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Press release

News from the International Capital Market Association (ICMA)

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Latest ICMA survey shows sharp decline in size of the European repo market

(London, UK) The European Repo Council of the International Capital Market Association (ICMA) today released the results of its 26th semi-annual survey of the European repo market. The survey, which computes the amount of repo business outstanding on 11 December 2013, sets the baseline figure for market size at **EUR 5,499 billion**. This represents a sharp decline in market size from the figure of EUR 6,079 billion recorded in the last survey in June 2013. Using a constant sample of banks in both surveys, it is estimated that that the market has shrunk by at least 8.2% since June.

The latest figure for repo market size is still substantially above the lowest survey figure of EUR 4,633 billion recorded in December 2008, although well short of the pre-crisis peak in European repo market size of EUR 6,775 billion in June 2007.

The author of the survey, Richard Comotto of the ICMA Centre, University of Reading, indicated that several factors may have been at work: "The contraction of the market would seem to be the result of the usual shrinkage of repo books at year-end plus the impact of the liquidity offered by the ECB in December in order to relieve any seasonal funding shortages. It may also have been driven by the anticipation of future regulatory constraints on short-term wholesale funding."

Godfried De Vidts, Chairman of ICMA's European Repo Council, outlined the challenges facing the European market: "The repo market still faces an unclear landscape. The impact of regulatory reforms and interactions with the central bank community continue to increase uncertainty. Market users need to be alert to changing market forces, including the increased use of collateral while the introduction of mandatory clearing for OTC derivatives is taking place."

26th ICMA ERC European Repo Survey

Key findings of the survey:

- The share of directly-negotiated repo business continued to rise to 53.2% of the survey total; this gain in market share was at the expense of the electronic trading of repos which fell to 31.7% of the survey. Data provided directly by the principal automatic trading systems showed that the outstanding value of all electronic trading (not just the institutions in the survey sample) also contracted.

- The market share of tri-party repo business improved slightly to 9.9% from 9.6% in the previous survey. However, the outstanding value of tri-party repo reported directly by the major tri-party agents in Europe reached a record figure of EUR 1,344 billion (+22%). This points to a further expansion of the repo market outside the survey sample, which is mainly repo dealers, supporting anecdotal evidence of new kinds of customer adopting tri-party as a means of accessing the repo market. It may also reflect renewed interest in lending to core euro zone banks by external investors such as US money market mutual funds.
- There was a drop it the share of domestic business in the survey to 26.1%, this was probably the result of central bank assistance in December reducing the need for trading within euro zone countries.
- There was increase in the share of CCP-cleared trading since the last survey to 25% of the survey sample, contrary to reports suggesting that banks were shifting out of CCP-cleared trading to take advantage of smaller haircuts in the uncleared market. However, the picture is confused by a change in the questions asked about CCP-cleared trading and is anyway complicated (e.g. Spanish banks may have been reducing their use of CCPs but Italian have had to increase their use).

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Notes for editors

1. ICMA ERC European repo market survey

In December 2013, the European Repo Council (ERC) of the International Capital Market Association (ICMA) conducted the 26th in its series of semi-annual surveys of the repo market in Europe. The latest survey asked a sample of financial institutions in Europe for the value of their repo contracts that were still outstanding at close of business on December 11, 2013. Replies were received from 68 offices of 64 financial groups, mainly banks. Returns were also made directly by the principal automatic repo trading systems (ATS) and tri-party repo agents in Europe, and by the London-based Wholesale Market Brokers' Association (WMBA).

A copy of the 26th ICMA ERC European Repo Survey and previous surveys 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 and has members located in 53 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.