

Enhancing The Resilience of the Gilt Repo Market



An ICMA Roundtable

May 2026

High level summary

On 17 March 2026, ICMA hosted a closed, in-person roundtable for sell-side and buy-side members active in the UK gilt repo market. Held under the Chatham House Rules, the roundtable explored potential measures to enhance the resilience of the gilt repo market, particularly in the context of recent policy discussions around the role of non-bank financial intermediaries (NBFIs), leverage, central clearing, and market functioning.

A central theme of the discussion was that the key challenge for authorities and market participants is not necessarily the absolute level of leverage within the system, but rather the ability to identify where leverage, liquidity transformation, and counterparty exposures may become concentrated across a relatively small number of firms or market channels.

The outcome of the roundtable was a number of recommendations to help enhance gilt repo market resilience, along with the identification of several areas for further exploration.

Summary of Roundtable Recommendations

- Deeper supervisory understanding of leveraged investor strategies and risk management frameworks
- A stocktake and gap analysis of existing regulatory reporting frameworks and supervisory data aggregation capabilities
- More targeted and decision-useful counterparty disclosures focused on leverage, concentration, and interconnectedness
- Improved coordination and information-sharing between the Bank of England and FCA
- Measures to improve access to central clearing for gilt repo, particularly for non-bank participants
- Broader and more consistent collateral eligibility frameworks
- Maintenance and modernisation of central bank market functioning and liquidity tools
- Enhancements to settlement efficiency and operational resilience

Recommendations

Deeper understanding of leveraged investor strategies and risk management

ICMA members recognise that many of the largest leveraged investors active in the gilt market are highly sophisticated institutions with robust risk management frameworks encompassing market risk, liquidity risk, funding risk, counterparty risk, stress testing, scenario analysis, and portfolio diversification controls.

Members suggested that continued thematic engagement between authorities and market participants could help regulators understand better how leverage is managed in practice and where vulnerabilities may emerge within the broader market ecosystem.

The key supervisory objective should not necessarily be to monitor individual firms in isolation, but rather to identify where concentrated leverage, liquidity risk, or interconnected counterparty exposures may be accumulating across the system.

This dovetails well with the second recommendation.

Stocktake and gap analysis of regulatory reporting

ICMA members recognised that UK authorities already receive substantial volumes of regulatory data through reporting regimes including SFTR, EMIR, MiFIR, AIFMD, and MMF reporting frameworks.

Members suggested that the issue may be less one of insufficient reporting, and more one of fragmentation, interoperability, data quality, and the ability to extract meaningful and actionable supervisory intelligence from multiple reporting regimes.

The ability to identify concentrated exposures, correlated positioning, and interconnected counterparty relationships in near real-time may be more valuable than simply expanding reporting obligations.

This could include, but not be limited to:

- Enhanced system-wide data and analytics.
- Industry-led engagement and thematic dialogue facilitated by trade bodies or through the BoE's existing market intelligence channels.
- Robust use of existing disclosure reporting and stress-testing frameworks, highlighting specific data points that might be missing.

Members suggested that the Bank of England and FCA undertake a joint stocktake and gap analysis of existing reporting frameworks and supervisory capabilities.

Underlying these considerations should be the need for clear perimeter boundaries and proportionality.

More targeted counterparty disclosures from leveraged investors

ICMA members noted that hedge funds and other leveraged investors already provide significant information to counterparties through bilateral disclosure processes, including leverage metrics, portfolio information, liquidity profiles, and risk management disclosures. However, counterparties may still lack sufficient visibility of aggregate leverage and interconnected exposures across financing providers, products, and legal entities.

Members also noted that inconsistent leverage metrics, differing reporting methodologies, and complex cross-border legal structures can reduce the usability and comparability of disclosed information.

Further work may be required to map existing bilateral disclosure practices and regulatory disclosure obligations in order to determine whether current challenges stem primarily from insufficient information, inconsistent formats, timeliness, or difficulties in aggregating and interpreting available data.

Importantly, disclosure frameworks must strike a careful balance. Disclosure requirements should be proportionate to the size, complexity, and risk profile of the counterparty, and should not impose blanket obligations across all NBFIs. In particular, NBFIs should not be required to provide position-level information to bank counterparties, given the commercial sensitivity and potential market risks involved.

There is broad alignment across sell-side and buy-side institutions on the importance of bilateral engagement and judgement-based risk assessment over rigid standardisation. Both sides support proportionate, context-specific disclosures and system-wide stress testing, while cautioning that overly prescriptive templates or position-level transparency could reduce flexibility and disclosure quality. There is also consensus that counterparties unable to provide sufficient high-level information on strategy, leverage, and financing relationships should face closer risk appetite scrutiny from prime brokers.

Improving non-bank access to central clearing for gilt repo

ICMA members continue to recognise the important benefits of central clearing for gilt repo, including improved counterparty risk management, multilateral netting efficiencies,¹ and potentially broader liquidity distribution during periods of market stress.

Members clearly distinguished between improving access to clearing and mandating clearing.

At the same time, members strongly supported continued industry and regulatory initiatives aimed at improving access to central clearing for gilt repo, particularly for non-bank participants,² where this can be achieved in a commercially sustainable and operationally efficient manner.

¹ While not overlooking the significant impact of bilateral netting in reducing exposures, including netting on a cross-product basis.

² Noting that there is already a significant level of central clearing in the interdealer market.

Here, addressing identifiable regulatory barriers could play an important role. Not least, reducing the capital burden on sponsor banks by providing for cross-product netting between repo and derivatives.

Wider collateral eligibility

ICMA members view collateral as the lifeblood of the financial system. Market participants need to be able to access, and to use, adequate amounts of collateral, especially in times of market stress. The complexity of the regulatory framework creates barriers for the efficient use of securities collateral. Rules affecting collateral should be consistent across different types of activity, and across different types of market participant, and these rules should ensure that market participants can pool collateral, and that access to collateral, and collateral mobility, is optimised.

Markets and collateral frameworks continue to evolve, but remain anchored in clear, enduring principles about what constitutes good collateral. At its core, we believe effective collateral should:

- be liquid and convertible into cash, particularly under stressed conditions;
- be able to benefit from transparent and observable pricing, with valuation behaviour that remains predictable across market environments;
- be capable of being transferred, controlled and enforced with legal certainty; and
- be part of a legal and regulatory framework that provides clear and enforceable rights over collateral.

A growing set of assets already display many of these characteristics, including certain money market funds (MMFs) and exchange traded funds (ETFs), yet remain under-utilised in repo markets not because of their underlying risk profile, but due to frictions that sit elsewhere in the regulatory and market framework.

Another example of a regulatory measure that impedes the pooling of securities collateral, and that thereby creates inefficiencies in the provision of collateral, are the rules set out in Article 47, paragraph 3, of the Regulation on OTC derivatives, central counterparties and trade repositories (EMIR). These rules require central counterparties (CCPs) to hold securities collateral with central securities depositories (CSDs), and not with banks. ICMA recommends amending EMIR Article 47, paragraph 3, to allow CCPs to hold securities collateral not only at CSDs but also with qualified, authorised financial institutions, mirroring the existing framework for cash collateral (Article 47, paragraph 4). This would be a major step to facilitate access to CCPs, to improve the provision of collateral, and to improve the resilience of the UK's financial system.

Central bank liquidity and market functioning tools

Members recognised that central bank facilities and market operations play an essential role in supporting market functioning and financial stability during periods of severe stress.

Members welcomed the introduction of the Contingent NBF Repo Facility (CNRF) and encouraged continued consideration of how such facilities could evolve over time, including accessibility for a broader range of non-bank participants.

A further consideration could be a Reverse Repo Facility for cash participants. In the US, the New York Fed's overnight reverse repo facility (RRP) is an important tool for monetary policy implementation during periods where reserves are elevated. As reserves grow, banks' willingness to take on additional reserves diminish, meaning rates they pay for deposits and other funding are reduced. The overnight RRP provides a floor under the Fed Funds rate for a wide range of money market lenders, enabling them to better manage market supply disruptions and periods of volatility and price dislocation, typically at quarter-end dates. Adopting a similar system in the UK could further help reduce repo market stress during such times

Participants also highlighted the importance of ensuring that prudential and leverage frameworks do not unnecessarily constrain repo market intermediation capacity during periods of stress. An example is the Federal Reserve's temporary leverage ratio relief US Treasuries and central bank reserves during the COVID-related Treasury market stress in April 2020 (and which continued through March 2021).

Enhanced settlement efficiency and operational resilience

Participants emphasised that settlement efficiency is a core component of market resilience, particularly during periods of elevated volatility and trading activity.

The broader use of settlement efficiency tools, including shaping, partial settlement, and automated securities lending and borrowing facilities, could support improved settlement performance under stressed conditions.

Members also reiterated previous recommendations to modernise elements of the Sterling Monetary Framework operational architecture, which could also provide an option for settlement via a CCP. ICMA would point to the recent Bank of Canada initiative³ as a case in point, as well as the November 2025 announcements that the ECB would be joining two of the largest Eurozone repo CCPs.⁴ This would also be consistent with the repurposing of the SMF from a "lender of last resort" backstop to the primary source of central bank reserves and a "business as usual" repo facility.

³ <https://www.bankofcanada.ca/2026/03/bank-canada-join-canadian-collateral-management-service-repo-operations/>

⁴ <https://finadium.com/ecb-to-join-eurex-repo-market-and-lch-repoclear-sa-in-q1-2026/>

Follow-up areas for further exploration

Based on the recommendations, participants outlined the following areas for further exploration:

- Mapping of current bilateral disclosure requirements and market practices for leveraged investors.
- Assessment of the Bank of England and FCA supervisory coordination and data-sharing architecture.
- Evaluation of the practical usability and interoperability of existing reporting regimes.
- Identification of regulatory, operational, and economic barriers to broader non-bank access to central clearing.
- Further industry engagement regarding collateral eligibility frameworks and settlement efficiency enhancements.

Next Steps

ICMA and participating market members would welcome the opportunity to continue engagement with the Bank of England, FCA, and other relevant authorities on the issues raised in this report. Members believe that many of the recommendations outlined above could support a more resilient gilt repo market while preserving the flexibility, efficiency, and liquidity characteristics that are central to the functioning of the UK sovereign debt market.

Annex I: Summary of formal consultation response

In November 2025, ICMA responded to the Bank of England's Discussion Paper on Enhancing the resilience of the gilt repo market. The Discussion Paper explored, among other issues, the potential expansion of central clearing for gilt repo and the introduction of mandatory minimum haircuts. ICMA's response highlighted a number of concerns regarding mandatory clearing and minimum haircut requirements, including potential impacts on liquidity provision, market efficiency, and repo intermediation capacity.

- ICMA recognised the important benefits of central clearing for gilt repo, and the potential for increased non-bank participation, not least in reducing counterparty credit risk and expanding liquidity provision. ICMA noted the initiatives currently being undertaken by CCPs to support broader clearing participation, while maintaining the integrity of CCP risk management frameworks. Furthermore, ICMA identified a number of regulatory initiatives that could help to remove barriers to access and so encourage non-bank participation in central clearing.
- Based on the **unanimous** consensus of the Taskforce, ICMA strongly opposed the suggestion of mandatory clearing for gilt repo. This would increase costs and restrict access for some participants, undermine the maturity transformation function of repo intermediation, and increase procyclicality. It is also not clear what the purpose of mandating clearing would be, and that the arguments relating to transparency, leverage, or counterparty credit risk are each flawed in the context of the UK market. Ultimately this would be a cost, and a risk, to gilt market stability and so to the UK economy. Clearing should be a commercial choice based on cost and risk considerations of the market participant and their clients.
- Also based on broad consensus within the Taskforce, the suggestion of minimum haircuts should be dismissed for a number of reasons. Prime among these are: the fact that haircuts are a transaction level tool intended to hedge liquidation risk and not intended to manage leverage; they do not take account of firms' individual, counterparty-level risk management frameworks and risk appetite; and that they can introduce an additional and unnecessary cost and friction to trading in benign markets while quickly becoming redundant in volatile markets.
- There are a number of other policy measures, beyond improving access to clearing, that could be considered to enhance gilt market resiliency. Chief among these is the potential for enhancements to the operational resilience of the Sterling Monetary Framework (SMF) which could be the most meaningful and ultimately valuable outcome of this consultation. Promoting bank risk management practices, in a number of areas, could also be a positive contributor to market resilience.

Annex II: Bibliography

[Strengthening the macroprudential lens in the regulation of non-bank financial intermediation](#), FSC high level task force on NBF, ECB, May 2026

[Enhancing the resilience of the gilt repo market – discussion paper feedback statement](#), Bank of England, April 2026

[Vulnerabilities in Government Bond-backed Repo Markets](#), Financial Stability Board, February 2026

[Financial stability risks from linkages between banks and non-bank financial intermediation sector](#), ESRB and ECB, February 2026

[ICMA response to *Enhancing the resilience of the gilt repo market: Bank of England Discussion Paper*](#), ICMA, November 2025

[Enhancing the resilience of the gilt repo market](#), Bank of England, September 2025

[Demystifying Repo Haircuts](#), ICMA, September 2025

[NBF Macroprudential Framework for Bond Market Activity: ICMA position paper](#), ICMA, May 2025

[The Bank of England’s system-wide exploratory scenario exercise final report](#), Bank of England, November 2024

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ICMA promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. It is a not-for-profit membership association serving around 640 members in 71 jurisdictions globally. Its members include private and public sector issuers, banks and securities dealers, asset and fund managers, insurance companies, law firms, capital market infrastructure providers and central banks. ICMA provides industry-driven standards and recommendations, prioritising three core fixed income market areas: primary, secondary and repo and collateral, with cross-cutting themes of sustainable finance and FinTech and digitalisation. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.

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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.

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