



# Development of a new repo index

ICMA European Repo and Collateral Council

General Meeting

27 September 2016

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**2016** Development of the Methodology

Market's preference for a more encompassing index (including all OTC and ATS transactions cleared through a qualified CCP).

EMMI starts its works on the **development of a methodology** for the benchmark.

**2015** Euro Repo Market Analysis and Market Consultation

EMMI commissions an **analysis of the Euro Repo Market**.

ERCC recommendation on the expansion of underlying transactions.

The Joint Task Force recommends EMMI to launch a Public Consultation: preference for transactions and potential use and need of the benchmark.

**2014** Establishing the Underlying Interest

The Joint Task Force meets with ATSS, Clearing Houses, and existing Index Providers covering the European repo market.

The Joint Task Force recommends EMMI to underpin the benchmark on on-screen euro repo transactions executed on European ATSS and cleared through qualified CCPs.

**2013** EMMI/ERCC Joint Task Force

EMMI invites the ERC Repo Index Task Force to join efforts and devise a way forward toward the formulation of a pan-European secured benchmark.

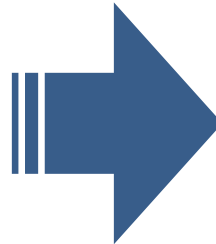
## Data observations

There is sufficient data to construct a transaction-based index for short maturities, but for longer maturities the data seems insufficient

Every platform plays a dominating role for different segments of the market

Different rate patterns can be observed depending on: collateral type, GC or special repo

There are seasonalities (e.g. year-, quarter-, month-end, and end of ECB maintenance period)



## Conclusions

It is feasible to create a **robust, transaction-based** pan-European benchmark on one-day tenors

Reliable representation of the secured money market

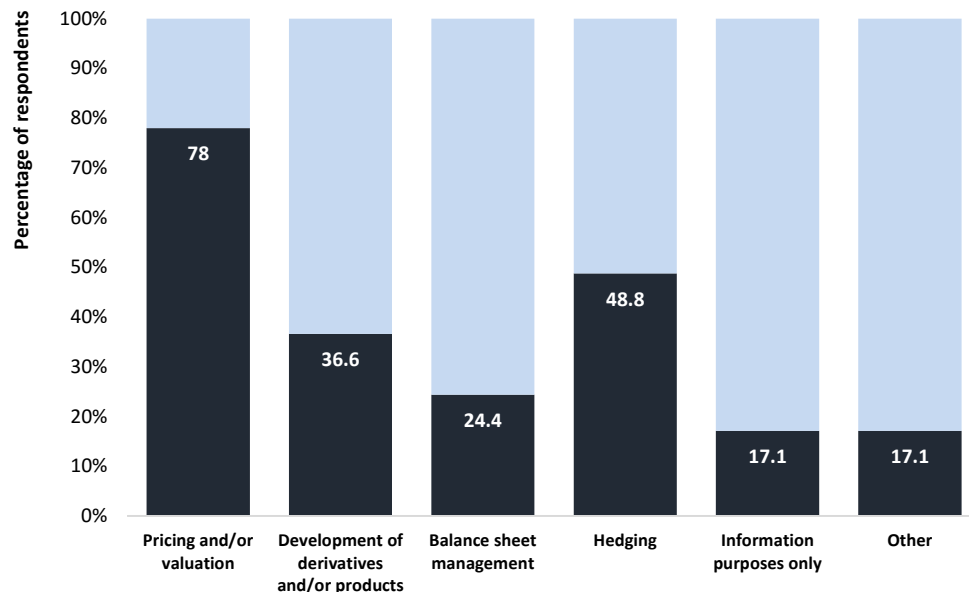
Capturing and encompassing different market segments

Reflecting common trends across the whole secured money market

Reflecting the seasonalities and patterns in the data

In December 2015, the public consultation, as advised by the Joint Task Force, was launched by EMMI.

**1**  
Potential need and use of a pan-European repo benchmark



- ✓ Pricing and valuation seem to be the most foreseeable potential uses of the New Index.
- ✓ A number of respondents indicated that the New Repo Index could be regarded as a possible substitute of the Eonia index.
- ✓ Other possible uses are as benchmark of historical performance and internal transfer pricing.

**2**  
Underlying transactions supporting the determination of the index

Preference for transactions underlying the index consisting of: anonymous ATS executed and OTC's (i.e. voice-brokered and bilateral) euro repo trades centrally **cleared through a qualifying CCP** made against ECB eligible collateral.

- ➔ While EMMI acknowledges the market's appetite for an index whose underlying data includes all ATS executed, voice-brokered, and bilateral transactions cleared through qualifying CCPs, due to data availability issues, the preliminary design of the benchmark will be focused on **anonymous ATS executed trades, cleared through qualifying CCPs**.
  
- ➔ EMMI's decision was communicated to the ERCC and discussed during their February 24, 2016 meeting. The ERCC considered their advisory role as concluded: *EMMI's Secured Benchmark Task Force's work will continue to be monitored but is not a priority for the Committee*

➔ EMMI formally constitutes its Secured Benchmark Task Force

➔ Need to clearly delineate the mandate of the Task Force and its members:

↳ Drafting and Circulation of Terms of Reference for the Secured Benchmark Task Force;

↳ Need written confirmation from all members of abidance to these TOR;

➔ Due to the current and upcoming regulatory environment, EMMI needs to clearly document and reflect the transparency of the design process.

➔ Current membership of the Task Force:

Mr Jean-Marc Anciaux

Mr Andrea Masciovecchio

Mr Francisco de Pablos

Mr Harald Endres

Mr Eugene McGrory\*

Mr Andreas Biewald

Mr Rich Hochreutiner\*

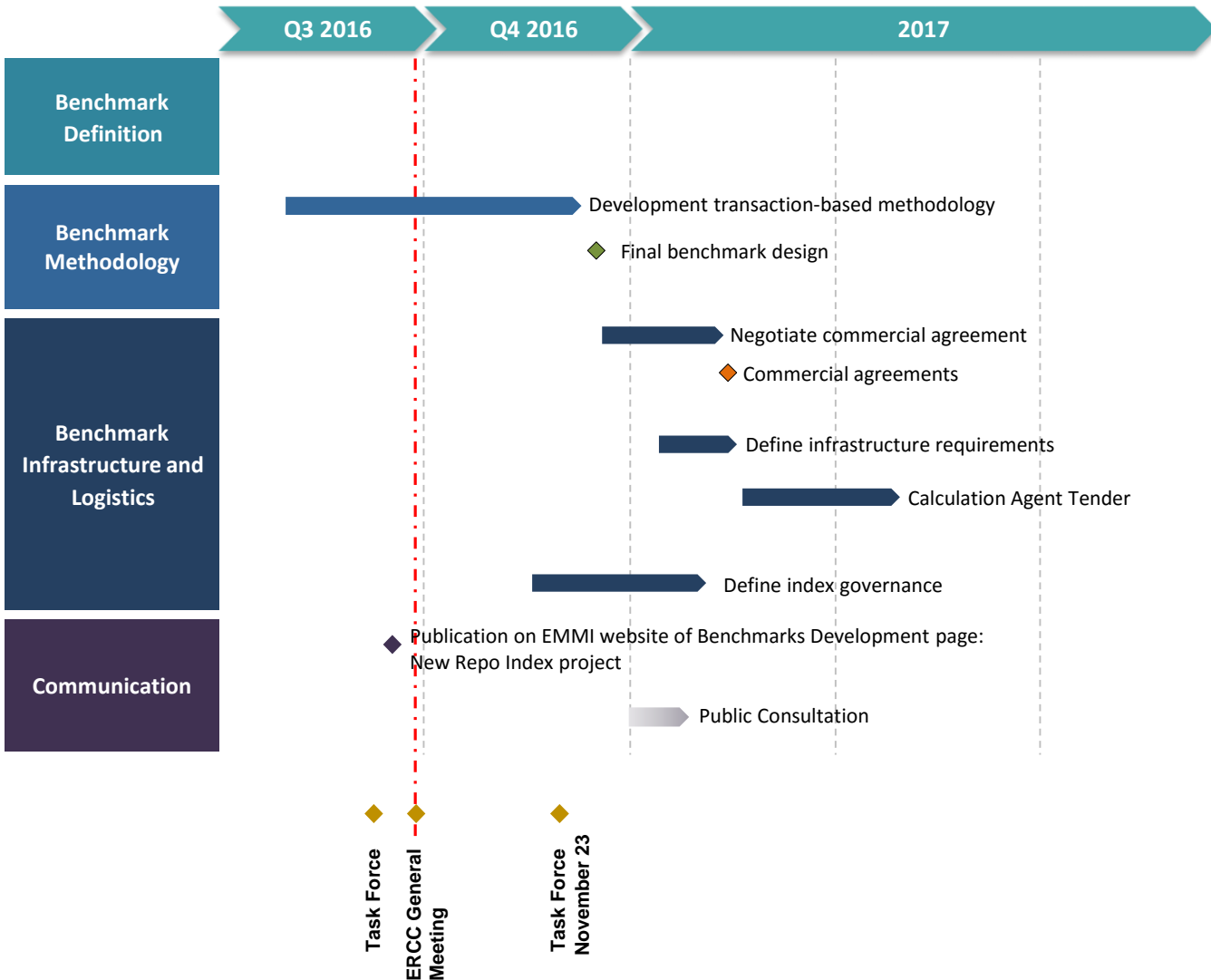
Mr Stefaan Van De Mosselaer

Mr Luis Soutullo

Ms Julija Jakovicka (ECB, *observer*)

➔ The Secured Benchmark Task Force has an advisory role to EMMI and its Secretariat

The Steering/Oversight Committee and its membership will be established at a later stage, once the benchmark's governance has been defined



➔ The Swiss Institute of Banking and Finance at the HSG is collaborating with EMMI in the design of the index methodology.

➔ A base line approach was recommended by the Task Force members during the September 6 meeting.

➔ A report with recommended methodologies and empirical backtesting will be presented during the Task Force meeting in November.