

Press release

News from the International Capital Market Association (ICMA)

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Please see foot of release for contact details

ICMA/2007/09

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For immediate release

Latest ICMA survey shows strong growth in European repo market over 2006

(London, UK) The International Capital Market Association (ICMA) today released the results of its 12th semi-annual survey of the European repo market. The survey, which is effectively a snapshot of the volume of repo trades outstanding on December 13, 2006, shows market size at over EUR 6,430 billion (EUR 6.4 trillion), an annual increase of 14% over 2006, compared with an increase of 18% in 2005.

The total value of repo contracts outstanding on the books of the 74 institutions who participated in the latest survey rose to EUR 6,430 billion compared to EUR 6,019 billion in June 2006 (based on 79 survey responses) and EUR 5,883 billion in December 2005. The growth in the market in the last 6 months of 2006 reflects healthy activity in the underlying European debt securities market over this period.

The survey also indicates a renewed boom in electronic trading of repo which now accounts for 23.3% of trading. Most significantly, the share of anonymous trading on electronic systems rose from just 8.7% of the total business to over 14% in December. By comparison the market share of voice broking continued to contract falling to a new low of 19.8%.

The strong growth of triparty repo shown in previous surveys faltered slightly with market share falling from 11.3% in June to 10.6% in December although the outstanding business reported directly by the triparty agents actually increased, suggesting a broadening of triparty activity beyond the core interdealer market represented in the survey. It is likely that growth in triparty repo will continue in

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the coming months as re-use of collateral in triparty arrangements is facilitated by the introduction of Euro General Collateral settlement by Central Counterparties during the course of this year.

Commenting on the survey results, Godfried De Vidts, Chairman of ICMA's European Repo Council said: "Growth in the repo market continues and although the sample of banks covered by this survey has gone down it is clear that there is a strong upward trend in outstanding volume. Repo is becoming a commoditised business hence the growth of electronic trading and in particular growth in anonymous trading volumes through a central counterparty. The continuous drive by the EU Commission through various initiatives to make clearing and settlement more efficient and ongoing ECB discussions regarding Target 2 Securities should mean that clearing and settlement of this high volume business will become cheaper. As chairman of the European Repo Council I appeal to all banks active in this market to participate in the survey as it is an essential tool for development in this market".

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.

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Notes for editors

1. Copies of the ERC survey

A copy of the 12th ICMA ERC European Repo Survey can be downloaded from ICMA's website at: www.icmagroup.org

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2. 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 the next course will run in Moscow in May 2007.

3. International Capital Market Association (ICMA)

The International Capital Market Association is the self-regulatory organisation and trade association representing constituents and practitioners in the international capital market worldwide. ICMA's members are located in 48 countries across the globe, including all the world's main financial centres, and currently number some 400 firms in total. ICMA performs a crucial central role in the market by providing and enforcing a self-regulatory code of industry-driven rules and recommendations which regulate issuance, trading and settlement in international fixed income and related instruments. ICMA liaises closely with regulatory and governmental authorities, both at the national and supranational level, to ensure that financial regulation promotes the efficiency and cost effectiveness of the capital market. www.icmagroup.org

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