

# Press release

News from the International Capital Market Association (ICMA)

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## **European repo market remains stable despite Eurozone difficulties, ICMA-ERC survey shows.**

(London, UK) The European Repo Council of the International Capital Market Association (ICMA) today released the results of its 22nd semi-annual survey of the European repo market, which took place in December 2011. The survey, which measures the amount of repo business outstanding on 7 December, sets the baseline figure for market size at EUR 6,204 billion.

Analysis of the figures for banks that participated in both the December 2010 and December 2011 surveys shows modest growth in the market of 2.6% year on year, although there was a contraction in market size of 3.3% from the June 2011 survey using a constant sample. The latest survey results reflect continued stability in the repo market despite underlying difficulties for Euro Sovereigns which furnish the majority of the collateral for repo activity.

Heightened risk-aversion among investors was evident in changes in the collateral composition of the market. Overall, the share of government bonds within the pool of EU originated collateral rebounded in this most recent survey to 79.1% of the market from 74.3% in the previous survey. The market share of German collateral continued to fall, touching 20.9% of the total (from 24.9% in December 2010), as risk averse investors became more cautious about lending these safe haven securities. The share of Italian collateral also fell to 7.0% (from 10.3% in the December 2010 survey) possibly reflecting credit concerns.

Godfried De Vidts, Chairman of ICMA's European Repo Council said: "The survey demonstrates that the European repo market, an essential source of bank financing in Europe, has been able to maintain its stability during challenging market conditions up to the early part of December. The survey was taken ahead of the three year liquidity provisions of the Eurosystem and anecdotal evidence points to a slowdown in the interbank repo market since. As a community we are sure that the Eurosystem will look at all impacts of this welcome intervention, including the increasing lock-up within the Eurosystem of an important part of the available collateral."

Other key findings from the survey:

Market users continue to make use of Central Clearing Counterparties to settle their repos in a low-risk environment. The share of CCP-cleared repos rose to 32% of the survey business, from 30.5% in June 2011.

The latest survey again reinforces the trend to a significant lengthening of the maturity profile of European repo. Transactions of less than one month (so-called 'short dates') have dropped

sharply, whilst repos of over one year duration have continued to increase their share of the survey, rising to 12.7% of the total from 9% in the June survey, as banks respond to regulatory pressure and their own concerns over market liquidity by seeking longer-term funding.

The market share of triparty repo remained steady at 11.4%.

**A copy of the survey is available from [www.icmagroup.org](http://www.icmagroup.org)**

### Notes for editors

#### 1. ICMA ERC European repo market survey

The survey is based on returns received from 64 financial institutions in Europe, and is a snapshot of the volume of repo trades outstanding on a single day in December 2011. It is conducted by the ICMA Centre at the University of Reading

A copy of the 22nd ICMA ERC European Repo Survey can be downloaded from ICMA's website at: [www.icmagroup.org](http://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. 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 ICMA European Repo Council is a special interest group established under the auspices of ICMA to represent the major banks active in Europe's cross-border repo markets.

See: [www.icmagroup.org](http://www.icmagroup.org)

#### 3. ICMA Communications

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