

Press release

News from the International Capital Market Association (ICMA)

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Please see foot of release for contact details

ICMA/2006/15

Wednesday, October 4, 2006

Latest ICMA survey shows European repo market size in excess of EUR 6 trillion

(London, UK) The International Capital Market Association (ICMA) today released the results of its 11th semi-annual survey of the European repo market. The survey, which is effectively a snapshot of the volume of repo trades outstanding on a single day in June, shows market size standing at over EUR 6 trillion, a 15 % increase from June last year.

The total value of repo contracts outstanding on the books of the 79 institutions who participated in the latest survey was EUR 6,019 billion, compared to EUR 5,883 billion in December 2005 and EUR 5,319 billion in June 2005.

The survey also provided clear evidence of increased interest in tri-party products, with tri-party repos accounting for a record market share of 11.3%, indicating a period of renewed growth, which will reassure those institutions poised to launch tri-party products in the coming months.

The share of the market transacted on electronic trading systems fell back to 21.4%, corresponding to a decline of 11% in the value of outstanding electronic transactions since December 2005, although this retreat has to be seen in the context of large gains made in the last six months of 2005.

The loss of market share for all intermediated business, both electronic and voice-brokered, was matched by a corresponding large increase in market share of repo business negotiated directly between two counterparties, which has risen to 58%.

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The growth of directly-transacted business at the expense of electronic and voice-brokered business may be explained by increased position-taking in expectation of interest rate rises.

Commenting on the survey results, Godfried De Vidts, Chairman of ICMA's European Repo Council said: "Growth of repo continues to be unstoppable with the inexorable move to secured financing driven by the capital adequacy requirements of Basel II. We are seeing continuous innovation in this lively market increasing the diversity of currencies and collateral, with the addition of emerging market securities, distressed assets, and structured and even more unusual assets to the repo mix."

The results of the repo survey were presented today at the General Meeting of the European Repo Council, a forum affiliated to ICMA, where the repo dealer community meets to discuss the practical challenges of this rapidly evolving marketplace. Presentations by the European Central Bank (ECB) and European Commission (EC) on clearing and settlement initiatives in the Euro zone were also on the agenda. The repo market requires the cross-border transfer of collateral, on an intra day basis. This process is generally seen as well managed due to close co-operation within repo community between users and infrastructure providers; it could however be streamlined by the introduction of a truly integrated European security settlement infrastructure.

Referring to developments in repo clearing and settlement Godfried De Vidts said: "Repo practitioners and the ERC welcome discussion with the ECB over its proposal to extend its TARGET2 system to securities. We remain deeply convinced that allowing easier transfer of collateral within the euro market and developing the current systems from legacy domestic markets into a true European settlement infrastructure will benefit the wholesale market. ICMA's TRAX2 pre-matching system designed for managing operational risk in what the latest survey demonstrates remains a predominantly over the counter market is also a very desirable move towards improving the market's infrastructure".

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Notes for editors

1. Copies of the ERC survey

A copy of the 11th ICMA ERC European Repo Survey can be downloaded from ICMA's website at: www.icma-group.org

2. International Capital Market Association (ICMA)

The International Capital Market Association (ICMA) is the self-regulatory organisation representing the financial institutions active in the international capital market worldwide. ICMA's members are located in some 50 countries across the globe, including all the world's main financial centres, and currently number over 400 firms.

3. European Repo Council

The ERC was established in December 1999 by ICMA. Membership is open to any ICMA member who undertakes dedicated repo markets activity. A core responsibility of the ERC and one of the original reasons for its existence is to assist ICMA in maintaining the legal documentation which underpins the safe functioning of the cross-border repo market, specifically, the Global Master Repurchase Agreement (GMRA).

Perhaps one of the most widely known initiatives of the ERC has been its educational programme. With the backing of ICMA and the ACI, the ERC has run the ICMA-ACI Professional Repo Market course since 2002. This year the course will run in Madrid in November and a similar course is planned in Moscow in 2007.

4. Contact details for further information

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