could withstand increasingly challenging market conditions.

The working group worked tirelessly to consider a vast range of issues as part of its review of the GMRA, including but not limited to:

- The default process in the post Lehman environment;
- Calls for harmonisation across master agreements;
- Changing insolvency/ bankruptcy regimes; and
- Changing repo market practices.

Ms. Cleary thanked all of those who were involved in the review process. She also noted that the finalised text of the GMRA 2011 would be published alongside the 2011 ICMA GMRA legal opinion updates next month.

One of the main catalysts for undertaking a review of the GMRA was the Lehman default experience, giving rise to a focus on paragraph 10 of the agreement - the default provisions. Paragraph 10 has been the subject of a number of key changes. The first issue to be considered was when is an event of default deemed to have occurred? Under the GMRA 1995 and 2000 versions, except in the case of certain acts of insolvency (where default is automatic) the non-defaulting party has the discretion to decide whether these events are to be treated as events of default giving rise to termination of the agreement. In order for an event to be deemed an Event of Default, the non defaulting party must serve a Default notice. It has the option to do so, but is not compelled to do so. The GMRA 2011 alters the logic of this methodology and brings the agreement in line with the equivalent practice of the ISDA master agreement. That is to say that the occurrence of an event of default now results from a fact pattern, not from the serving of a default notice. The non defaulting party now triggers termination of the agreement by designating an early termination date, which, as with the former default notice, it has the option to do, but is not compelled to. The importance of this amendment is two-fold. Firstly, the harmonisation of the process for calling for early termination of an agreement with the ISDA master agreement creates efficiencies for users and should reduce confusion when closing out agreements across product types in times of market turmoil. Secondly, where parties have cross default clauses in their agreements with the defaulting party, there is increased clarity as to whether or not an Event of Default has occurred under the GMRA.

The working group also looked at expanding the Acts of Insolvency definition in paragraph 10. The definition of "Act of Insolvency" in the GMRA includes those events considered to be clear indications of a counterparty's inability to perform its obligations under an agreement of this type. These form part of the list of Events of Default which may trigger early termination of the agreement. In the GMRA 2011, we have added a new event to the list of Act of Insolvency events and also amended the definition of other types of Act of Insolvency events, in order to ensure that the drafting adequately covers all relevant indications of insolvency. The new Act of Insolvency event relates to the carrying out of enforcement measures in relation to all, or substantially all assets of a party. It is an act of insolvency event currently found within the ISDA master agreement and therefore further harmonises the GMRA with the latter. As with the previous change, the benefit of this amendment is increased clarity in terms of the definition of Act of Insolvency, as well as efficiencies in relation to taking a coordinated approach upon the occurrence of an insolvency-related event across master agreements.

The working group also considered default valuation time. On default, the GMRA 2000 allows the non defaulting party to calculate the close out amount by reference to actual sale or purchase prices or, if they so choose, the market value of the securities, in either case, at any time during the 5 dealing days following the occurrence of the event of default. The GMRA 2011 affords more flexibility as to the timing of such calculation, providing that the default market value of any equivalent securities of equivalent margin securities shall be determined by the non defaulting party on or as soon as reasonably practicable after the early termination date. In times of market turmoil, the extra flexibility this approach affords will be invaluable to the orderly liquidation and/or valuation of positions.

Margin percentage was also one of the issues considered by the working group. The concept of margin percentage has been introduced to the GMRA 2011 to formalise the possibility for applying a haircut to margin securities. Such rate is agreed by the parties bilaterally, acting in a commercially reasonable manner and is applied when calculating the Market Value of Margin Securities for the purposes of margining. This change updates the agreement in respect of current market practice.

Ms. Cleary also noted that the GMRA 2000 defines the Spot Rate (foreign exchange conversation rate) as the relevant rate quoted by Barclays Bank PLC, unless otherwise agreed by the parties. The GMRA 2011 amends this definition and splits it into two. For the purposes of paragraph 10 (default valuation) the spot rate is obtained by reference to a pricing source or quoted by a bank, in each case, specified by the non-defaulting party at such dates and times determined by the non-defaulting party. This provides the non defaulting party with the appropriate flexibility to indicate the conversion rate used in a default scenario. For any other purpose, the spot rate is obtained by reference to a pricing source or quoted by a bank, in each case agreed by the parties, or absence such agreement, by the buyer.

The working group also considered margin maintenance and the cash equivalent amount. Under the GMRA 2000, where a party that has called for margin has previously delivered margin securities, it is entitled to have these returned. It can be deemed an event of default to fail to deliver such equivalent margin securities. The GMRA 2011 recognises that a party, having made all reasonable efforts to do so, may, for reasons relating to the securities or the clearing system through which the securities are to be transferred, be unable to deliver equivalent margin securities. The revised agreement provides a mechanism whereby a cash amount equal to the market value of the margin securities may be transferred as a substitute. If, after a period of two days, the failure is continuing, the receiving party may, by notice, require the transferor to pay a cash equivalent amount equal to the default market value of the equivalent margin securities. This amendment carefully balances the rights of the party calling for return of the securities with the party obliged to deliver the securities. There is no interest payable on the initial cash amount transferred so as to avoid unjust enrichment and it is the default market value of the securities which is used as basis for calculating the cash equivalent amount payable after the two day grace period.

The GMRA 2011 also introduces a set off clause to the agreement. This allows the non defaulting party to reduce any amount payable after closing out the agreement, by any amount owed under any other agreement between the parties. Once again this represents a point of harmonisation with the ISDA master agreement and an increased capacity to mitigate exposure under the agreement.

Ms. Clearly noted that the new GMRA 2011 is representative of a market driven process and ICMA will fully support initiatives to implement the revised documentation. She urged delegates to inform her of how ICMA might assist, in addition to current educational and training offerings and legal helpdesk.

On the issue of the update of the GMRA legal opinions, Ms. Cleary noted that ICMA continues to be the sole provider of industry standard opinions on the GMRA and as mentioned, this year's opinions will not only cover the GMRA 95 and 2000 but will also opine on the GMRA 2011. The 2011 legal opinion update will shortly conclude with updates of the 2010 legal opinions being obtained in over 60 jurisdictions. Of particular significance this year is the addition of an opinion for Russia. Recent amendments to Russian legislation have greatly improved the environment for repo and derivatives trading in this jurisdiction. Under new law, close out netting arrangements are now enforceable under certain conditions. ICMA has commissioned Freshfields, Moscow to produce an opinion on the GMRA, which will be made available alongside the legal opinion updates next month.

Mr. David St Clare Nelson of Machiavelli Consulting asked whether the GMRA 2011 would be circulated in draft form to the market for comment. Ms. Cleary indicated that a draft of the GMRA 2011 has already been circulated widely to the market and extensive comments have been received.

5. Credit Claims

Ms. Cleary noted that at the last council meeting, she had reported that the aim of the credit claims project was to add to the range of available collateral by establishing a system for repo-ing credit claims under the GMRA for day-to-day use by banks seeking to fund their business short term in the interbank markets. ICMA has completed a legal feasibility study which supports the development of this product under English and German law and is also closely following developments in French law in this context. Legally, the basic proposal is as follows: Once a loan is immobilised in the central clearing system, legal title to a loan will be transferred exclusively by means of matching 'buy' and 'sell' orders entered into the clearing system. Payments under the loan will be made through the clearing system which will hold the definitive evidence of legal title. The implementation of the above mentioned directives will ensure settlement finality in relation to credit claims and it remains important to monitor such implementation. The main points of nexus are that 'credit claims' will be treated as financial collateral so that repos of credit claims should benefit from the same protections as apply to repos of securities as title transfer collateral arrangements.

The legal foundations have been laid (so far as they can be at this stage) so this project now focuses on commercial and technical considerations. ICMA continues to actively liaise with the Loan Market Association on the commercial considerations (particularly from the perspective of the borrowing community), whilst the ICSDs consider the technical demands of the proposed legal framework. The ERC will be kept informed of all progress.

6. Elections to the European Repo Committee

The Chairman invited members of the European Repo Council to hand in their completed ballot forms. The results of the election are set out below (see minute of Agenda item 10).

7. Progress report on interoperability between triparty agents

The Chairman noted that the ERC had spent a considerable amount of time considering how to advance triparty interoperability. The ERC has now chosen a model which supports GC basket trading, cleared by the CCPs, in this particular case Eurex Clearing but not exclusively. This model, developed by Clearstream and Euroclear, has also been validated by the ERC Ops group, the CCPs and trading platforms. The ERC has determined that the model can work but with certain constraints. To avoid a reduction of the trading deadline, the ERC Ops Group has considered the creation of two types of baskets – the first would be a new interoperable basket which would be tradable until 14:00 CET. For this first interoperable basket, substitution would be permitted up to 14:00 CET. The second basket would comprise the existing €GC and GC Pooling non-interoperable baskets which would be tradable from 14:00 CET until 16:00 CET and settling in each CSD. While there will be different baskets, by connecting to two ICSDs, the market would also have a single liquidity pool until 14:00 CET for trading using the bridge. Ultimately, we need to get to a position where the bridge can be used up till 17:00 CET, but this will take time. In the meantime, taking this model forward will require investment from trading systems, CCPs and ICSDs as well as commitment from the market to participate. The ERC has been working with the two ICSDs to improve connectivity over the bridge for triparty; discussions have gone well.

The Chairman also noted that CCBM2 will bring great efficiency to the markets. At the moment collateral has to be repatriated and this requirement will cease with the implementation of CCBM2. The ERC has, for a long time, championed the use of triparty. It is promising to see that the CCBM2 project will incorporate tri-party. The repatriation requirements will be abolished and thus firms will be able to choose their CSD, irrespective of where the collateral is located, from 2013.

Finally, the Chairman noted that in August 2003 the CPSS published a paper "The role of central bank money in payment systems"[1] that made clear the central bank money and commercial bank money should connect efficiently. Further study will be commissioned by the ERC and the results of this work will be used in future discussions around this issue.

8. Regulatory Issues

Mr. Hiscock said that the proposed Basle 3 rules on capital and liquidity requirements had been published on December 16th. The proposed text details global regulatory standards on bank capital adequacy and liquidity and cover both micro-prudential and macro-prudential elements. There are two elements of note. First, the capital proposals include a global leverage standard ratio. Netting will be permitted in addition to repo but the starting point for measuring exposures will be the accounts and there will be no cross product netting.

Regarding liquidity, the proposed text includes provisions relating to the introduction of two global liquidity standards - the Liquidity Coverage Ratio and the Net Stable Funding Ratio. There had been a question about the definition of assets admissible as liquid for the purposes of the coverage ratio. The Basel text now defines high-quality liquid assets which can be included in the liquidity buffer. "Level 2" assets (which include certain corporate bonds and covered bonds) may comprise up to 40% of the liquidity buffer subject to a minimum 15% haircut applied to those assets. Such Level 2 assets

[1] Available via: http://www.bis.org/publ/cpss55.htm

must be traded in large, deep and active repo or cash markets characterised by a low level of concentration.

On exposure to CCPs, the new regulatory framework is placing greater emphasis on encouraging the market to shift transactions into CCP cleared arrangements. However, this puts a new focus on CCPs. The December Basle consultation addressed the treatment of exposures to CCPs. It has now been suggested that a 2% risk weight should attach to trade exposures to qualifying CCPs to reflect the fact that CCPs may not be risk free. Moreover, it is clearly stated in the proposal that, in order to benefit from this advantageous risk weighting, the CCP must comply with the applicable CPSS/IOSCO Standards. The Basle consultation closed on February 4th. On the 9th of February, the Commission launched a parallel consultation on the CRD IV. This consultation seeks to gather stakeholders' views on the Commission's proposals to implement Basel III into EU law. The deadline for responses was March 9th.

Turning to the CPSS/IOSCO standards for CCPs, it is important to be aware that IOSCO has just launched a new consultative report "Principles for financial market infrastructures" which contains a single, comprehensive set of 24 principles designed to apply to all systemically important payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories. When finalised, the new principles will replace the three existing sets of CPSS and CPSS/IOSCO standards, the "Core principles for systemically important payment systems" (2001); the "Recommendations for securities settlement systems" (2001); and the "Recommendations for central counterparties" (2004). This latest IOSCO consultation closes on July 29th.

Turning to the subject of common EU rules for CSDs and securities settlement, Mr. Hiscock said that the European Commission had issued a new consultation on January 13th looking to improve the safety and efficiency of settlement. It proposes a new common EU framework for CSDs and ICSDs, setting out a regime for the authorisation and supervision of CSDs as well as the setting of prudential standards for such entities. The paper also considers access to, and interoperability among, CSDs. Harmonisation of key aspects of securities settlement is also considered. The consultation asks what measures could be taken to address concerns relating to the well-functioning of securities settlement. It also seeks input on how settlement discipline can be improved i.e. that transactions settle on their intended settlement date. The consultation also proposes that settlement periods be harmonised with transactions settling at T + 2. The ERC submitted a response to this consultation by the March 1st deadline, which drew attention to the ERC's White Paper that was published last year. The response also highlighted the need to carefully consider differences between markets in formulating proposals – it cannot be assumed that what is considered appropriate for equity markets is equally applicable for other markets. The ERC's response also made reference to the role of central bank money in payment systems. The ERC consider it crucial that both central bank money and commercial bank money continue to be broadly accepted under reasonable and appropriate risk management terms. The next step is for a legislative proposal to be published by the Commission in June. The harmonisation of settlement cycles working group, which was established by CESAME 2, also submitted its final report as a response to the Commission's consultation on common EU rules for CSDs and securities settlement. The report includes a series of annexes including one on the principles for the maximisation of settlement efficiency and another on the case for harmonising settlement cycles.

Mr. Hiscock also noted that the European Commission issued a consultation paper in November last year entitled "Harmonisation of the legal framework for securities holding and transactions". The purpose of the consultation was to inform the preparation of a Commission legislative proposal for adoption before the summer. The ERC, working closely with the ERC Ops group, submitted a short response that set out the concern that some of the practical implications of the proposals had not been sufficiently detailed. Additionally, the ERC response stressed the need to take due account of differences relating to the repo market and called for care to avoid any adverse impacts on established repo market practices. The Commission has subsequently published a summary of responses.

Last year, the Commission also issued a consultation on crisis resolution rules for failing banks. A temporary stay on rights to close out netting was proposed in circumstances where authorities transfer relevant contracts as part of a resolution measure. A further consultation on the technical details underpinning the regime was subsequently issued in January with a March 3rd deadline for responses. The ERC submitted a response that highlighted the need for arrangements to take account of repo and other types of financing trades. Moreover, 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. The imposition of rigid or ill defined constraints could serve to impede established market practice for the efficient (repo) financing of securities positions.

Netting has also been receiving increased regulatory scrutiny, partly because of the Commission's work on crisis resolution. The Commission is looking to develop netting legislation later in 2011 which is intended to address perceived deficiencies in the European legal framework. The form that this legislation will take is likely to be a new EU directive rather than amendments to existing legislation. The ERC will keep a close eye on developments in this area given the netting provisions in the GMRA.

On the accounting side, the International Accounting Standards Board (IASB) and the US-based Financial Accounting Standards Board (FASB) published, on January 28th, a proposal for a common approach to offsetting financial assets and financial liabilities in the statement of financial position (balance sheet). At present, the circumstances when financial assets and financial liabilities may be presented in an entity's balance sheet as a single net amount, or as two gross amounts, differs depending on whether the entity reports using International Financial Reporting Standards (IFRSs) or US generally accepted accounting principles (GAAP). The IASB and FASB are now proposing that offsetting should apply only when the right of set-off is enforceable at all times, including in default and bankruptcy, and the ability to exercise this right is unconditional, that is, it does not depend on a future event (for instance, a default). The entities involved must intend to settle the amounts due with a single payment or simultaneously. Provided all of these requirements are met, offsetting would be required. The proposed requirements would be broadly comparable to the requirements currently contained in IAS 32 – i.e. the proposal acts to move US GAAP to the IAS position. The proposals would amend IFRSs and US GAAP and eliminate several industry-specific netting practices. Comments on the proposal are due by April 28th.

Ms. Colaco-Henry said that for much of last summer, the Committee of European Securities Regulators (CESR) consulted on a wide variety of issues which resulted in the publication of four papers setting out CESR's Technical Advice on reforming MiFID. This was then followed by the publication of the European Commission's much anticipated MiFID consultation in December. The deadline for responding to the Commission's consultation was February 2nd. ICMA submitted a focused response on behalf of its membership. Two issues highlighted in the ICMA response are of particular relevance to ERC. The first issue concerns the Commission's proposal to form a new type of market, termed an organised trading facility (OTF). One of the difficulties of responding to the Commission's consultation was the vagueness with which many of the proposals were set out and the proposals on OTFs were no exception. Broadly speaking, the consultation proposed that in addition to regulated markets (RMs), multilateral trading facilities (MTFs) and systematic internalisers (SIs), a new OTF category could be introduced to suitably regulate all organised trading occurring outside the current range of MiFID venues. The consultation suggested that the definition of OTF would capture: "any facility or system operated by an investment firm or a market operator that on an organised basis brings together buying and selling interests or orders relating to financial instruments". This would cover facilities or systems whether bilateral or multilateral and whether discretionary or non-discretionary. The definition would exclude (1) facilities or systems that are already RMs, MTFs or SIs; and (2) pure OTC trading – i.e. any bilateral trades carried out on an ad hoc basis between counterparties and not under any organised facility or system. There are two points to note. First, the consultation states that the definition would be broad and capable of applying to new organised trading facilities that may emerge in the future. This has subsequently been emphasised in various speeches made by Commission officials. Second, the definition uses the term financial instrument rather than transferable securities. This could potentially be very significant. The existing MiFID framework directive defines financial instruments as including transferable securities and money market instruments. However, at present, those aspects of MiFID that relate to secondary market trading – i.e. trading on regulated markets and MTFs etc. are limited to transferable securities. Thus, money market instruments, if they were admitted to trading on a RM or MTF, would not currently be subject to provisions such as pre- and post-trade transparency requirements or transaction reporting. However, the proposed OTF definition is not limited to transferable securities. Instead, the consultation paper sets out that an OTF should be defined as "any facility or system … that … brings together buying and selling interests or orders relating to financial instruments." This would represent a massive extension of MiFID and thus regulatory requirements such as pre- and post-trade transparency and transaction reporting would all potentially apply to transactions in money market instruments taking place on OTFs. Ms. Colaco-Henry noted that the ICMA response to the consultation raised this concern and went on to state that we strongly urge that money market instruments not be brought more fully within the scope of MiFID as to do so would represent a vast expansion of the current scope of MiFID which could result in tremendous cost for little benefit.

Ms. Colaco-Henry also said that the second aspect of the Commission's proposals relevant to the ERC relates to the proposals for pre- and post-trade transparency for cash fixed income securities. On pre-trade transparency the Commission notably departed from CESR's advice. Whereas CESR had recommended that pre-trade transparency requirements should not be mandated for OTC fixed income markets, the Commission proposed the imposition of requirements on OTFs similar to those for RMs and MTFs and also the imposition of an obligation on OTC dealers to make their quotes public. Moreover, it was proposed that these public quotes be binding up to a specific size. Additionally, RMs, MTFs and OTFs would be required to publish pre-trade information in a continuous manner, though this requirement would not apply to investment firms. The ICMA response supported CESR's position that a mandatory pre-trade transparency regime is unlikely to deliver benefits and that mandatory pre-trade transparency requirements should not be introduced in the OTC space. The ICMA response also set out that we did not agree with the proposal that RMs, MTFs and OTFs should provide for real-time and continuous updating of available and actionable trading interest. To do so would significantly interfere with the way the market currently works. The proposal that the pre-trade quotes of investment firms should reflect current market value, be available to the public and be binding below a specific trade size would also be highly problematic and would serve only to increase trading costs and damage liquidity. On post-trade transparency, the ICMA response recommended that any post-trade transparency framework should be based on high/low/median prices published at end of day. There should also be generous delays to accommodate the unique nature of the bond market (as opposed to imposing the same delays as exist in the equities market). Moreover, the framework should be calibrated using data to be collected by ESMA, who could then properly determine the thresholds for a liquidity filter. After thresholds for a liquidity filter had been calibrated, the framework could be implemented in phases. Applying the regime to all bonds from the start, and only rolling back the regime if it appears to be causing damage, does not seem prudent. There is a serious risk that ill considered measures could drive the market to other jurisdictions around the globe.

The purpose of the Commission's consultation was to gather input from stakeholders in order to inform legislative proposals that are now expected to be published in June 2011. It is important to recognise that the December consultation was merely the first step in the process – in that it was a consultation regarding the level 1 directive measures. There is still considerable work to be done to refine the detail that will underpin the level 1 provisions so further consultations are on the way.

In September the European Commission published a draft regulation on short selling and certain aspects of credit default swaps. This proposal remains under consideration by the Council and the European Parliament. Article 13, concerning buy-in disciplines, attracted the ERC's attention. Article 13, as drafted by the Commission, suggests that a buy-in or penalty should be imposed at the trading venue level. However, for the repo market this is not ideal and instead buy-ins and penalties, if such should be imposed, should only be imposed at the last point in the chain – i.e. settlement venue – otherwise trading will be distorted. Moreover, article 13 makes a number of assumptions that may not be right. First, it assumes that venues would be able to access the full range of securities – where in actual fact they only match buyers and sellers and trading may be fragmented across a number of venues. Second, it assumes that venues are able to obtain securities when market participants cannot. This, in turn, is based on an assumption that the problem is naked short selling – i.e. that the reason for delivery fails is due to an unwillingness by the failing party to deliver the security rather than an inability to do so. If the securities lending market is illiquid then formal buy-in mechanisms of the sort suggested by article 13 (at either trading level or clearing house level) will lead to the problem of unpredictable and potentially enormous borrowing fees that deter trading and reduce market liquidity.

The ERC has articulated its concerns regarding this, including in a letter to the European Parliament's rapporteur Pascal Canfin; and in its response to the Commission's consultation on CSDs and the harmonisation of certain aspects of securities settlement. The ERC feel that the question of buy-ins should not be considered as an isolated article in the Short Selling Regulation, but rather addressed as part of a package of inter-related measures concerning market efficiency.

Currently, both the European Council and the European Parliament are considering what amendments should be made to the draft regulation. Unfortunately, the positions that both bodies seem to be coming to are very far apart from one another. The Council seem to be taking quite a measured approach whereas the Parliament, led by Mr. Canfin, is advocating extending the scope of the regulation to corporate bonds in addition to the current scope of equities, sovereign bonds and CDSs on sovereigns. All that can be said at the moment is that short selling is proving to be very contentious amongst the politicians and it is not clear where we will end up. The ERC Secretariat will endeavour to keep you informed of progress.

9. Update on the work of the ERC Ops Group

Mr. Nicholas Hamilton said that the ERC Ops Group had considered a number of issues such as triparty interoperability and the ERC White Paper. On triparty interoperability, the ERC Ops group had agreed, in principle, the proposals put forward by the two ICSDs. However, a key concern was the 2pm CET interoperability cut-off. The ERC Ops Group is examining the volume of post-2pm substitutions and recalls to determine the extent to which an early cut-off will be problematic.

The ERC Ops Group had also been looking at settlement barriers identified in the ERC White Paper published last year. The ERC Ops Group had helped to put the White Paper together with particular reference to understanding the settlement regimes in the various domestic markets. On Greece, the ERC Ops Group had provided information on the operational impact of the forced auction process and lobbied the Bank of Greece for improved operational efficiency related to matching and settlement issues. The ERC Ops Group had also been part of an ERC/EPDA delegation to the Bank of Greece in December where the Bank had agreed to consider a central bank lending facility along the lines of the phantom bonds arrangements in Portugal. On Italy, the ERC Ops Group had lobbied through 2010 for improved interoperability between the Express 2 and RTGS cycles and the introduction of a lower shaping size. The latter resulted in a material reduction in fails in the second half of 2010. In October, Monte Titoli had indicated that they would be investing in settlement processing enhancements through 2011 to address most of the ERC White Paper observations. However, Monte Titoli appears to have run into local market resistance and has pulled back from its initial proposal and is embarking on a pre-T2S strategy analysis instead. On Spain, there has been no further dialogue or progress since the Update to the White Paper published in December.

Turning to the structure of the ERC Ops Group, Mr. Hamilton said that the Group had increased to 15 members. However, the Group was still keen to improve the diversity of membership in order to add different perspectives to the forum, including equity financing specialists. Additionally, the Group was keen to ensure that the debate and agenda covered all asset classes and that all operations functions are covered with appropriate levels of expertise. It was also hoped that some buy-side representatives could be included on the Group, though little progress had been made in this regard to date. The Ops Group had also increased meeting frequency and face-to-face participation to the greatest extent possible with a bi-monthly meeting schedule which had resulted in a material increase in physical attendance and participation.

Looking forward, there is continued focus on driving solutions to cross-border settlement barriers. Accordingly, the ERC Ops Group would continue to lobby for the development of CSD overnight batch settlement cycles, the extension of CSD settlement cycles and the earlier transmission of settlement instructions to CSDs. The ERC Ops Group would also continue to work with the ICSDs to explore opportunities and barriers to direct CSD access. Following proven impact in Italy, the Group would continue to look to improve the shaping of settlement instructions. There was also a need for interoperability between settlement cycles and platforms at the CSD level. The Group would also continue to lobby for Euroclear/Clearstream bridge enhancements. Developments regarding settlement date harmonisation were also being considered carefully.

Turning to continued tri-party interoperability development in support of basket product financing, Mr. Hamilton said that product liquidity needs to be driven by product quality as opposed to being dictated by settlement barriers. This presents a number of challenges. First, there is a need for common processes for CCPs supporting both central and commercial bank money settlement mechanisms. There is also a need to develop full DvP flows across and within ICSDs to protect from loss of credit or liquidity. Discussions are ongoing regarding implementation schedules and levels of market commitment and there is a further question as to whether further settlement bridge enhancements are required. The ERC Ops Group is examining the proposals from an operational and support perspective to identify any residual settlement related product differentiators and ensure that the technology requirements of participants are known.

Regarding repo trade matching, the convergence/harmonisation of settlement timelines had reduced the pre-settlement risk mitigation period, which is one of the main drivers for trade date matching. US market developments and regulatory changes have also been a driver for change, especially given the potential for such developments to impact globally. The need for improved transparency on matched pending flows to aid intraday credit facility management had been another driver for change as had an increase in term book size, with an emphasis on bilateral term repo risk mitigation. One foreseeable challenge was multiple service providers in this area. Another is how to achieve broad adoption, requiring development of a strategy to bring buy side participants on board. Structured financial transactions also present new confirmation and affirmation challenges. The ERC Ops Group intends to issue a best practice statement on trade matching and affirmation.

The ERC Ops Group is also currently reviewing the ICMA Repo Margin Guidelines. There is currently an inconsistency in the application of haircuts, giving rise to margin disputes. More clarity is also needed, as the guidelines are silent in respect of the treatment of fails and assume settlement both pre and post value date. The guidelines are also silent in respect of margin call minimum value thresholds. Finally, the current guidelines require simplification. The ERC Ops Group has set up a specialist operations sub-group to review the guidelines and they plan to publish an amendment to the guidelines to provide further clarity to market participants in respect of best practice.

Finally, the ERC Ops Group has also been reviewing various regulatory consultations to support ICMA in establishing appropriate regulation and legislation regarding the secured funding markets in the future. However, the volume of consultation documents is proving to be challenging. The Group is also trying to ensure collaboration and consistency where appropriate across market groups and participants responses.

10. Results of the elections to the European Repo Committee

The Chairman announced that the following people had been elected to European Repo Committee.

Jessica McDermott	Bank of America Merrill Lynch

Mats Muri	Barclays Capital Securities, London
Eugene McRory	BNP Paribas, Paris
Herminio Crespo Urena	Caja de Madrid, Madrid
Grigoris Markouizos	Citigroup Global Markets Limited, London
Andreas Biewald	Commerzbank AG, Frankfurt
Romain Dumas	Credit Suisse Securities (Europe) Limited, London
Tony Baldwin	Daiwa Capital Markets Europe Limited, London
David Nicholls	Deutsche Bank AG, Frankfurt
Johan Evenepoel	Dexia Bank Belgium NV/SA Brussels
Olly Benkert	Goldman Sachs International
Jean-Michel Meyer	HSBC Bank plc
Godfried De Vidts	ICAP Securities Limited
Andrea Masciovecchio	Intesa Sanpaolo S.p.A, Milan
Stefano Bellani	JP Morgan Securities Limited, London
Edward McAleer	Morgan Stanley & Co. International plc, London
Michel Semaan	Nomura International plc
Simon Tims	UBS AG, London
Eduard Cia	UniCredit Bank Austria AG, Vienna

The Chairman congratulated the new Committee members. He noted that the next meeting of the Committee is scheduled for June, in the margins of the ISLA Conference, though given the volume of work a further meeting might be scheduled earlier.

11. ERC White Paper Update

Mr. Richard Comotto said the White Paper was intended to explain the repo market, the phenomenon of specials and the role of short selling to policy-makers and regulators. One theme in the paper was the role of penalties for fails, which seem to have been counterproductive. In December an update to the White Paper was published on Spain. Overall, there has not been a significant amount of progress in that jurisdiction. In Italy, Monte Titoli had suggested a number of system changes last year. However, in December these proposals were put on hold apparently because of the wish of users to examine the economic case given the imminence of T2S. Nevertheless, Monte Titoli has implemented a few changes that have improved the settlement situation in Italy. In Greece, a brainstorming session was held in December between the European Primary Dealers Association /European Repo Committee and the Greek authorities. The possibility of the provision of phantom bonds is under consideration. Discussions are ongoing and it is anticipated that a further update on Italy and Greece will be published on March 25th.

12. Repo Code of Conduct

Mr. Richard Comotto said that the ERC had already published a best practice guide to repo margining and repo trading practice guidelines. The purpose of developing a repo code of conduct was to update, consolidate and extend the existing material. It will also send a signal to regulatory authorities that the market is taking action to police itself and therefore further regulatory intervention is not required. There will be extensive consultation with market participants on the Repo Code of Conduct which will take place in the next few months.

13. The 20th Repo Survey

Mr. Richard Comotto said that the 20th repo survey had been conducted on December 8th 2010. 57 institutions took part in the survey. Looking back over the years, the number of participants has fallen, which was largely due to mergers and the financial crisis.

This latest survey shows a decline in the headline number, (down to EUR 5,908 from EUR 6979 in June 2010) but this largely reflected the peak in June 2010 which was driven by a number of exceptional transactions. These exceptional transactions have now been largely unwound and thus it could be argued that the overall trend of the survey has reverted to a more natural progression. If the June 2010 results are excluded then it becomes apparent that there has been a slight recovery from the December 2009 figure (up 5.8%).

The latest counterparty analysis reflects strong underlying growth in electronic trading. Some of this reflects the revival of the Spanish repo market following the introduction of CCP services. The directly-reported share of electronic trading in Spanish collateral increased to 7.0% from 3.8%. Increasing use of electronic trading has also been reported in Italy and Portugal. The rise of electronic trading has come about at the expense of voice brokers. The geographical analysis shows a recovery in the levels of anonymous trading largely due to the unwinding of the exceptional transactions of last year. There was also a decrease in transactions into and out of the Euro zone, also probably due to the unwinding of the exceptional transactions. Tri-party repo increased from 7.9% to 11.5%.

Regarding the way in which business is cleared, the analysis shows that the importance of CCPs continues to grow. While the bulk of CCP cleared business continues to be executed electronically (18.5% of total repo, compared to 13.7% in June 2010), significant volumes are negotiated directly between parties or through voice-brokers and registered with CCPs after the trade (13.8% of total repo, compared with 8.7% in June 2010). However, the share of CCP-cleared repo business is still below the record set in December 2008, shortly after the collapse of Lehman Brothers, when as much as 33.2% of the total surveyed business was cleared through CCPs (17.6% electronically-negotiated and 15.6% directly or via voice brokers).

Cash currency analysis shows that the share of US dollar repo is up to 20.1% which is down from the 28.3% in June 2010 (but still higher than the 15.9% in December 2009), which may signify that the effect of the exceptional transactions have been substantially but not fully unwound. Because the reversal in the share of the dollar was only partial, the shares of euro and sterling repo did not recover all the ground lost in June 2010. Swiss franc repo trading also saw a jump. Cross-currency trading also saw a significant increase to a record 5.6% from 3.2% in June 2010. However, there is a sense that this number does not adequately reflect the true picture. It has been suspected in the past that possibly cross-currency business was being under-recorded (evidence included the fact that the proportion of dollar cash far exceeded the proportion of US collateral, suggesting many US dollar repos were being transacted against collateral denominated in other currencies). The recent increase in reported cross-currency repo would seem to be an indication of underlying growth rather than wider reporting.

Collateral analysis reveals that "other OECD" has come down to 13.7%. The share of government bonds within the pool of EU-originated collateral felt slightly to 76.6% from 77.6%. The share of government bonds within the pool of EU originated collateral also fell back in directly-reported tri-party business, touching 49.3%, down from 54.3%. There were significant increases in the use of Italian, Portuguese and Spanish collateral in tri-party repo (to 9.0%, 1.2% and 8.7% from 6.9%, 0.6% and 3.5%, respectively).

Contract analysis showed an unwelcome increase in December 2010 in undocumented sell/buy-backs to 3.6% from 2.6%.

Repo rate analysis showed the share of floating-rate repos fell back to 7.6% from 10.1% in the main survey and to 12.8% from a record 14.3% in directly-reported electronic business. Regarding maturity analysis, two-thirds of the market has been in short-dates historically. However, this figure fell back in the June 2010 survey, and it has not reverted. The data also shows that voice brokers specialise in longer term deals. The unwinding of the exceptional transactions recorded in June 2010 pushed the share of forward-start repos down to 6.7% from a record 18.2% in June 2010, closer to historical levels. The survey did not show an increase in longer-term transactions despite reports of a rising volume of such transactions. It may be that these transactions are not being captured by the survey because of the way they are booked or structured. This is being investigated.

Product analysis revealed securities lending conducted on repo desks grew to 18.8% from 15.4%. Concentration analysis showed the concentration of surveyed repo business fell back, again reflecting the unwinding of the exceptional transactions recorded in June 2010, which had produced a sharp increase in the reported concentration of the market. In December 2010, the top 10 survey participants accounted for 61.7%, compared with 68.8% in June 2010. The next survey will take place on 8 June 2011.

Turning to the Russian repo survey, Mr. Comotto said that in 2010, the National Securities Market Association (NSMA) and the Russian Repo Council had launched a regular semi-annual survey of the Russian repo market. The survey was inspired and informed by the ICMA's semi-annual survey of the European repo market. This first NSMA survey asked for the outstanding value of repo contracts at June 1 2009, and turnover between December 1 2009, and May 31 2010. The survey had 68 participants (of which 62 were banks) and is believed to encompass over 70% of the Russian repo market.

Total turnover for the 6-month period to end-May 2010 was RUR 38,889 billion, of which RUR 19,992 billion (51.4%) was repo and RUR 18,897 billion (48.6%) was reverse repo. The value of outstanding repos on June 1 2010 was RUR 713.7 million (about EUR 18 million), of which, RUR 332.3 million were repos and RUR 381.4 million were reverse repos. The vast majority of repos were in roubles (95%). Only 4.8% were in US dollars and just 0.2% in Euros. On documentation, most repos were transacted under MICEX rules but without written legal agreements (83.9%). Of the remainder, 5.9% were under NSMA standards but without written legal agreements and 3% were under RTS standards but also without written legal agreements, while 6.6% used proprietary legal agreements based on NSMA standards and 3.3% used the GMRA. The top 10 participants in the survey accounted for about 70% of the market.

14. Any other business

No further business was raised.

15. Next meetings

The Chairman said that the next general meeting of the European Repo Council would be held on September 14th in Vienna, hosted by the Bank of New York Mellon.