

Press release

News from the International Capital Market Association (ICMA)

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ICMA-ERC survey confirms long term recovery in European repo market activity to pre-crisis levels

(London, UK) The European Repo Council of the International Capital Market Association (ICMA) today released the results of its 20th semi-annual survey of the European repo market, undertaken in December 2010. The survey sets the baseline figure for market size at EUR 5,908 billion representing a modest year-on-year increase of 6% on the figure of EUR 5,582 billion for the survey in December 2009.

There was a sharp fall from the headline total of EUR 6,979 recorded in June 2010, but this figure included unusual specialised transactions that have subsequently been unwound. The results of the latest survey confirm the continuing trend of modest recovery in the European repo market towards pre-crisis levels. The survey is based on returns received from 57 offices of 55 financial groups, mostly banks, including most of the largest European repo market participants. It is a snapshot of the size of the market in terms of the volume of outstanding transactions on a date in December; it does not include the value of repos undertaken by Central Banks as part of their intervention in the market, which would clearly have been important.

The December survey showed a sharp rise in the volume of electronic repo trading to 28.3% of the survey volume from 22.5% in the June 2010 survey. Amongst other things this figure has been boosted by the revival in the repo market in Spain as banks there regained access to money market funding by turning to new local Central Counterparty Clearing (CCP) services introduced in the second half of 2010 by MEFF and LCH Clearenet.

The share of tri-party repo rose from 7.9% of the survey in June 2010 to 11.5% in this latest survey, showing increasing confidence of market participants in this product as a means of reducing risk.

The Chairman of the ICMA's European Repo Council, Godfried de Vidts said: "The survey again demonstrates the increasing importance of CCPs in the repo market and also that significant volumes of repo-cleared trades are now registered with CCPs after the trade has been completed directly between two parties or via a voice broker, not just via electronic trading systems. As the increased use of market infrastructures, such as CCPs, are part of the overall transformation to a less systemically risky market environment, regulation should encourage their use by allowing users access by their preferred method. The recovery in the share of Spanish government bonds as repo collateral is a clear indication that banks recognise the importance of centralised clearing infrastructures."

Notes for editors

1. ICMA ERC European repo market survey

The survey is based on returns received from 55 financial institutions in Europe, and is a snapshot of the volume of repo trades outstanding on a single day in December 2010. It is conducted by the ICMA Centre at the University of Reading

A copy of the 20th ICMA ERC European Repo Survey can be downloaded from ICMA's website at: www.icmagroup.org

2. International Capital Market Association (ICMA) and European Repo Council

ICMA represents financial institutions active in the international capital market worldwide. ICMA's members are located in 50 countries, including all the world's main financial centres. ICMA's market conventions and standards have been the pillars of the international debt market for over 40 years, providing the framework of rules governing market practice which facilitate the orderly functioning of the market. ICMA actively promotes the efficiency and cost effectiveness of the capital markets by bringing together market participants including regulatory authorities and governments.

The European Repo Council is a special interest group established under the auspices of ICMA to promote and represent banks active in Europe's repo markets. Its members comprise the major banks active in Europe's cross-border repo markets.

ICMA maintains the standard master agreement for repo transactions, the Global Master Repurchase Agreement (GMRA). This is currently under review and the 2011 GMRA will be published in April.

See: www.icmagroup.org

3. ICMA Communications

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