

News from the International Capital Market Association (ICMA)

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For immediate release

Overall repo market outstandings in Europe remain stable despite decline in repo books of G-SIFIs says ICMA Survey

(London, UK) The European Repo and Collateral Council of the International Capital Market Association (ICMA) today released the results of its 30th semi-annual survey of the European repo market. The survey, which calculates the amount of repo business outstanding on 9 December 2015 from the returns of 72 offices of 68 financial groups, mainly banks, sets the baseline figure for market size at EUR 5,608 billion, broadly unchanged from the June 2015 survey figure of EUR 5,612 billion.

The relative stability of outstandings between the two surveys is down to the expansion of non-EU banks' European repo books. Meanwhile, the study notes a decline in the activity of G-SIFIs (Global Systemically Important Financial Institutions), the banks most intensely impacted by new regulation.

The reduction in repo activity from its pre-crisis highs is widely attributed to the impact of new regulation, which banks have been implementing ahead of the official schedules. Most major banks already conform to the new liquidity and leverage regulations, although there is some uncertainty still about the precise impact of the Net Stable Funding Ratio (NSFR).

At the same time, an underlying shift from unsecured markets which predated the crisis has accelerated, in part, due to other new regulations, such as the mandatory collateralization of OTC derivatives. The broad movement into collateralized transactions is bringing in banks which had previously no reason to use repo, as well as new types of participant, particularly non-bank financial institutions.

Godfried De Vidts, Chair of ICMA's ERCC commented: "This 30th European repo market survey is a continuation of ICMA ERCC's commitment to providing authoritative data on secured repo/triparty markets. Given this long experience in collecting and interpreting data, we recommend caution with the forthcoming EU Securities Financing Transactions (SFT) Regulation. The authorities would be wise to start with carefully designed, clear and simple data requests. Inappropriate interpretations of data could result in mistaken policy interventions, so care is needed to evolve robust processes based on practical experience. We will continue our data collection, given the wealth of historical data captured in this 15 year survey series"

The main trends observable in the 30th repo survey are:

- Some of the contraction in the market would appear to be seasonal, reflecting demand for term funding over the year-end and the impact of end-year reporting for regulatory and tax purposes. End-year effects now include charges to support the resolution funds introduced last year under the EU Banking Recovery and Resolution Directive.
- Electronic trading increased its share of the survey, although directly-reported data showed that it declined slightly in absolute size. However, anonymous (ie CCP-cleared) electronic trading increased both its share of the survey and its absolute size, confirming the trend towards central clearing.
- The share of all government bonds within the pool of EU-originated fixed-income collateral reported in the survey recovered. This change was driven by German and UK government securities. It remains difficult to unravel the net impact of quantitative easing by European central banks.
- The share of tri-party repo recovered to 11% from 10% but some of this increase may have been due to improvements in reporting by several banks.

[Download the 30th ICMA European Repo Market Survey](#)

For more information about the repo product and the market see [Repo FAQs](#)

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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 58 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 and Collateral Council (ICMA ERCC)

The ICMA ERCC is a special interest group established under the auspices of ICMA to represent the major banks active in Europe's cross-border repo markets.