

## European Repo Council

31st European repo market survey, conducted in June 2016

- **Mr. Richard Comotto**, Senior Visiting Fellow, ICMA Centre - Reading University

## Survey overview

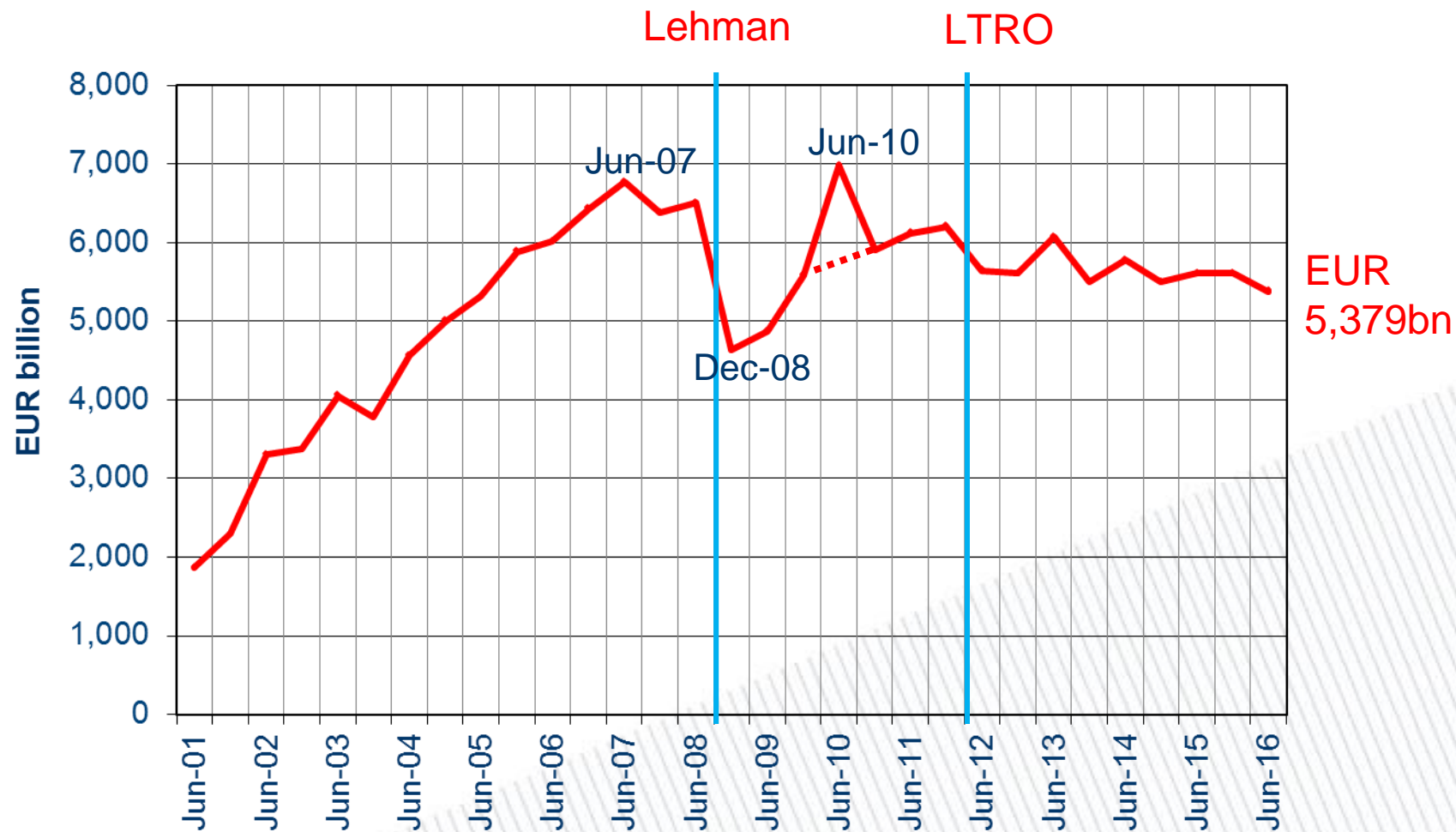
- outstanding value of contracts at close of business on Wednesday, 8th June 2016
- 67 responses (-5)

## Headline numbers

- **June 2016** **EUR 5,379 billion**
- December 2015 EUR 5,608 billion
- June 2015 EUR 5,612 billion
- December 2014 EUR 5,500 billion
- June 2014 EUR 5,782 billion
- December 2014 EUR 5,499 billion
- June 2013 EUR 6,076 billion
- December 2012 EUR 5,611 billion
- June 2012 EUR 5,647 billion
- December 2011 EUR 6,204 billion
- June 2011 EUR 6,124 billion
- December 2010 EUR 5,908 billion
- June 2010 EUR 6,979 billion



## Headline numbers

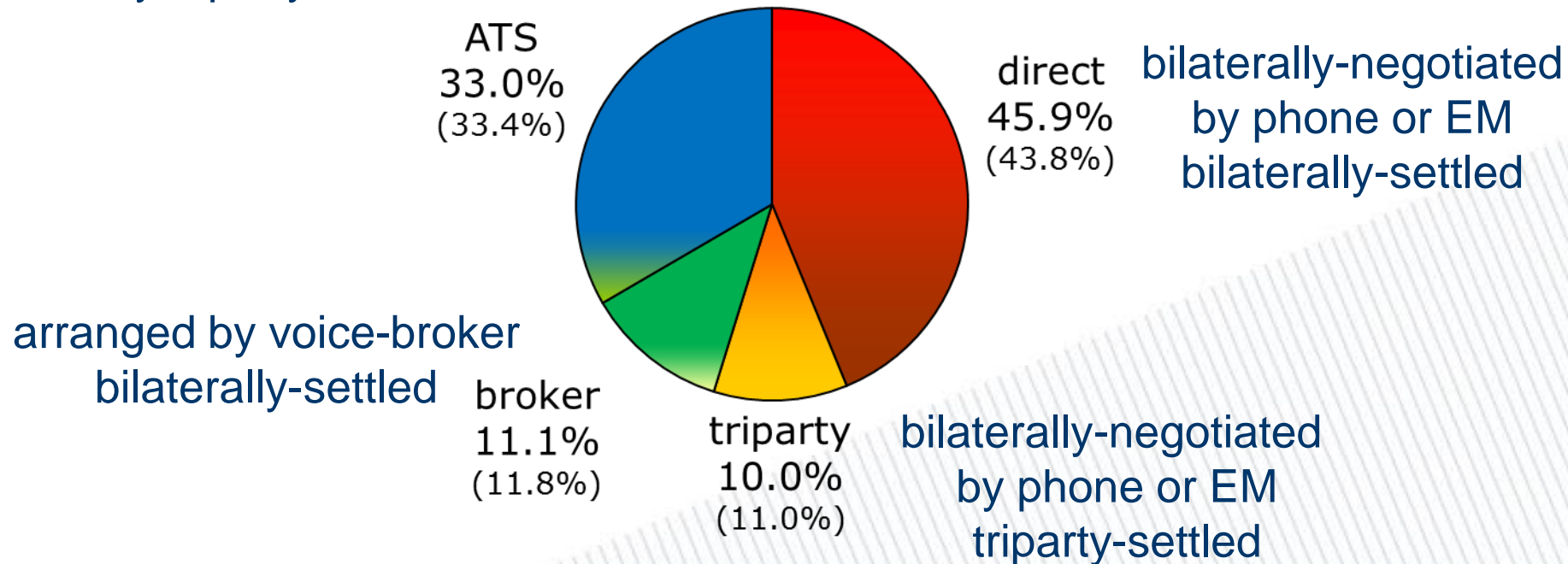


## Comparable market growth

- headline number -4.1% since December 2015
- for 61 respondents participating in last 3 surveys
- +0.5% since December 2015
- -1.6% year-on-year

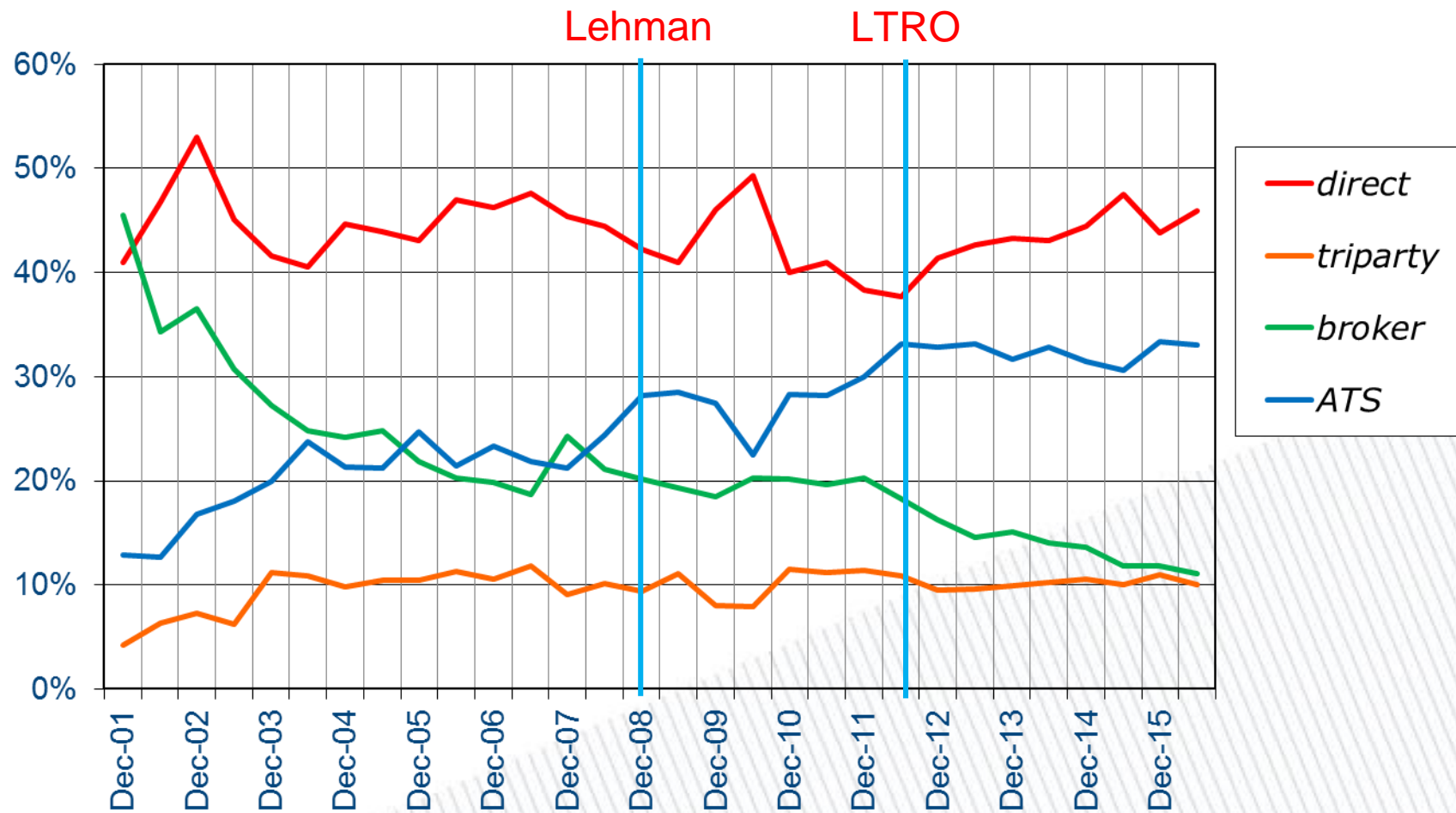
## Trading analysis

automatic trading system  
includes GC Pooling  
bilaterally/triparty/CCP-settled

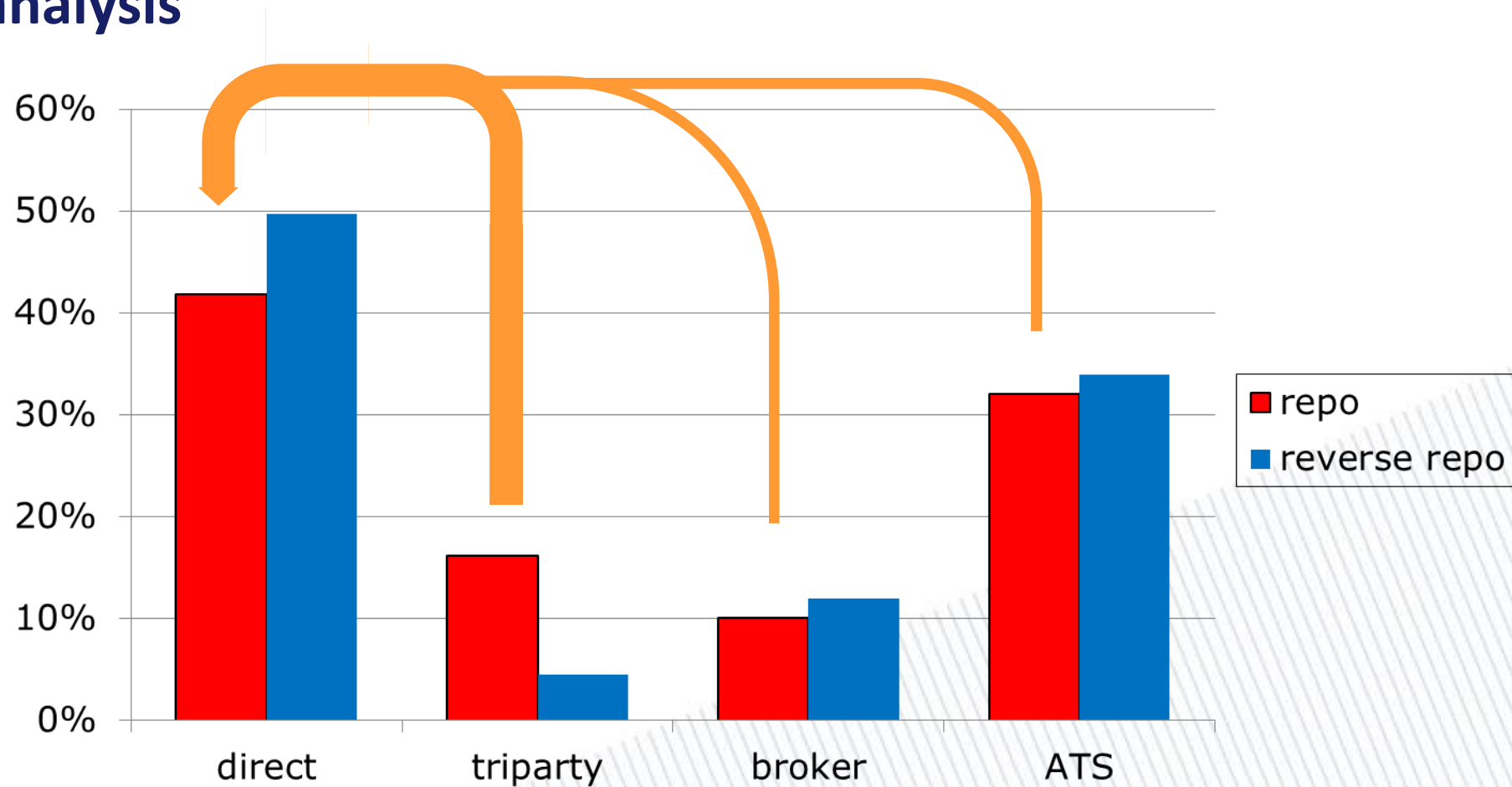




## Trading Analysis

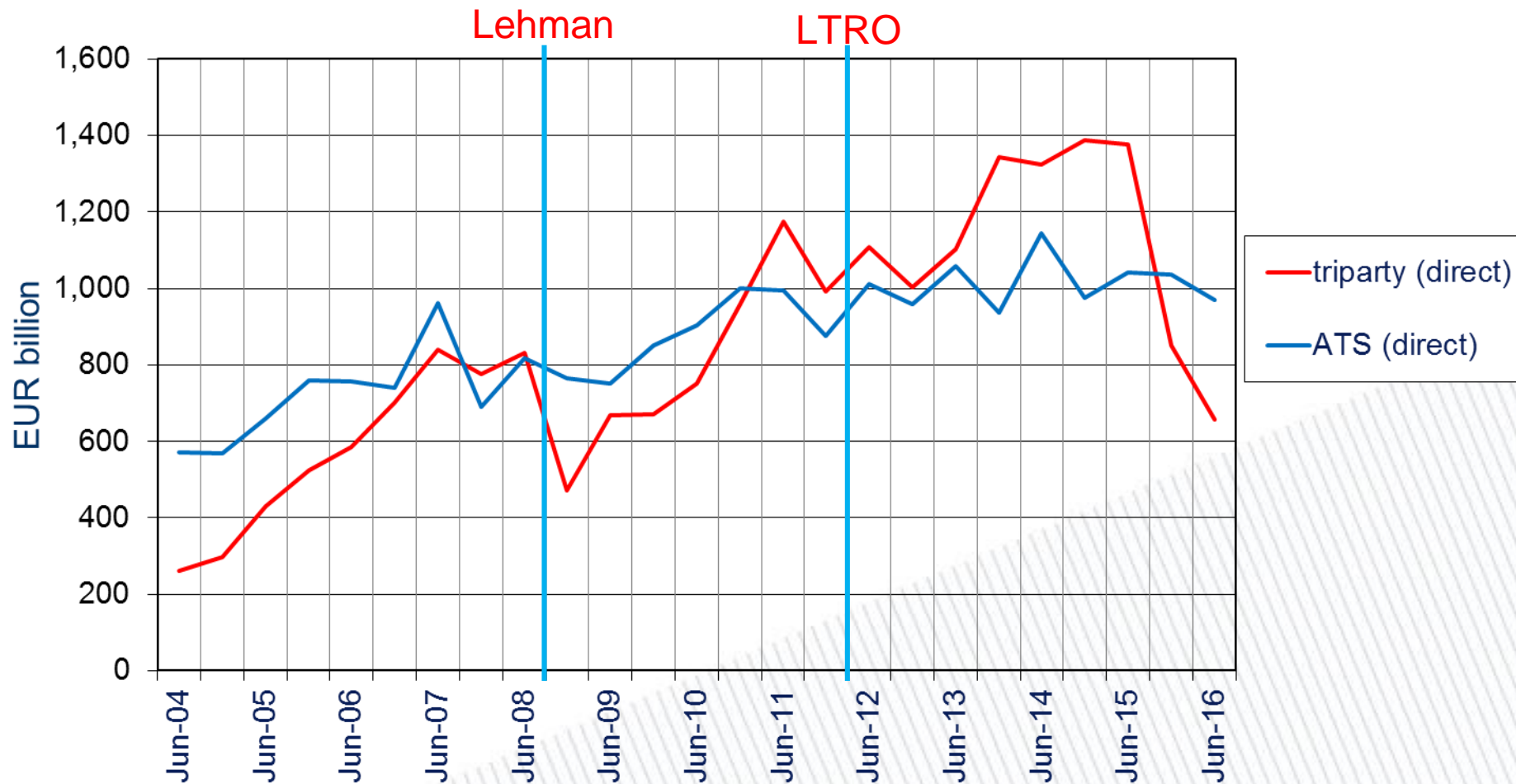


## Trading analysis

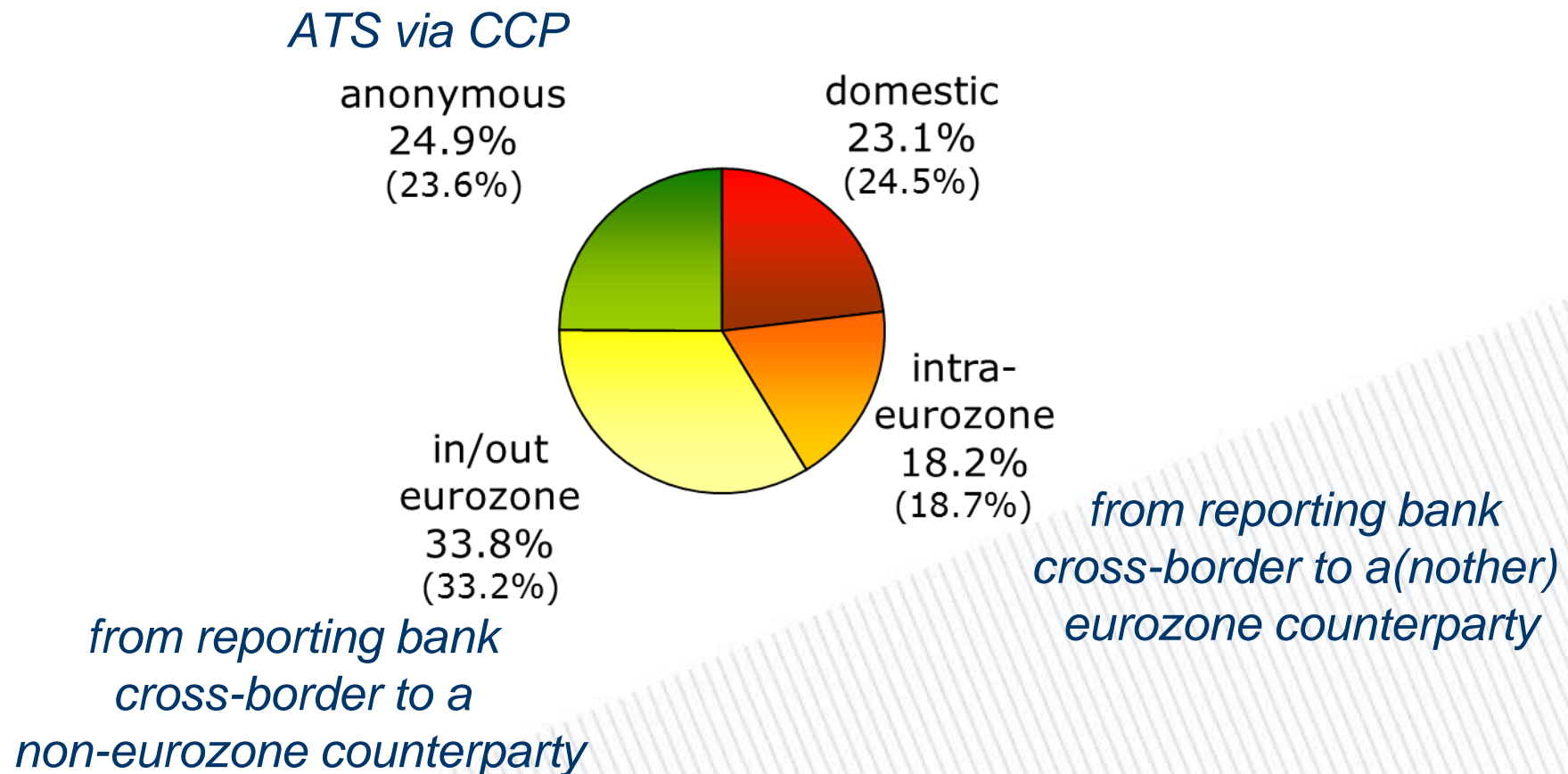




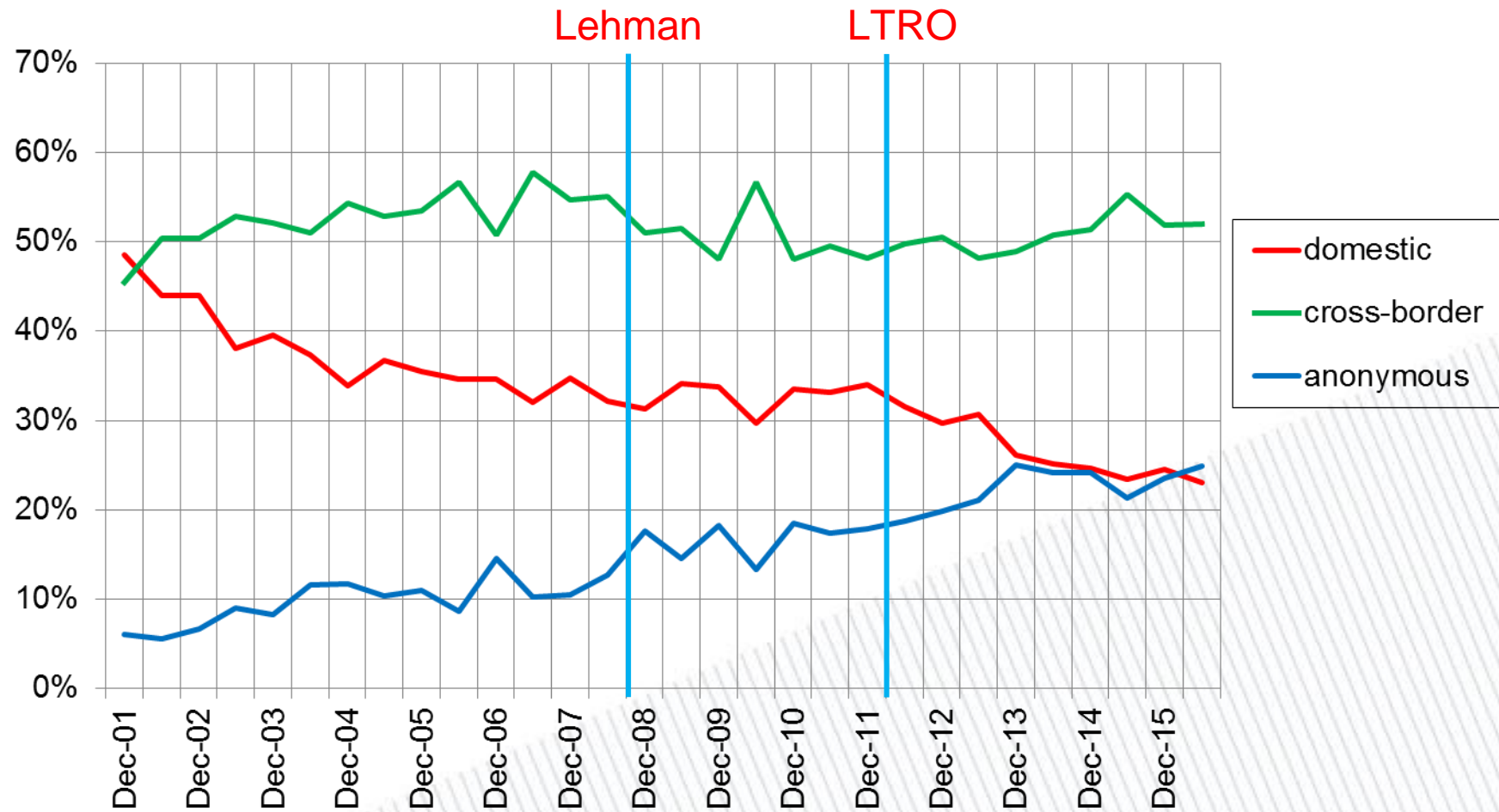
## Trading Analysis (directly reported by providers)



## Geographical Analysis

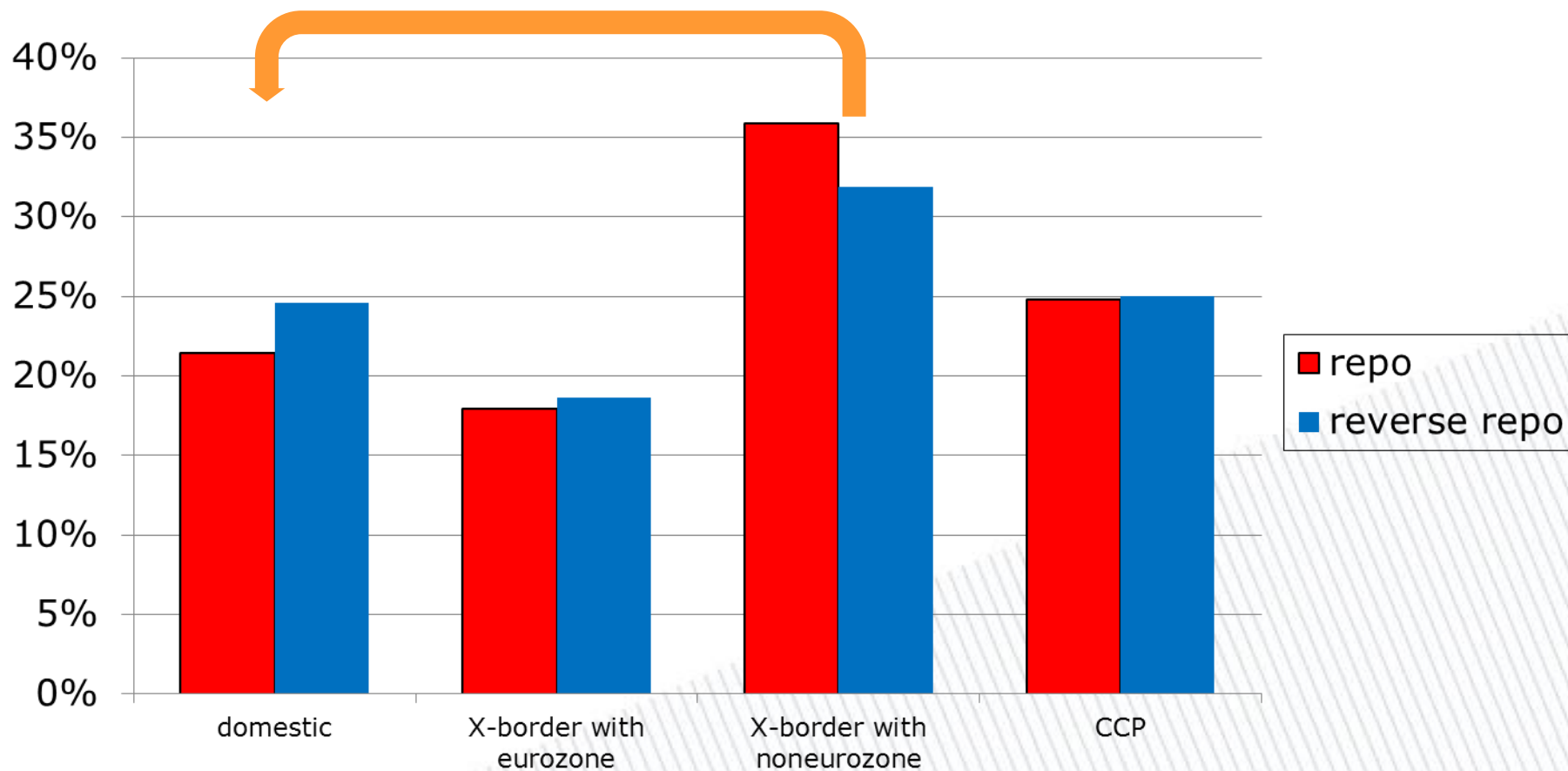


## Geographical Analysis

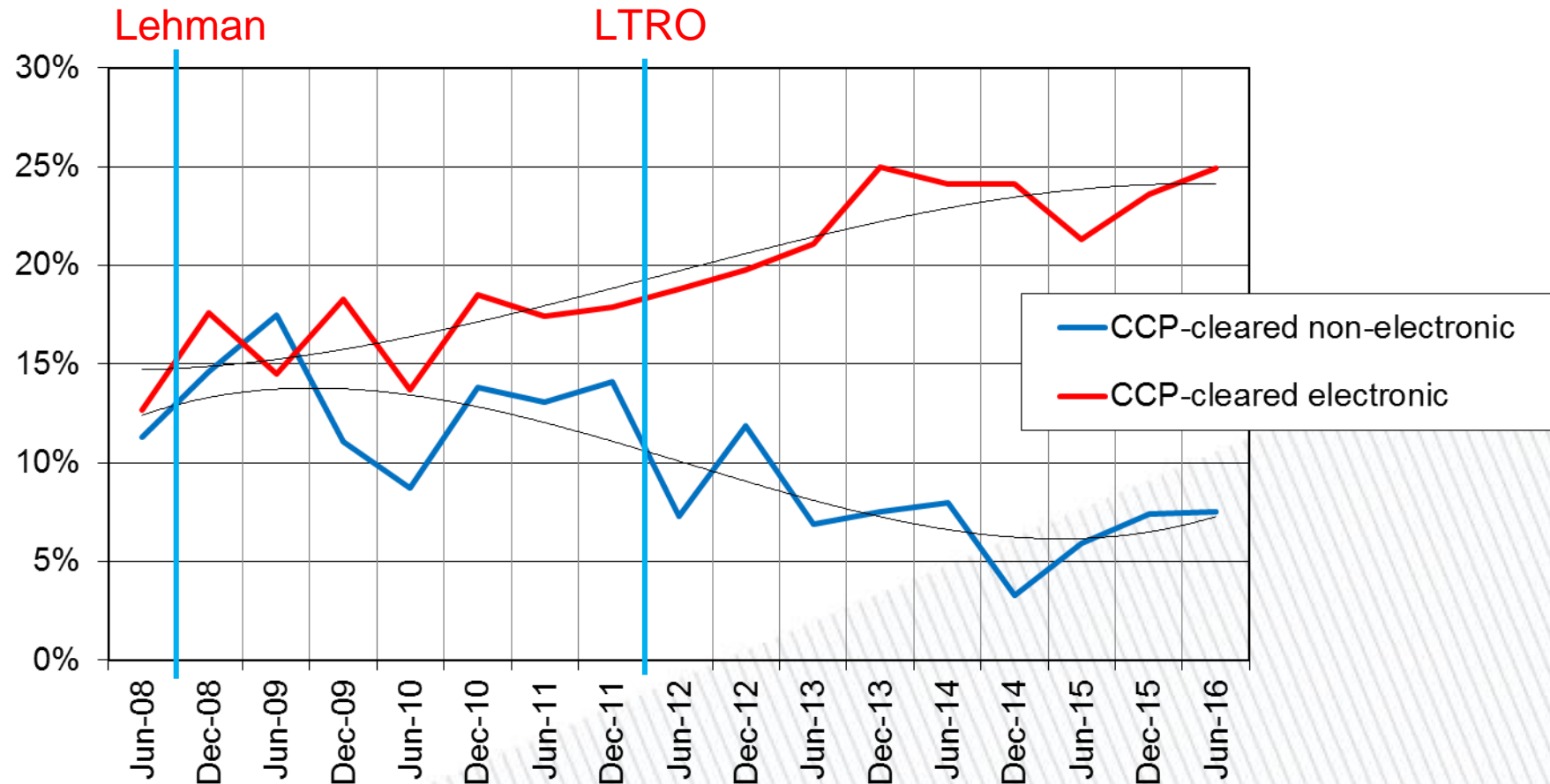




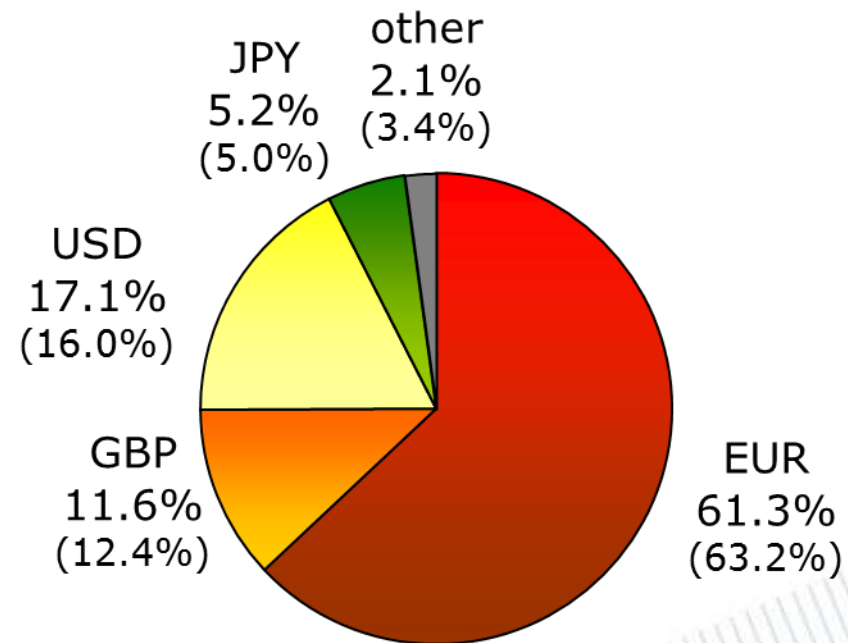
## Geographic Analysis



## Business cleared across CCP

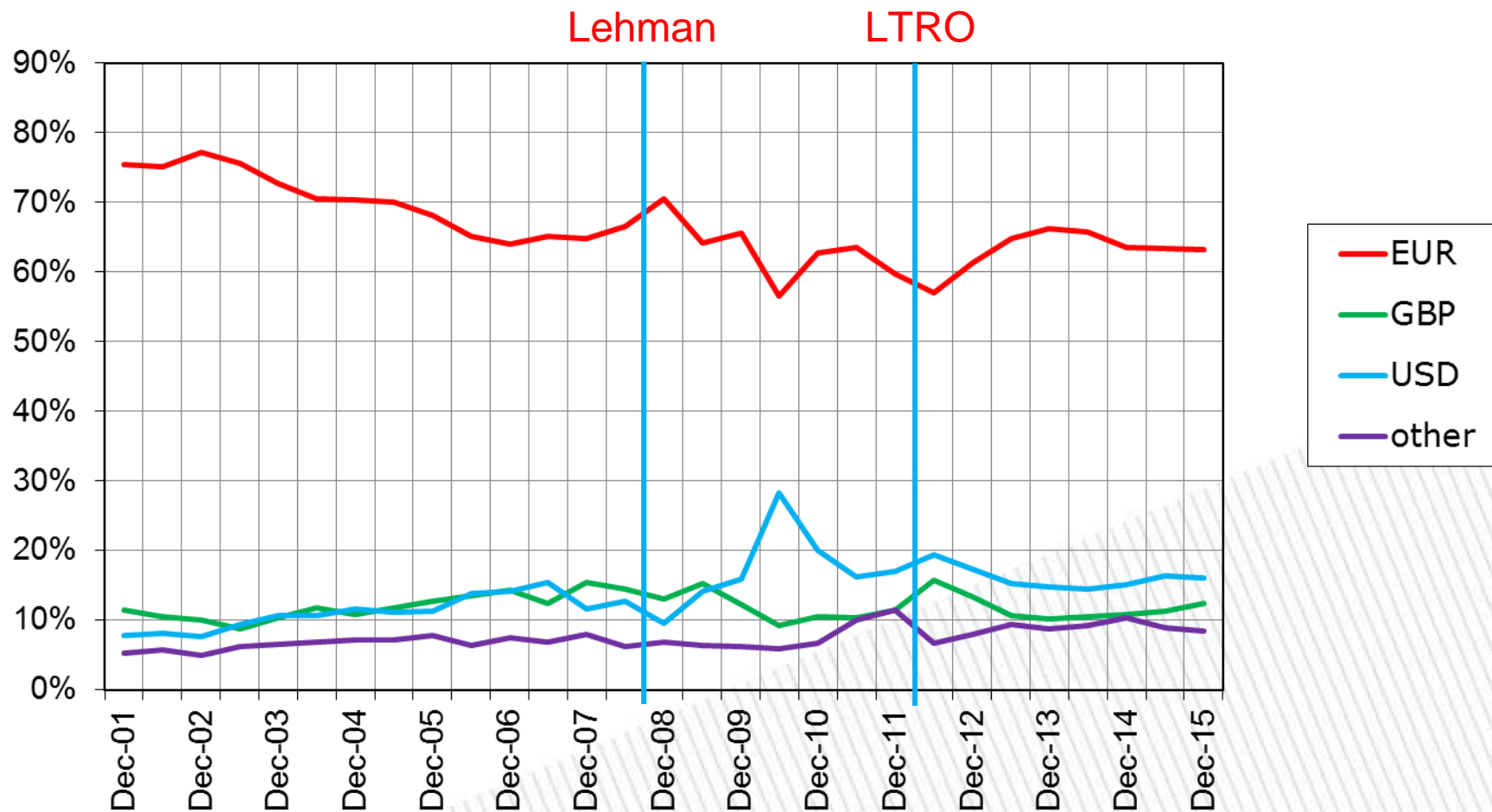


## Currency Analysis

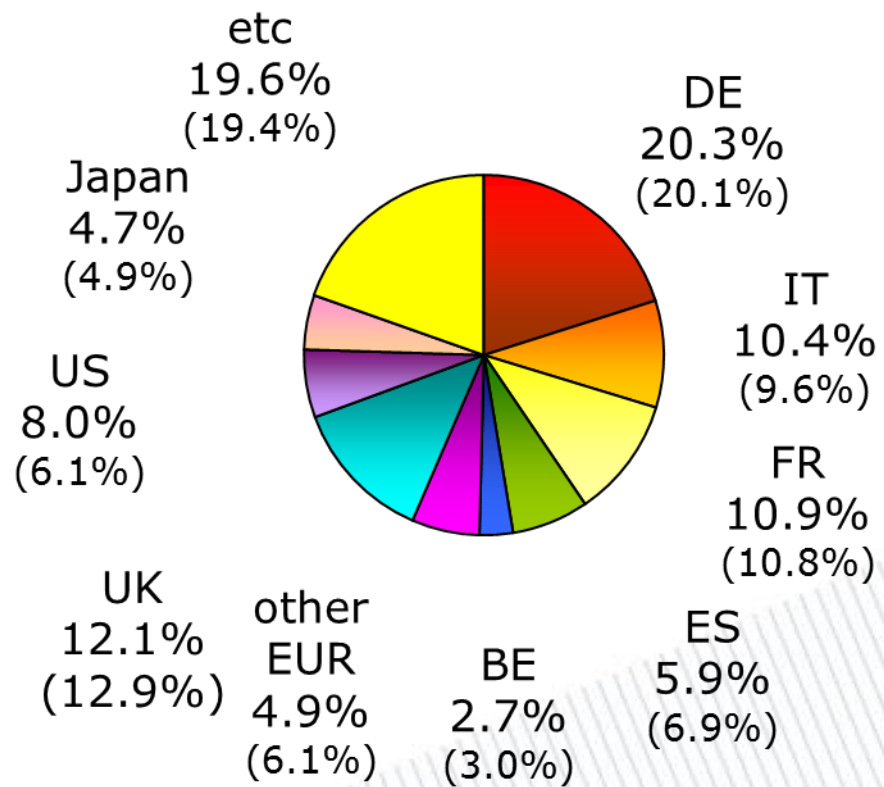




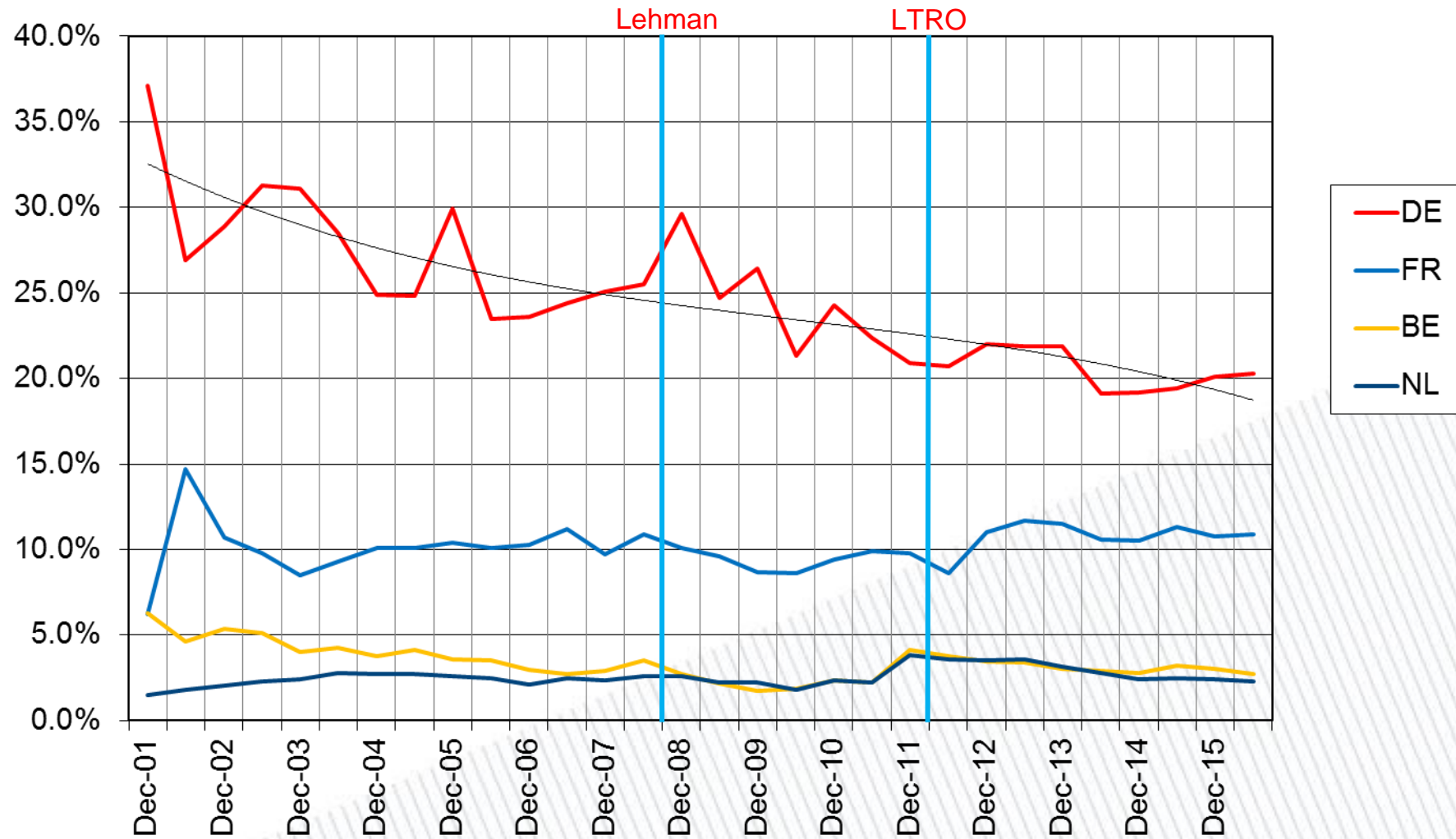
## Currency Analysis



## Collateral Analysis

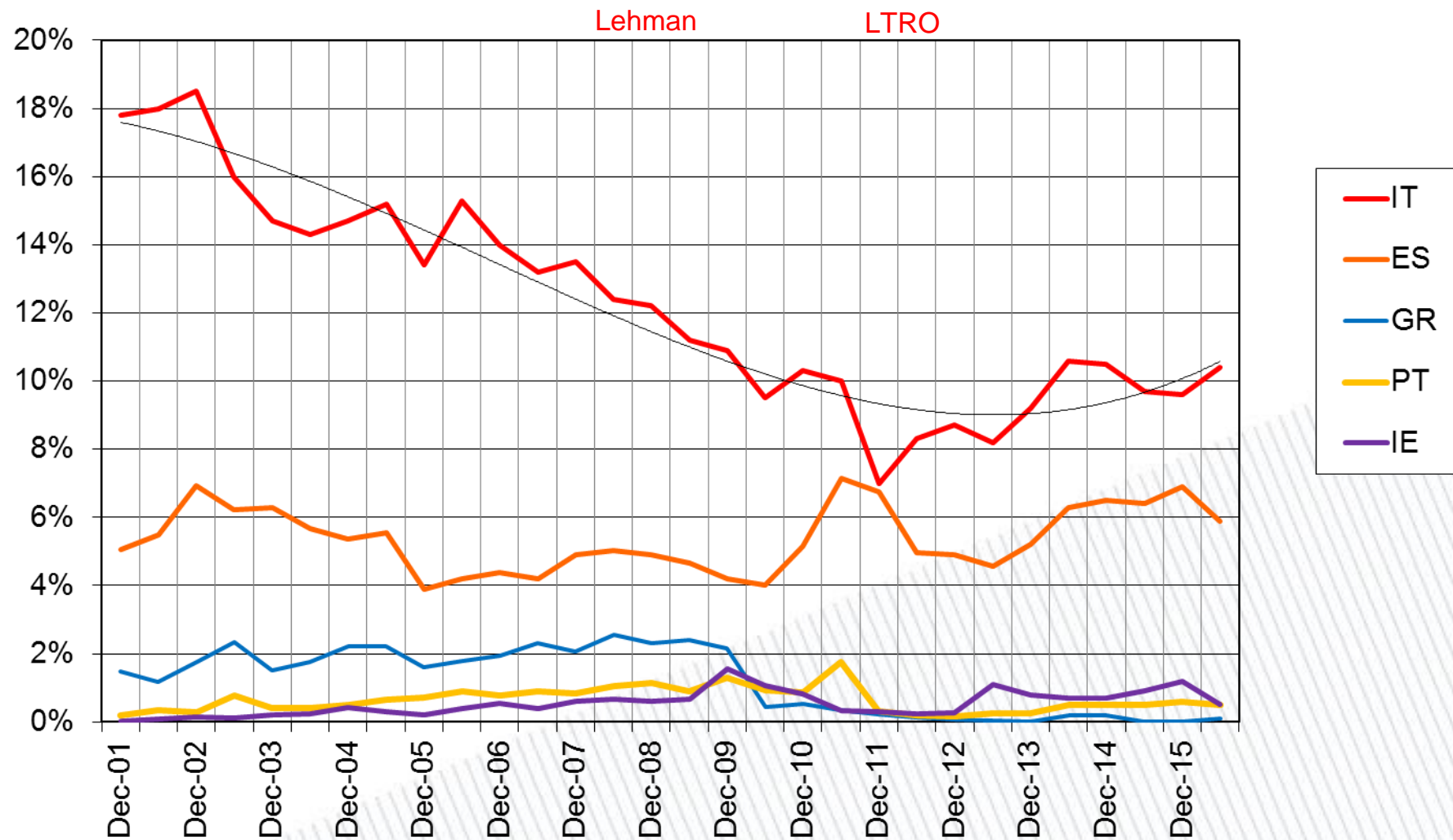


## Collateral Analysis --- Core Eurozone

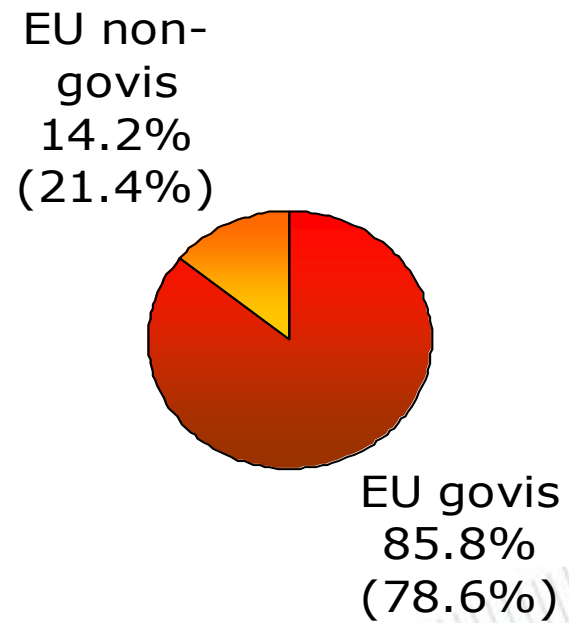




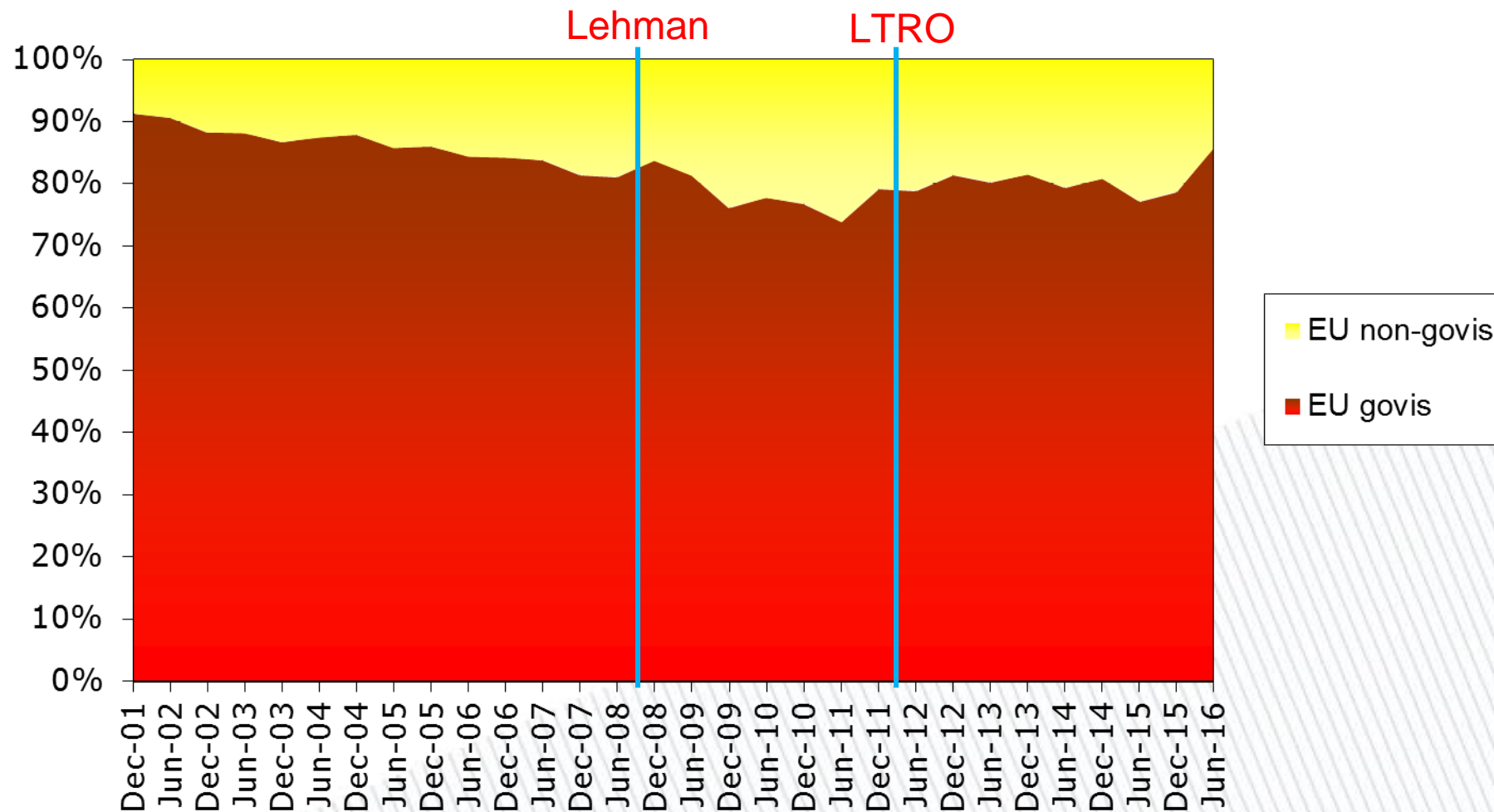
## Collateral Analysis --- Peripheral Eurozone



## Collateral Analysis



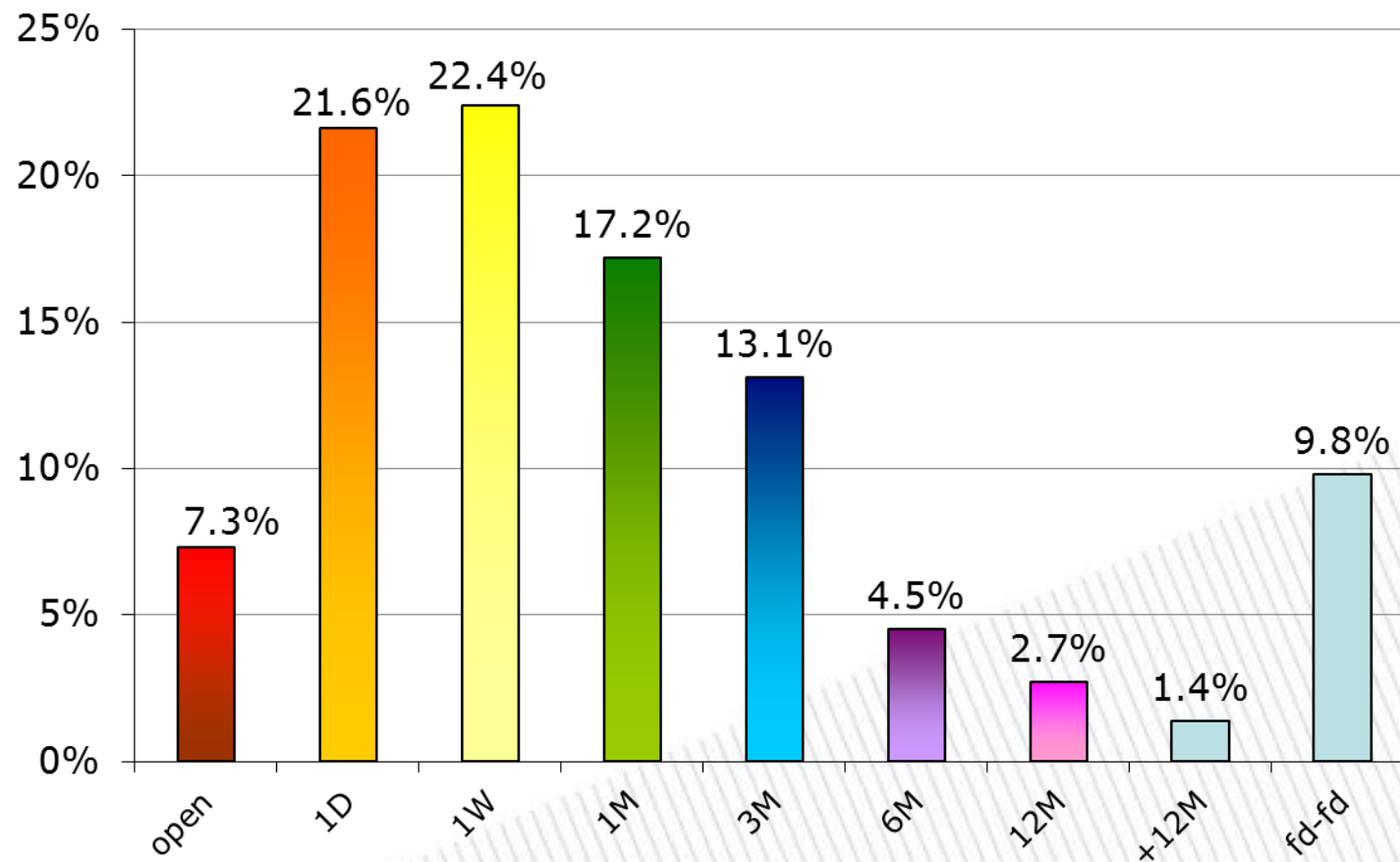
## Collateral Analysis



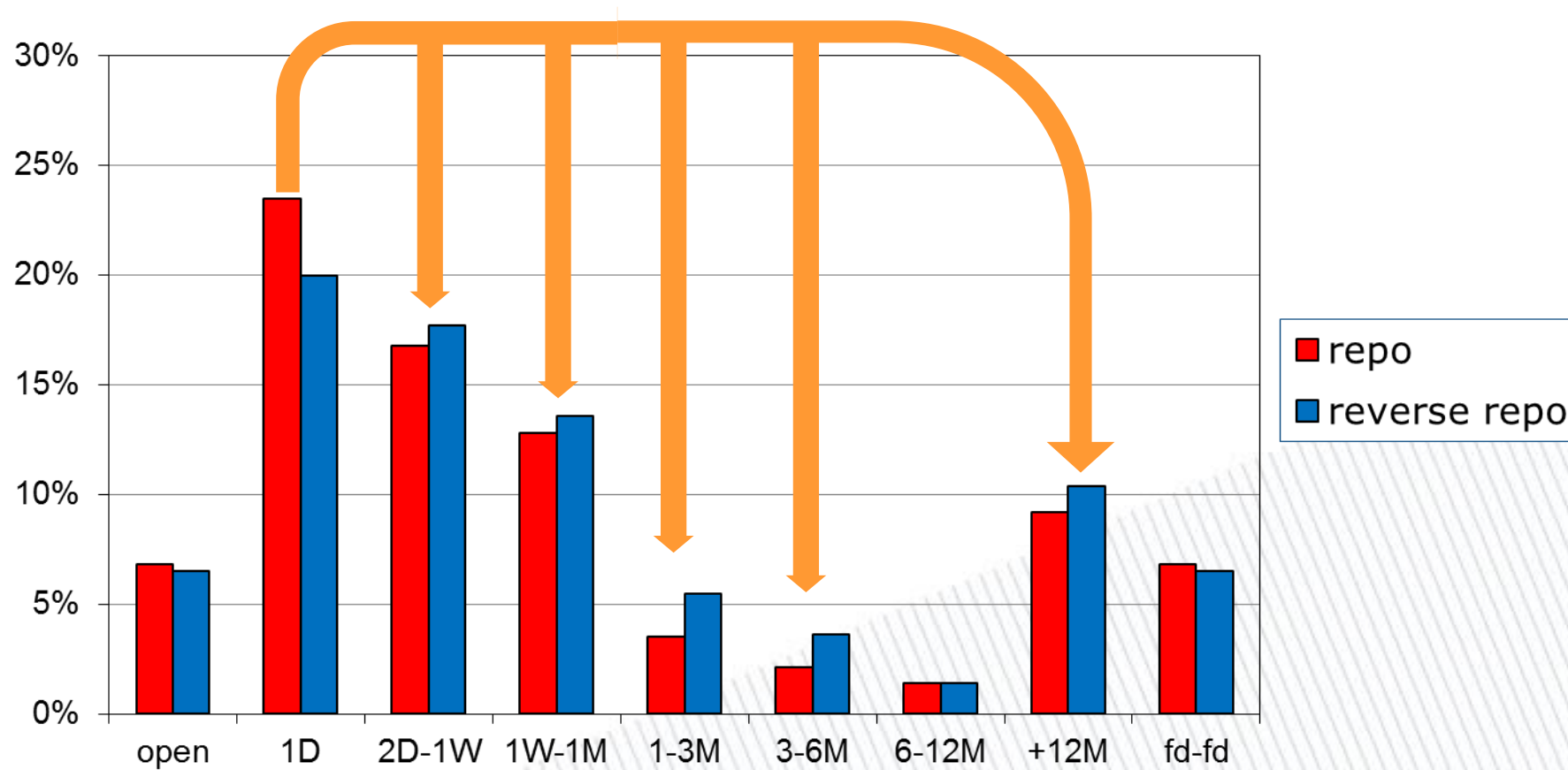


## Maturity Analysis

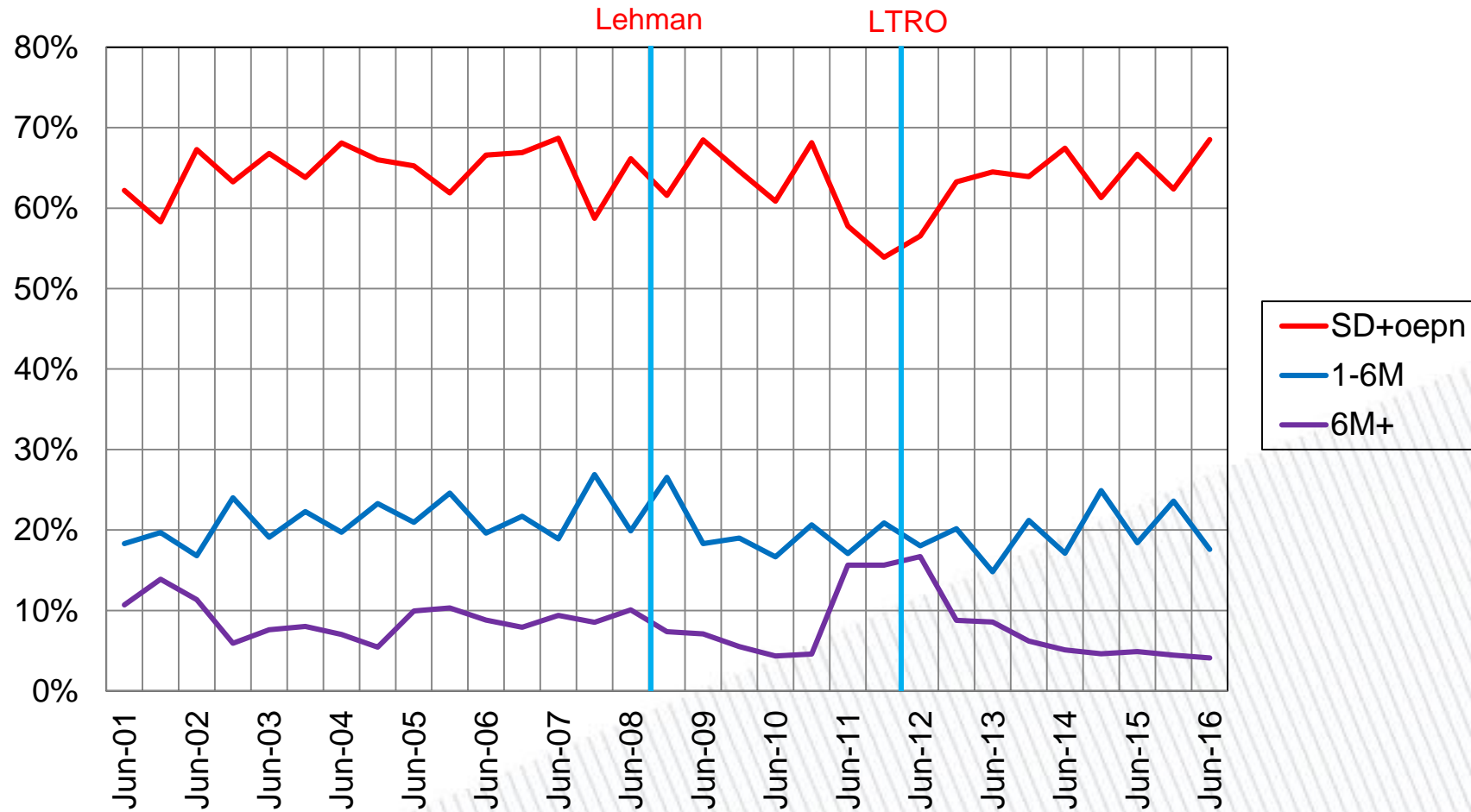
short dates = 61.2% (56.7%)



## Maturity Analysis

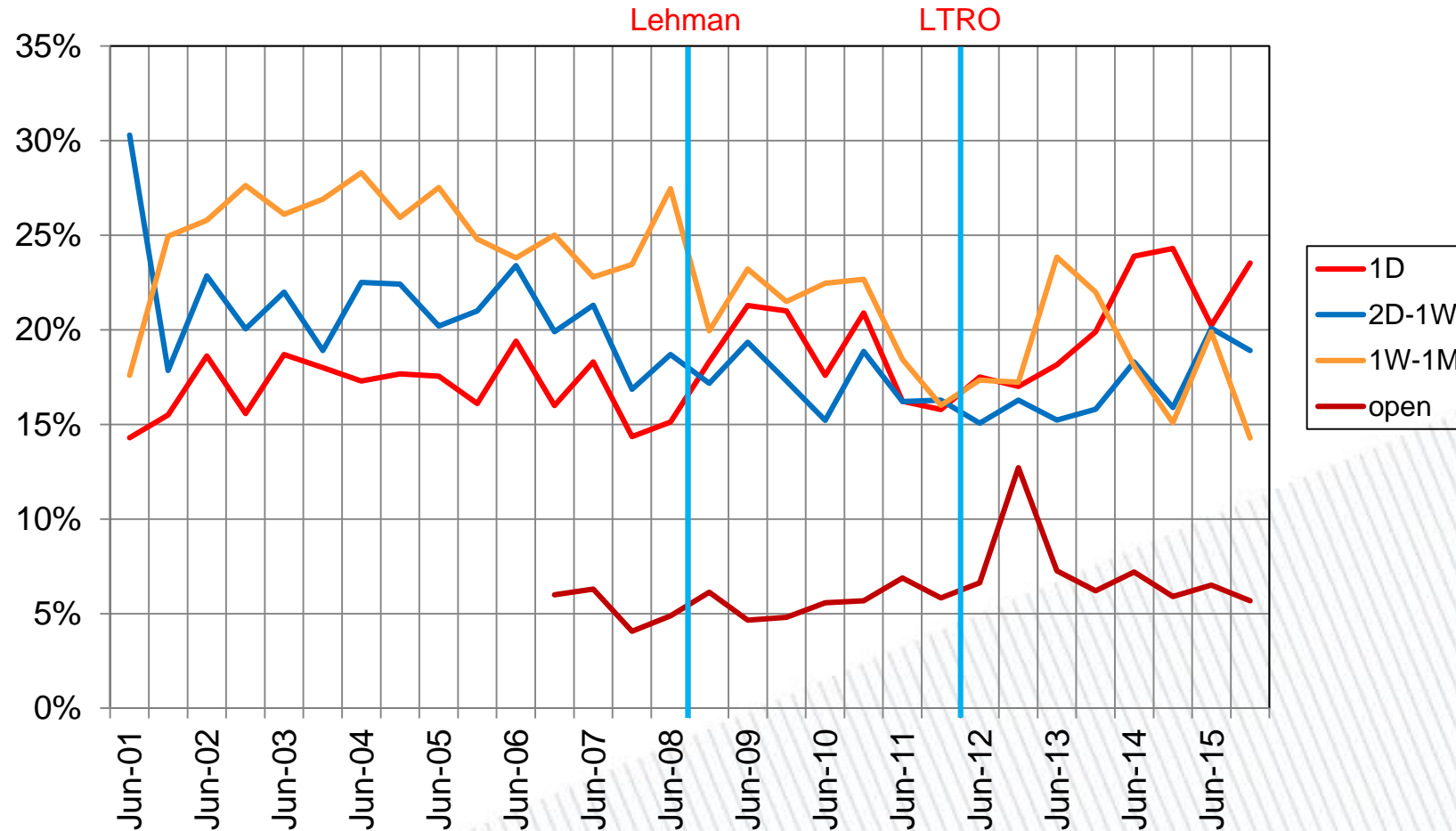


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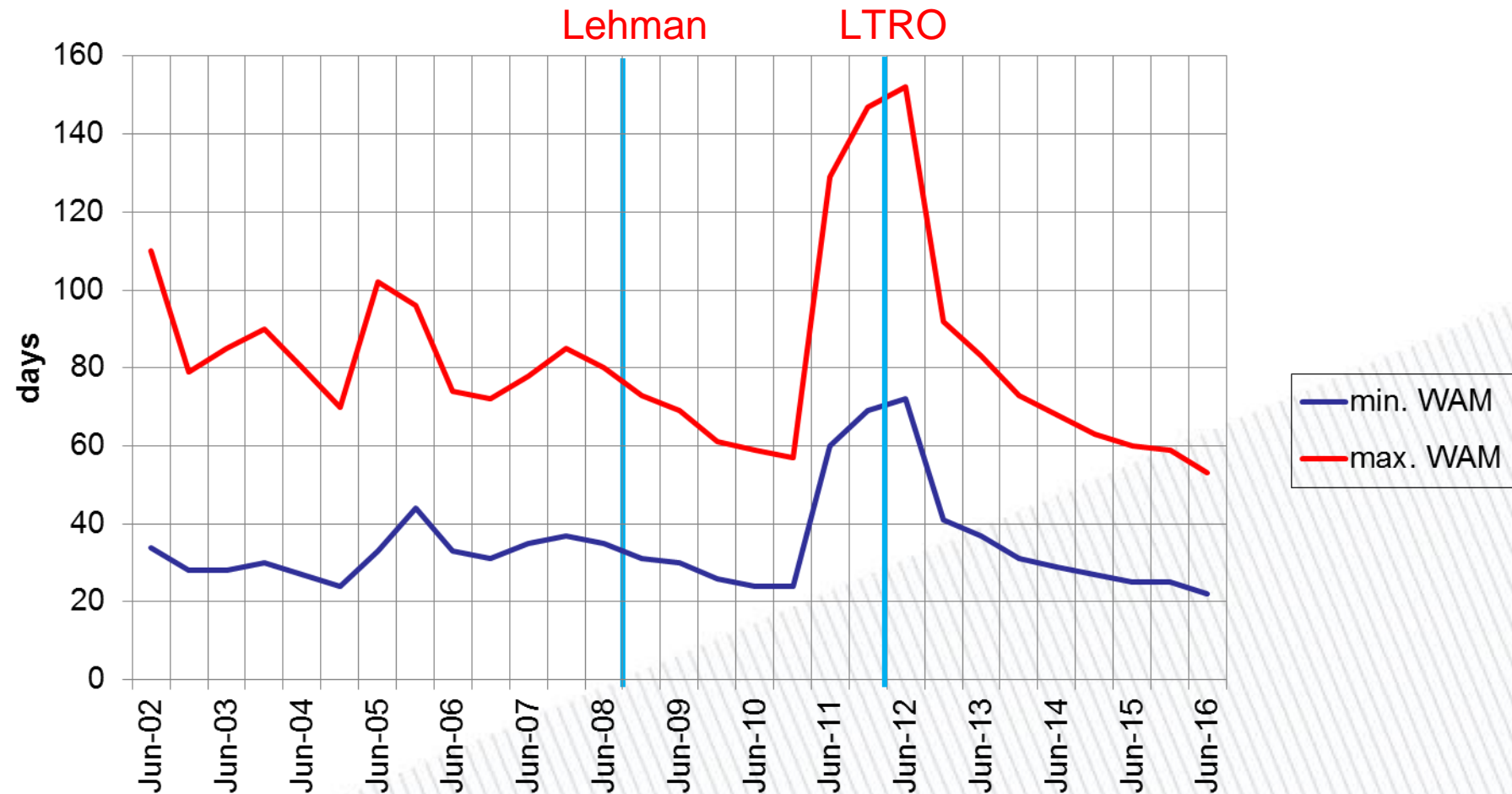




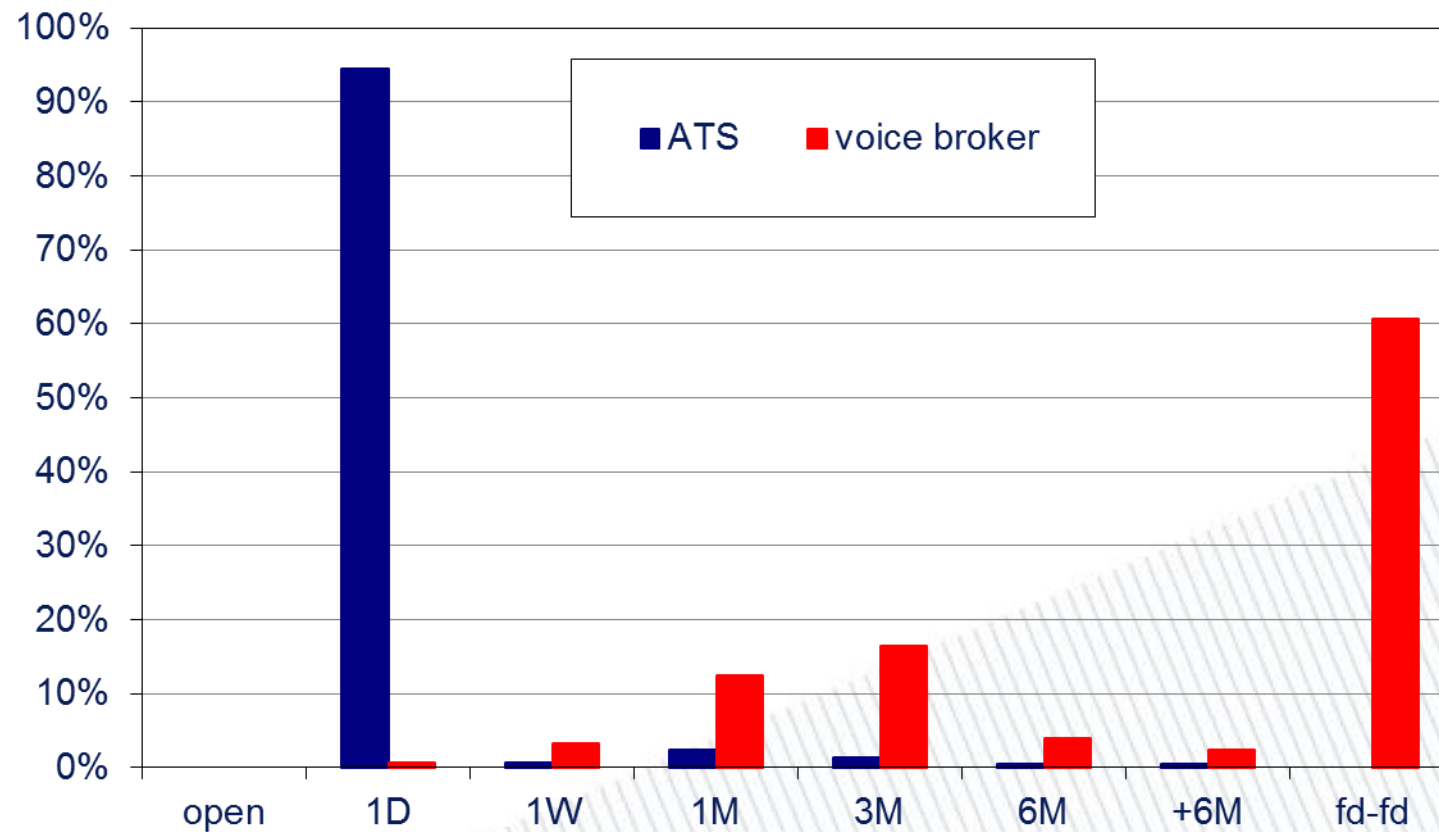
## Maturity Analysis



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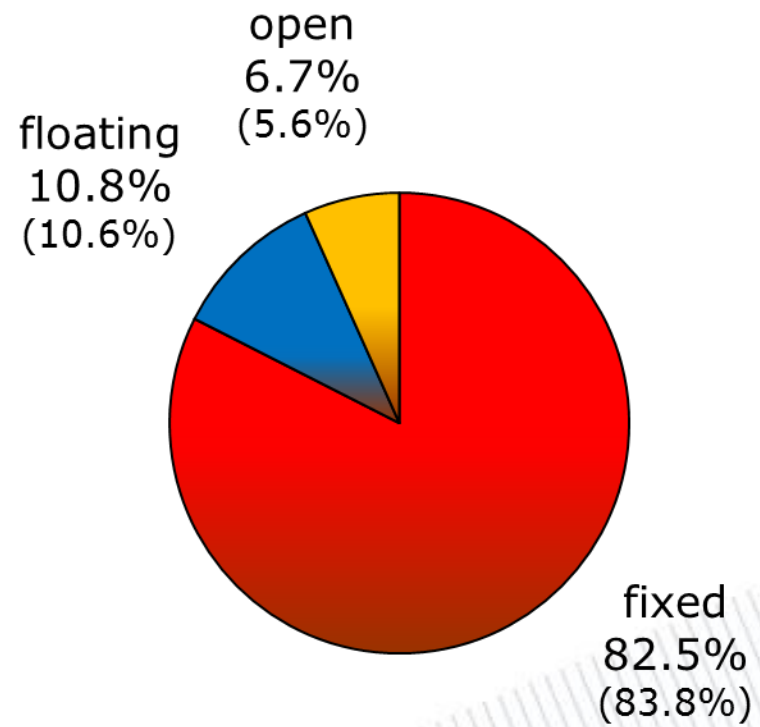


## Maturity Comparison





## Rate Analysis



**31<sup>st</sup> European repo market survey conducted in June 2016**

## **Next Survey**

Wednesday, 7<sup>th</sup> December 2016

## Repo in developing markets

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## Repo in developing markets

- there is growing interest in developing markets in establishing, reviving or rebuilding local repo markets, particularly in Africa and Asia
- there is a plethora of financial market development programmes being supported by IMF, World Bank & regional multilateral development banks
- ICMA provides technical assistance on the GMRA, as well as on repo & repo markets to central banks, treasuries, local market associations & local banks
- ICMA often works with regional multilateral development banks
- ICMA has a new partnership with Frontclear

## Repo in developing markets

- many developing markets appear to have repo markets already
- but most are in fact disguised secured loan/deposit markets --- there are some acid tests
- these pseudo repo markets often seem to work well --- so why add repo?
  - collateralised borrowing/lending markets may be an evolutionary blind alley
  - true repo can provide superior legal protection & regulatory treatment
  - true repo can catalyse the securities market
  - true repo can make cross-border integration easier

## Repo in developing markets

### some common characteristics

- turnover of USD15-50 million a day
- collateral is usually limited to government & central bank securities
- collateral is illiquid & dealers rely on standard haircuts
- confidence is high in the credit of other banks (or the official safety net)
- there can be collateral stigma
- repo rates are often higher than unsecured rates
- repo & pseudo repo is often traded on an 'exchange'
- NBFIs are usually excluded but there is often retail participation



## Typical obstacles to active repo markets

### key obstacles

- widespread misunderstanding about the character of repo
- legal uncertainty
  - will title transfer & netting in insolvency be enforceable?
  - undeveloped or unreliable judicial systems
  - existing or proposed master 'repo' agreements are often inadequate, even risky
- fiscal
  - tax (eg stamp duty/CGT on purchase & repurchase, WHT on manufactured payments)
  - debt issuance --- incoherent primary market strategy means illiquid collateral market
- other obstacles--- short-selling prohibitions, inefficient market venues

# Overcoming obstacles to active repo markets

## removing legal obstacles

- best solution is statutory definition of repo & a netting law
- but reform is particularly difficult in many civil code jurisdictions
- some countries are trying to use regulation as an alternative
- also need a robust master repo agreement
- don't use the US MRA
- consider GMRA plus country annex or country Annex I
- consider documented buy/sell-back, which means Buy/Sell-Back Annex
- legal opinion essential

## Typical obstacles to active repo markets

### **documented buy/sell-backs**

- it is often assumed that all buy/sell-backs are undocumented --- ask ESMA!
- but documented buy/sell-backs do exist & have operational features that can help avoid some common re-characterisation risks



## Repo in developing markets

### some advice

- contact the ICMA or your local multilateral development bank
- avoid the US Treasury
- think about documented buy/sell-backs
- but remember repo cannot exist in a vacuum