



INTERNATIONAL SECURITIES MARKET ASSOCIATION

P R E S S R E L E A S E

ISMA/2001/08
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ISMA lays foundations for more accurate European repo market stats

European bank survey records market size of at least EUR1.86 trillion outstanding business

(LONDON, UK) NEW FIGURES, published today, will enable banks dealing in repo to gauge more accurately the size of the market in Europe. A survey commissioned by the International Securities Market Association (ISMA) puts the total value of repo business outstanding on participants' books at EUR1,863 billion - although the true figure for the market as a whole is likely to be far higher.

48 banks responded to the poll, taken in June 2001 from an initial sample of 71 firms (a 68% return). ISMA believes that the detailed figures obtained provide the most authoritative picture to date of the size of the repo market in Europe. The respondents originated from twelve European countries, plus the United States and Japan.

The study was the first in a series of semi-annual surveys being conducted on ISMA's behalf by the ISMA Centre at the University of Reading in the UK. Banks were asked for the value of their outstanding repo business at close of business on Wednesday, June 13, 2001 and a breakdown including information on the type, maturity, currency and source of collateral.

The analysis was carried out at the request of the European Repo Council (ERC), a body set up within ISMA's structure to promote and represent members active in Europe's repo markets. ERC Chairman, Mr. Godfried De Vidts of Fortis Bank, Brussels welcomed today's publication:

"Whilst the international repo market is one of the largest financial markets in Europe, previous figures relating to market size have tended to amount to approximate estimations. The new findings, which have been presented to influential market observers such as the European Central Bank and the European Commission, begin to provide a more accurate range of statistics on the size and composition of the repo market. As future surveys build on these initial results, banks will be better placed to establish their market shares and gauge their business strategies going forward," he explained.

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Total repo business

48 banks participated in the survey. The total value of repo contracts outstanding on their books was EUR1,863 billion (1,863,000,000,000), of which 49.6% were repos and 50.4% were reverse repos. The total is a gross figure. This means that it has not been adjusted to take account of the fact that contracts between pairs of banks participating in the survey have been reported by both banks and therefore counted twice.

Counterparty analysis

Some 47% of outstanding repo contracts reported in the survey were negotiated directly with the other counterparty, 46% through voice-brokers and 8% through inter-dealer automatic trading systems (ATSS).

Geographical analysis

Around 53% of outstanding repo contracts reported were with domestic counterparties and 42% were cross-border. The remaining 5% were negotiated anonymously through an ATS and settled with a central clearing counterparty (CCP) (which means that it is not possible to categorise them as domestic or cross-border).

Settlement analysis

Approximately 6% of outstanding contracts reported in the survey were negotiated under tri-party repo arrangements. The remainder were bilateral or with a CCP.

Cash currency analysis

Some 73% of reported outstanding repo contracts were denominated in euros (EUR), 11% in pounds sterling (GBP) and 10% in US dollars (USD). Only 2% of reported outstanding contracts were reported to be cross-currency repos (transactions in which the cash and collateral are denominated in different currencies).

Collateral analysis

About 76% of collateral holdings reported in the survey (measured by market value) were issued in countries in the eurozone: 34% were issued in Germany and 18% in Italy. Another 12% of collateral was issued in the UK. More than 91% of collateral was issued by central governments.

Repo rate analysis

Some 90% of reported outstanding repo contracts paid a fixed rate of return, 5% were floating-rate and 4% were on an open basis (transactions with no fixed maturity but terminable on demand by either counterparty subject to an agreed period of notice).

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Maturity analysis

Whilst around 62% of reported outstanding repo contracts had less than one month remaining to maturity, a significant amount of business ran out to one year. Some 9% were forward-forward repos (with value dates more than two business days in the future).

Product analysis

A number of the banks surveyed transacted securities lending and borrowing on their repo desks. Of the total outstanding contracts transacted by repo desks - i.e repos plus securities lending and borrowing - some 17% was securities lending and borrowing.

Concentration analysis

The top ten banks in the survey accounted for some 64% of the total reported business. The top twenty banks accounted for 88%. The top thirty accounted for 97%.

The next survey will take place on December 12, 2001. The ERC hopes to expand significantly the number of banks participating at each successive survey and to begin to monitor trends in the size and composition of the European repo market. A number of banks that were unable to participate in the June survey will join the December survey and other banks are being approached to take part.

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Notes for editors

1 Obtaining copies

ISMA's *European repo market survey June 2001* is available for download free of charge from ISMA's web site at www.isma.org/statistics/repo.

2 International Securities Market Association (ISMA)

The International Securities Market Association (ISMA) is the self-regulatory organisation and trade association for the international securities market. For some 570 member firms in almost 50 countries world wide, ISMA oversees the efficient functioning of the market through the implementation and enforcement of a self-regulatory code covering trading, settlement and good market practice. ISMA is involved in the international repo markets to a significant extent. The Association has devoted considerable attention to developing a standard master agreement for repo transactions in conjunction with The Bond Market Association in New York (formerly the Public Securities Association (PSA)). The first version of the TBMA/ISMA Global Master Repurchase Agreement (GMRA) was published in 1992, followed by a substantially revised version in 1995. Due to its versatility and adaptability to suit local law and practice, it has since become accepted as the international standard for repo transactions. A new version of the GMRA, taking into account market developments since 1995, was published in 2000.

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3 European Repo Council (ERC)

The International Repo Council (IRC) is a special interest group established by ISMA for members active in the international repo markets. Beneath the level of the IRC, regional repo councils may be established to represent the repo market of a particular geographic area. The European Repo Council (ERC) is the first such regional council to have been established. Its members comprise the major banks and securities houses active in Europe's cross-border repo markets.

4 ISMA Centre

In 1991, ISMA sponsored a professorship in investment banking at the University of Reading in the UK, which led to the creation by the University of the ISMA Centre. The ISMA Centre's first responsibility was to provide the tuition expertise for ISMA's practitioner programmes. Since then, it has grown to become one of the world's major centres of academic excellence in the study of financial markets and is internationally recognised as "The Business School for Financial Markets".

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