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News from the International Capital Market Association (ICMA)

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Growth in the European repo market is stalled according to latest ICMA survey

(London, UK) The European Repo Council of the International Capital Market Association (ICMA) today released the results of its 29th semi-annual survey of the European repo market. The survey, which computes the amount of repo business outstanding on 10 June 2015, sets the baseline figure for market size at **EUR 5,612 billion**. This represents a 2% increase from the headline figure of EUR 5,500 billion in December 2014 and a 2.9% decline in market size from the figure of EUR 5,782 billion recorded a year ago in the survey for June 2014.

Commenting on the results of the latest survey Godfried De Vidts, Chairman of the ICMA European Repo Council said: "The stability of the headline figure over the last few surveys does not tell the full story. The repo market in Europe is not growing in line with underlying conditions. Increased bond issuance, extraordinary excess liquidity from LTROs and QE and increasing demand for collateral driven by regulation might reasonably have been expected to produce an increase in repo trading, however the secured financing business is already facing significant pressure as the implementation of regulatory initiatives such as the Leverage Ratio, Net Stable Funding Ratio, Central Securities Depositories Regulation and Bank Recovery and Resolution Directive begin to bite. A further qualitative study on repo in Europe, to be released next month, will give us greater insight into the profound changes underlying these aggregated figures."

The main trends in the 29th repo survey are:

- A further increase in the share of directly-negotiated transactions, which have been increasing since 2012. This is presumed to reflect a regulatory-driven shift away from low-margin interbank and commoditized transactions, much of which are electronically traded, towards customer and customized business, most of which is directly negotiated.

- Domestic repo continued its long term decline, probably reflecting the restructuring of the European repo business in the face of regulatory and other challenges.

- The share of tri-party repo fell back to 10.0% from 10.5% and the outstanding value of tri-party repo reported directly by the major tri-party agents in Europe also contracted. Together with the drop in the use of GC financing facilities, this may reflect a reduced need for funding against a backdrop of continued central bank assistance.

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- There was a drop in the share of all government bonds within the pool of EU-originated fixed-income collateral reported in the survey to 77.0% from 81.5%. This change was driven to some extent by an increase in non-government bond and equity collateral. It may reflect a focus (albeit temporary) on higher margin business and is likely to be related to the drop in the share of electronic trading. There was a sharp decline in Japanese collateral and increases in the shares of US and 'other OECD' collateral.

Download the 29th ICMA European Repo Market Survey

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International Capital Market Association (ICMA)
ICMA is the trade association for the international capital market with almost 500 member firms from 57 countries, including banks, issuers, asset managers, infrastructure providers and law firms. It performs a crucial central role in the market by providing industry-driven standards and recommendations for issuance, trading and settlement in international fixed income and related instruments. ICMA liaises closely with 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 www.icmagroup.org

ICMA European Repo Council (ICMA ERC)
The ICMA ERC is a special interest group established under the auspices of ICMA to represent the major banks active in Europe's cross-border repo markets.