International
Capital
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Association

Press release

News from the International Capital Market Association (ICMA)

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ICMA/2008/03
Thursday, March 13, 2008
Release: immediate

ICMA survey records resilience of the European repo market.

(London, UK) The International Capital Market Association (ICMA) today released the results of its 14th semi-annual survey of the European repo market. The survey, which is effectively a snapshot of the volume of repo trades outstanding on a single day in December 2007 based on returns from 68 financial institutions throughout Europe, sets the baseline figure for market size at EUR 6,332 billion, virtually unchanged over the year from the December 2006 figure of EUR 6,430 billion and a slight fall from the June 2007 headline figure of EUR 6,775.

The figure for total market size, calculated from a consistent sample of banks that have participated in each survey shows a relatively small decline of 11.7% in the collective size of their repo books since the June 2007 survey, indicating a more cautious approach to risk and a reduced requirement for repo financing. This figure however is no worse than the cyclical dips that the market has experienced in the past and is not on the same scale as the dramatic decreases in activity reported in unsecured lending and in the money markets in general.

According to Godfried De Vidts, Chairman of ICMA's European Repo Council: "The latest survey clearly shows that, despite the turmoil in the financial markets since the last survey, the repo markets have shown remarkable resilience. The repo markets are continuing to function well, providing much needed liquidity to borrowers. It is very much a case of business as usual".

The other main findings of the survey were:

- The share of repo market business conducted through electronic trading systems is virtually unchanged from the last survey in June 2007 at 21.2%, and the same is true for anonymous ATS business standing at 10.5%.

- The market share of triparty repo was down to 9.1% (from 11.8% in the previous survey)

More follows/...

- Domestic business rose to 34.7% (from 32.0% in the previous survey), with a corresponding fall in business from non-eurozone countries to 28.5% (from 32.0% in June 2007), indicating that cross border liquidity has been affected by market turbulence

- Voice brokered business rose to 24.3% (from 18.7% in June 2007)

- Sterling repo rose to 15.5% from 12.4% in the previous survey whilst US$ repo fell to 11.7% from 15.5% in June 2007

- The share of open repo was down to 4.5% from 8.1% in the previous survey

- Transactions with a remaining term to maturity of 3-6 months increased to 26.9% from (18.9% in the last survey) at the expense of shorter term transactions, from 1 day to 1 month, which were down to 54.7% from 62.3%. This willingness to lock in to longer term financing demonstrates that the repo market was consistently open for business at this time.

- Forward repo share was up to 5.8% from 3.0%.

- The share of government bonds used as collateral continued its downward trend to 81.3% from 83.7%, indicating availability of other types of high quality collateral.

Commenting on these results Godfried De Vidts said: "Our survey shows a stable environment in the electronic markets, with the marked increase in voice trading reflecting volatile market conditions. The financial markets are still experiencing turbulence and as a result of the flight to quality we expect a pick-up in the volume of trading in the government bond markets. This, together with the anticipated opening to multi-electronic trading platforms of the various Debt Management Offices in Europe means that we are likely to see an increase in the volumes outstanding in these repo market segments in the June 2008 repo survey".

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Notes for editors

1. Copies of the ERC survey

A copy of the 14th ICMA ERC European Repo Survey can be downloaded from ICMA's website at: www.icmagroup.org

2. International Capital Market Association (ICMA)

The International Capital Market Association is the self-regulatory organisation and trade association representing constituents and practitioners in the international capital market worldwide. ICMA's members are located in 49 countries across the globe, including all the world's main financial centres, and currently number some 400 firms in total.
ICMA performs a central role in the market by providing and enforcing a self-regulatory code of industry-driven rules and recommendations which regulate 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. ICMA is unique amongst financial industry associations in that it represents a broad range of capital market interests, its members include both global investment banks and smaller regional banks, as well as asset managers, exchanges, central banks, law firms and other professional advisers, making it an influential voice for the global market.

www.icmagroup.org

3. Contact details for further information

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