

News from the International Capital Market Association (ICMA)

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Please see foot of release for contact details

17 October 2018

For immediate release

European repo market continues to grow with latest ICMA survey indicating baseline market size at record EUR 7,351 billion

(London, UK) The European Repo and Collateral Council (ERCC) of the International Capital Market Association (ICMA) has today released the results of its 35th semi-annual survey of the European repo market. The survey, which calculates the amount of repo business outstanding on 6 June 2018, from the returns of 62 offices of 59 financial groups, sets the baseline figure for European market size at EUR 7,351 billion up from EUR 7,250 billion in the December 2017 survey. Year on year this represents an increase of 13.9% since the June 2017 survey.

Godfried De Vidts, Chair of ICMA's ERCC, said: *"The repo market continues to perform as a collateral source for prudential and regulatory requirements. Highly liquid, unencumbered flows of collateral already help to protect the CCP and bilateral hedging flows that are so crucial for the real economy. Further mandatory clearing obligations for the buy-side will also need the repo market to deliver collateral. All-in all, growth in repo activity is a positive for global financial markets."*

[Download the 35th ICMA ERCC European Repo Market Survey](#)

Continuing growth in repo business over the last two surveys has been identified as being largely due to the increased requirement for collateral to underpin financial transactions beginning to bite. Post-crisis regulation mandated by the G20 has pushed markets toward centralised clearing, with the associated higher margin commitments and more frequent margin calls creating huge collateral demands. The sell side has already adopted this mandatory obligation while the buy side is being brought on board, with the final deadline in 2020. The repo market is the mechanism by which this margin collateral, mostly in the form of cash and government bonds, is moved around the system to where it is needed.

More generally, the increase in repo market size noted by the December 2017 survey and sustained in the first half of 2018, indicates that the market has adapted to a series of new regulations implemented in recent years and the business is growing, with more efficient collateral management delivering improved profitability for repo traders. Yet there is evidence of this being a market under stress and it remains to be seen if further proposed regulations can be assimilated successfully.

The reduction by the ECB of its Asset Purchase Programme may have been another factor, making more high-quality collateral available in the system.

The overall recovery in electronic trading suggests recovery in interdealer business. But triparty repo has not shared in the recovery and its share of the survey sample fell back to

6% (from 8.6% in December 2017), reflecting the continued dampening effect of plentiful central bank liquidity on the need for market funding.

For more information about the European repo market and the repo product please see [FAQS on repo](#)

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International Capital Market Association (ICMA)

ICMA is the trade association for the international capital market with 550 member firms from 62 countries, including issuers, banks, asset managers, central banks, 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 help to ensure that financial regulation promotes the efficiency and cost effectiveness of the capital market.

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ICMA European Repo and Collateral Council (ICMA ERCC)

The ICMA ERCC is a special interest group established under the auspices of ICMA to bring together the major institutions active in Europe's cross-border repo and collateral markets.