

Press release

News from the International Capital Market Association (ICMA)

Talacker 29, P.O. Box, CH-8022, Zurich
www.icmagroup.org

Please see foot of release for contact details

ICMA/2007/25
Wednesday, September 19, 2007
release: immediate

ICMA survey of European repo market demonstrates year on year growth despite changed interest rate environment.

(London, UK) The International Capital Market Association (ICMA) today released the results of its 13th 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, before the current market difficulties took hold, sets the baseline figure for market size at EUR 6,775 billion, a 15% increase, year on year from June 2006. The larger part of this growth was registered during the second half of 2006, with growth flattening in the first half of 2007 probably reflecting market expectations of rising official interest rates.

This latest survey also shows that the share of trading in the repo market through electronic trading system returned to 21.9%, close to the level reported for June 2006. This is interpreted as the expected rebalancing of the spike in market share for this sector reported in December 2006. However, the share of the electronic repo market settled through a central clearing counterparty (and traded anonymously) also fell back sharply to 10.3% in the June survey; this probably reflects differences between the distribution of electronic trading in the survey sample compared to the market at large.

The market share of triparty repo, where the collateral is held by a third party agent, reducing the administrative burden and also the counterparty risk of the transaction, reached a record high of 11.8%.

Godfried DeVidts, Chairman of ICMA's European Repo Council commented; "The repo market has seen outstanding growth in past years due to the low interest

More follows/...

ICMA/2007/25

Page 2 of 3

rate environment, however this growth is beginning to slow in response to interest rate rises. The results of the June survey may also have been affected by the earliest indications of the market turmoil which we then experienced in August.”

“The strong growth reported in tri-party repo is very positive, indicating that there is value in tri-party for the right type of collateral and that despite the difficulties of pricing assets in the current difficult conditions, the market has retained its confidence in the pricing abilities of the triparty agents.”

“The robust legal framework for repo put in place by ICMA through the Global Master Repurchase Agreement and the legal opinions which underpin its use in more than 50 jurisdictions has served the market well in the turmoil of the last few weeks. This essential work by the financial industry through various trade associations supports securities lending and repo agreements, increasing protection and reducing costs for market participants. Market dialogue on these issues will continue at a meeting to be co-hosted shortly by the Bank of England and the European Central Bank.”

ENDS

Notes for editors

1. Copies of the ERC survey

A copy of the 13th ICMA ERC European Repo Survey can be downloaded from ICMA’s website at: www.icmagroup.org

2. 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 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

More follows/....

ICMA/2007/25

Page 3 of 3

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.

ICMA is unique amongst financial industry associations in that it represents a broad range of capital market interests, its members include both global investment banks and smaller regional banks, as well as asset managers, exchanges, central banks, law firms and other professional advisers, making it an influential voice for the global market.

www.icmagroup.org

3. Contact details for further information

ICMA Communications

Allan Malvar

+44 20 7510 2691

+44 7738 696 451

allan.malvar@icmagroup.org

Margaret Wilkinson

+44 20 7538 5656

+44 7931 100 499

margaret.wilkinson@icmagroup.org