

Press release

News from the International Capital Market Association (ICMA)

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For immediate release

ICMA European Repo Council publishes best practice guide for the repo market

ICMA's European Repo Council (ERC) has launched its updated guide to best practice in the European repo market, setting out standards for the orderly trading and settlement of repos. Much repo trading in Europe is between banks in different countries, making it essential to have consistent, internationally-recognised standards.

In a repo transaction, one party sells an asset (usually fixed-income securities) to another party at one price at the start of the transaction and commits to repurchase the asset from the second party at a different price at a future date. By this means, the first party borrows money for the intervening period and the second party invests against collateral. The security offered by repo has made it an essential interbank funding tool and this has been reflected in the growth of the repo market in Europe over the last 20 years. Although impacted by the effect of the crisis on general financial activity, the latest threshold figure for market size is € 5.5 trillion. Recent regulatory initiatives encouraging the collateralisation of risk, directly and through the use of CCPs, have further heightened the importance of the repo market, which is the place where collateral demand and supply meet.

The updated ERC guide covers the full scope of the repo trading life cycle including: fixing dates, affirmation and confirmation of transactions, margining, non-standard interest calculations, issuing notices, delivery issues and dealing with negative repo rates.

ICMA ERC Chairman Godfried De Vidts commented: "The repo market proved uniquely resilient over the course of the financial crisis, in part, because of the high standards that market participants maintained in the way they conducted their business and settled issues, even under very difficult circumstances. They were supported by a robust legal agreement in the form of the GMRA and recommendations on best practice that had been distilled from practical experience over many years. The new guide updates and considerably expands those recommendations, to take account of recent experience. As change in the market shows no sign of slowing down, the new guide will inevitably have to change as well. It is therefore very much a 'living' document, which will be continually adapted to evolving market conditions."

Martin Scheck, ICMA Chief Executive commented on the global reach of the ICMA repo standards: "ICMA members and market participants are using our repo guidelines and documentation every working day, their acceptance and use extends beyond Europe to markets like Russia and Asia where repo is a fast developing component of the financial landscape. "

[ICMA ERC Guide to best practice in the European Repo Market](#)

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International Capital Market Association (ICMA) & European Repo Council

ICMA represents financial institutions active in the international capital market and has members located in 53 countries. ICMA actively promotes the efficiency and cost effectiveness of the capital markets by bringing together market participants including regulatory authorities and governments.

ICMA's European Repo Council is the body that helps to forge consensus solutions to the everyday issues which arise in this rapidly evolving and increasingly vital marketplace. As part of its commitment to the efficient functioning of the repo product ICMA oversees the standardised repo documentation in the form of the Global Master Repurchase Agreement (GMRA), supported by annually-updated legal opinions in more than 60 jurisdictions. The GMRA is the predominant standard master agreement in the cross-border repo market and plays a critical role during the crisis in ensuring the orderly resolution of defaults. www.icmagroup.org