



# **International Capital Market Association**

## **European repo market survey**

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International Capital Market  
Association  
Rigistrasse 60  
P. O. Box  
CH-8033 Zurich  
[www.icma-group.org](http://www.icma-group.org)

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## **ABOUT THE AUTHOR**

This report was compiled by Richard Comotto, who is a Visiting Fellow at the ICMA Centre at the University of Reading in England, where he is responsible for teaching modules on money markets (including the repo market) and risk management in the Centre's postgraduate finance programmes. He also lectures on repo and securities lending on ICMA's Operations Certification Programme, and is Course Director of the ICMA-ACI annual Professional Repo Market Course.

The author acts as an independent consultant providing research and training on the international money, securities and derivatives markets to professional market associations, government agencies, regulatory authorities, banks, brokers and financial information services.

The author has written a number of books and articles on a range of financial topics, including the foreign exchange and money markets, swaps and electronic trading systems. He takes particular interest in the impact of 'electronic brokers' on the foreign exchange market and in the more recent introduction of electronic trading systems into the bond and repo markets.

The author served for ten years at the Bank of England, within its Foreign Exchange Division and on secondment to the International Monetary Fund in Washington DC.

## EXECUTIVE SUMMARY

In June 2006, the European Repo Council (ERC) of the International Capital Market Association (ICMA) conducted the eleventh in its series of semi-annual surveys of the repo market in Europe.

The latest survey asked a sample of financial institutions in Europe for the value of their repo contracts that were still outstanding at close of business on June 14, 2006. Replies were received from 79 offices of 71 financial groups, mainly banks. Returns were also made directly by the principal tri-party repo agents and automatic repo trading systems (ATS) in Europe.

### Total repo business

The total value of repo contracts outstanding on the books of the 79 institutions who participated in the latest survey was EUR 6,019 billion, compared to EUR 5,883 billion in December 2005 and EUR 5,319 billion in June 2005.

The organic year-on-year growth in the European repo market has been measured by comparing the aggregate returns from a sample of institutions that have participated in several surveys. Growth measured on this basis was between about 12% and 15% over the year to June 2006. Growth decelerated in the last six months.

### Counterparty analysis

The latest survey showed that the share of electronic trading fell back to 21.4% from a record 24.7% in December 2005, close to the 21.2% reported in June 2005. This corresponded to a decline of 11.0% in the value of outstanding electronic transactions. However, this retreat in electronic business needs to be set against the large gains made in the previous six months, which saw growth of 32.9%.

The share of voice-broking continued to contract, touching a record low of 20.3%. The loss of share of electronic and voice-brokered business was reflected in a jump in the share of directly-negotiated business to a record 58.3%.

### Geographical analysis

The share of reported outstanding repo contracts that were negotiated anonymously on an ATS and settled with a central clearing counterparty (CCP) fell back sharply to 8.7% from 11.0% in December 2005. This corresponded to a decline in value of 19.8%. Anonymous electronic trading therefore contracted even more than non-anonymous electronic trading.

### Settlement analysis

The share of tri-party repos reached a new high of 11.3% from 10.4% in both December and June 2005.

### **Cash currency analysis**

The share of the euro fell back further to 65.2% from 68.2% in December 2005. Both the pound sterling and the US dollar reached record highs of 13.5% and 13.9%, respectively.

### **Collateral analysis**

The share of repo collateral held by survey participants which was issued in countries in the eurozone fell to 64.0% from 68.1% in December 2005. Within this total, the share of collateral issued in Germany fell back sharply to 23.5% from 29.9% in December 2005, while collateral issued in Italy, Spain and the smaller eurozone countries increased their shares. The share of collateral issued in the UK expanded to a record 14.2% from 13.9%. For the first time, the share of collateral issued in Japan was measured. This came to 4.5%.

The share of collateral issued in EU countries accounted for by government bonds fell to 84.3% from 85.9% in December 2005.

### **Maturity analysis**

Transactions with a remaining term of maturity of one week or less increased share (to 42.8%) at the expense of remaining terms of between one week and six months (which fell to 43.4%). Contracts with more than one year to maturity contracted sharply to 1.8%. On the other hand, forward-forward repos

recovered to 4.9% from 3.2% in December 2005. Both changes may reflect expectations of rising interest rates.

### **Product analysis**

The share of total business conducted on repo desks that was accounted for by securities lending and borrowing expanded to 19.5% from 17.7% in December 2005.

### **Concentration analysis**

In the latest survey, the shares of the top ten, twenty and thirty institutions were largely unchanged at 54.0%, 77.4% and 89.4%, respectively.

## CHAPTER 1: THE SURVEY

On June 14, 2006, the European Repo Council (ERC) of the International Capital Market Association (ICMA) conducted the eleventh in its series of semi-annual surveys of the repo market in Europe.

The ICMA survey was actively supported by the ACI – The Financial Markets Association, and has been welcomed by the European Central Bank (ECB) and European Commission. The survey was managed and the results analysed on behalf of ICMA by the ICMA Centre at Reading University in England under the guidance of the ERC Steering Committee.

### 1.1 What the survey asked

The survey asked financial institutions in a number of European centres for the value of the cash side of repo and reverse repo contracts still outstanding at close of business on Wednesday, June 14, 2006.

The questionnaire also asked these institutions to analyse their business in terms of the currency, the type of counterparty, contract and repo rate, the remaining term to maturity, method of settlement and source of collateral. In addition, institutions were asked about securities lending and borrowing conducted on their repo desks. For the first time, institutions were asked to identify collateral issued in Japan.

The detailed results of the survey are set out in Appendix C. An extract of the accompanying Guidance Notes is reproduced in Appendix A.

Separate returns were made directly by the principal automatic repo trading systems (ATS) and tri-party repo agents in Europe.

### 1.2 The response to the survey

The latest survey was completed by 79 offices of 71 financial groups. This compares with 80 offices of 70 financial groups in December 2005 and 81 offices of 74 groups in June 2005. While 6 institutions which participated in the June 2005 survey dropped out of the latest survey, 5 institutions joined or rejoined.

The institutions surveyed were headquartered in 15 European countries, as well as in North America (7) and Japan (4). 65 institutions were headquartered in 14 of the 25 countries of the EU (no institutions from Finland, Portugal or Sweden participated in the latest survey) and 57 were headquartered in 10 of the 12 countries of the eurozone. However, although some institutions were headquartered in one country, the bulk of their business was conducted in another. Many institutions provided data for their entire European repo business. Others provided separate returns for each office with its own

repo book. A list of the institutions that have participated in ICMA repo surveys is contained in Appendix B.

### **1.3 The next survey**

The next survey is scheduled to take place at close of business on Wednesday, December 13, 2006.

Any financial institution wishing to participate in the next survey can download copies of the questionnaire and accompanying Guidance Notes from ICMA's web site. The latest forms will be published shortly at the following website: [www.icma-group.org/surveys/repo/participate](http://www.icma-group.org/surveys/repo/participate).

Questions about the survey should be sent by e-mail to [reposurvey@icma-group.org](mailto:reposurvey@icma-group.org).

Institutions who participate in the survey receive, in confidence, a list of their rankings in the various categories of the survey.



## CHAPTER 2: ANALYSIS OF SURVEY RESULTS

The aggregate results for the latest survey and four previous ones are set out in Appendix C. Full details for all previous surveys can be found at [www.icma-group.org](http://www.icma-group.org)

### Total repo business (Q1)

The total value at close of business on June 14, 2006, of repos and reverse repos outstanding on the books of the 79 institutions which participated in the latest survey was **EUR 6,019** billion.

**Table 2.1 – Total repo business 2001 to 2006**

Survey	Total (EUR bn)	Repo	Reverse repo
2006 June	6,019	51.7%	48.3%
2005 December	5,883	54.6%	45.4%
2005 June	5,319	52.4%	47.6%
2004 December	5,000	50.1%	49.9%
2004 June	4,561	50.6%	49.4%
2003 December	3,788	51.3%	48.7%
2003 June	4,050	50.0%	50.0%
2002 December	3,377	51.0%	49.0%
2002 June	3,305	50.0%	50.0%
2001 December	2,298	50.4%	49.6%
2001 June	1,863	49.6%	50.4%

It is important to remember that the survey measures the value of outstanding transactions at close of business on the survey date. Measuring the stock of transactions at one date rather than the flow between two dates allows deeper analysis but is difficult to reconcile with the flow numbers published by other sources. As the survey is a 'snapshot' of the market, it can miss peaks and troughs in business between survey dates, especially of short-term transactions.

The values measured by the survey are also gross figures, which means that they have not been adjusted for the double

counting of transactions between pairs of survey participants.

Nor does the survey measure the value of repos transacted with central banks as part of official monetary policy operations. In fact, the value of the repos outstanding between survey participants and the ECB on the survey date was EUR174.1 billion, equivalent to 2.9% of the survey total (although the central bank number has no double-counting). Survey participants accounted for 42.9% of the outstanding repos to the ECB. In addition, some survey participants will have had outstanding transactions with the Bank of

England, Swiss National Bank and some other central banks.

In order to gauge the year-on-year growth of the European repo market (or at least of that segment represented by the institutions which have participated in the survey), it is not valid to simply compare the total value of repos and reverse repos with the same figures in previous surveys. Some of the changes represent the entry and exit of institutions into and out of the survey, mergers between banks and the reorganization of repo books within banks. To overcome the problem caused by changes in the sample of survey participants, comparisons were made of the aggregate outstanding contracts reported only by institutions which had participated in several surveys. The repo business of the 71 institutions which participated in the last three surveys grew by 11.8% year-on-year to June 2006, 9.6%

between the June and December 2005 surveys, and 2.0% between the December 2005 and June 2006 surveys. The repo business of the 30 institutions which have participated in all 11 surveys grew by 15.4% year-on-year to June 2006. Over the first six months from June 2005 to December 2005, the rate of growth has been re-estimated at 8.1% and, between December 2005 and June 2006, it was 6.7%. The rate of market growth therefore appears to have decelerated in the first half of 2006. Some market participants have commented on the possible effect of the football World Cup.

The average size of repo books continued to grow, reaching EUR77 billion compared to EUR74 billion in December 2005. Of the 71 institutions that participated in the last three surveys, there was a clear bias towards growth, with the repo books of 49 expanding over the year.

**Table 2.2 – Counterparty analysis**

	June 2006		December 2005		June 2005	
	share	users	share	users	share	users
<b>direct</b>	58.3%	79	53.5%	80	54.3%	81
<b>of which tri-party</b>	11.3%	42	10.4%	37	10.4%	40
<b>voice-brokers</b>	20.3%	58	21.8%	56	24.6%	57
<b>ATS</b>	21.4%	54	24.7%	48	21.2%	53

#### **Counterparty analysis (Q1.1)**

By June 2006, the share of inter-dealer ATSs had fallen back to 21.4% from the record share of 24.7% reported business in December 2005, close to the share of 21.2% reported in June 2005 [see table 2.2].

This contraction in share corresponded to a decline in the

value of ATS in terms of outstanding transactions reported by survey participants of 11.0% over the six months to June 2006. To some extent, the decline may be a reaction to the very strong growth of 32.9% in electronic trading seen in the six months to December 2005.

The principal automatic trading systems (ATS) operating in Europe – BrokerTec, Eurex Repo and MTS – provided data directly to the survey. The directly-reported value of repos outstanding on June 14, 2006, that had been transacted across these three systems was EUR757.8 billion, virtually identical to the EUR759.9 billion reported in December 2005 (contrasting with the absolute decline shown in the survey data) but higher than the EUR660.2 billion reported in June 2005. The year-on-year growth in directly-reported electronic trading was therefore 14.8%, all of which took place in the first six months.

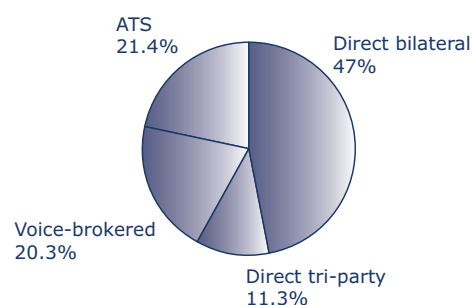
The share of voice-brokers touched a new all-time low of 20.3% in June 2006. [see fig. 2.1] The contraction in the share of voice-brokers corresponded to an absolute decline in the value of that business of 4.8% to EUR 1,175.0 billion.

The share of the sub-set of directly-transacted repos settled through tri-party repo arrangements increased to 11.3% of the total outstanding business, up from the 10.4% reported in December 2005

and just above the previous peak of 11.2% recorded in December 2003.

The main tri-party repo agents in Europe again contributed data directly to the survey. Returns were received this time from Bank of New York, Citibank, Clearstream, Euroclear, and SegalInterSettle (SIS). The total value of outstanding tri-party repo contracts on June 14, 2006, reported by these agents was EUR585.7 billion compared with EUR523.4 billion in December 2005 and EUR315.8 billion in June 2005. This compares to EUR682.9 billion reported in the main survey. The difference may be due in part to double-counting in the survey and tri-party transactions by survey participants involving agents other than the five making direct returns.

**Figure 2.1 – Counterparty analysis**



**Table 2.3**  
**Numbers of participants reporting particular types of business**

	Jun-02	Dec-02	Jun-03	Dec-03	Jun-04	Dec-04	Jun-05	Dec-05	Jun-06
ATS	39	48	51	50	49	50	53	48	54
anonymous ATS	21	35	31	29	32	36	36	35	34
voice-brokers	67	65	61	58	56	55	57	56	58
tri-party repo	29	32	34	32	38	34	40	37	42
<b>total</b>	<b>86</b>	<b>82</b>	<b>84</b>	<b>76</b>	<b>81</b>	<b>76</b>	<b>81</b>	<b>80</b>	<b>79</b>

**Table 2.4 – Geographical analysis**

	June 2006		December 2005		June 2005	
	share	users	share	users	share	users
<b>domestic</b>	34.6%		35.5%		36.7%	
<b>cross-border</b>	56.6%		53.5%		52.8%	
<b>anonymous</b>	8.7%	34	11.0%	35	10.4%	36

**Geographical analysis (Q1.1)**

The share of anonymous trading across ATSS fell sharply to 8.7% from the 11.0% share reported six months earlier and 10.4% in June 2005 [see table 2.4]. It remains substantially below the record 11.7% recorded in December 2004. This contraction in share corresponded to a decline in the value of outstanding transactions that had been negotiated anonymously and electronically of 19.8% in the survey data and 22.8% in the data reported directly by ATSS.

Anonymous trading accounts for 25.2% of the business reported directly by the ATSS, similar to the proportion in December 2005. This is much lower than the proportion in the main survey (41.9%). The principal reason would appear to be double-counting in the survey.

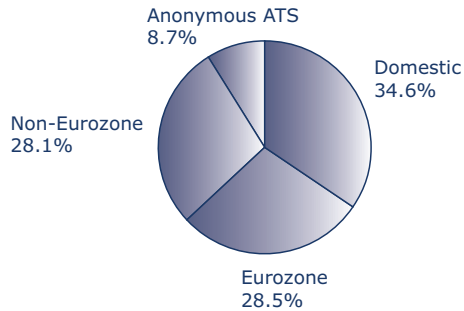
The share of cross-border business reported in the latest survey increased to 56.6% by June 2006 from 53.5% [see table 2.4]. This was more than accounted for by an increase in the share of business with non-eurozone counterparties to 28.1% from 23.8% in December 2005. This change may be connected in some way with the decline of electronic trading.

The composition of tri-party business reported by the tri-party repo agents was not too dissimilar from the composition of activity reported in the main survey. 33.3% of directly-reported tri-party repos was domestic (up from 31.6% in December 2005 and 31.4% in June 2005) and 66.7% was cross-border (compared with 61.6% in December 2005 and 61.4% in June 2005).

**Table 2.5 – Cash currency analysis**

	June 2006	December 2005	June 2005
<b>EUR</b>	65.2%	68.2%	70.0%
<b>GBP</b>	13.5%	12.7%	11.8%
<b>USD</b>	13.9%	11.3%	11.1%
<b>DKK, SEK</b>	1.8%	2.1%	2.2%
<b>JPY</b>	3.5%	3.6%	3.4%
<b>CHF</b>	0.2%	0.2%	n/a
<b>etc</b>	1.9%	1.9%	1.5%
<b>cross-currency</b>	1.5%	1.1%	0.9%

**Figure 2.2 – Geographical analysis**



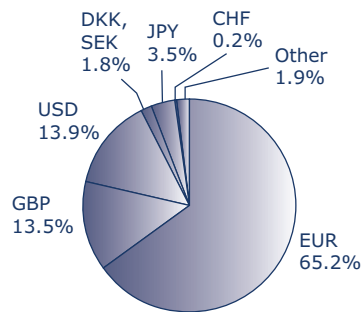
**Cash currency analysis (Q1.2 & Q1.3)**

The share of euros fell to 65.2%, another record low, while the shares of the pound sterling and US dollar reached new record highs of 13.5% and 13.9%, respectively. [see fig. 2.3]

In contrast, the share of the euro in ATS business, as reported directly, rose to 88.0% in June 2006 from 86.5% in December 2005, while the share of sterling fell to 6.3% from 7.4%.

In tri-party repo, after the dramatic increase in the share of the US dollar to 42.3% reported by the tri-party agents in December 2005, the share of the dollar fell back to 27.5% in June 2006, closer to the 21.6% reported in June 2005. The share of the euro recovered to 57.2% from 43.6%, but remained lower than the 61.1% reported in June 2005. Sterling increased sharply to 14.4% from 11.5% and 14.2%, respectively. The proportion of cross-currency transactions reported directly by tri-party agents continued to decline, reaching 35.0% in June 2006 from 43.2% in December 2005 and 58.5% in June 2005.

**Figure 2.3 – Currency analysis**



**Table 2.6 – Collateral analysis**

	June 2006	December 2005	June 2005
<b>Germany</b>	23.5%	29.9%	24.8%
<b>Italy</b>	15.3%	13.4%	15.2%
<b>France</b>	10.1%	10.4%	10.1%
<b>Belgium</b>	3.5%	3.6%	4.1%
<b>Spain</b>	4.2%	3.9%	5.6%
<b>other eurozone</b>	7.4%	6.9%	7.6%
<b>UK</b>	14.2%	13.9%	12.3%
<b>DKK, SEK</b>	2.1%	2.2%	2.5%
<b>US</b>	2.2%	2.2%	3.5%
<b>Accession countries</b>	1.1%	0.7%	0.4%
<b>Japan</b>	4.5%	n/a	n/a
<b>other OECD</b>	8.8%	10.1%	11.2%
<b>other</b>	2.6%	2.4%	2.6%
<b>equity</b>	0.5%	0.4%	0.4%

### Collateral analysis (Q1.8)

64.0% of repo collateral held by survey participants was issued in countries in the eurozone, sharply down from 68.1% in December 2005 and 67.4% in June 2005. The counterpart was mainly an increase in the share of non-US and non-European OECD collateral to 13.3% from 10.1%. For the first time, participants were asked to identify collateral issued in Japan separately from 'other OECD' collateral. This came to 4.5%. However, this leaves a significant share of 8.8% in 'other OECD' collateral.

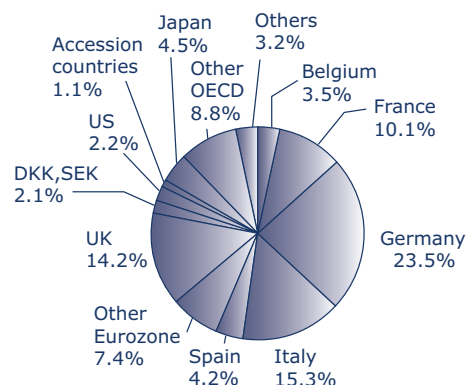
Within the market in eurozone collateral, the share of collateral issued in Germany fell back to 23.5% from 29.9% in December 2005 and below the record low of 24.8% seen in June 2005. [see table 2.6] Collateral issued in Italy, Spain and the smaller eurozone countries increased share.

The share of collateral issued in the UK continued to expand and reached a record 14.2%. [see fig. 2.4] The growth of sterling repos may reflect broader participation following recent changes in the Bank of England's money market operations.

The share of EU collateral issued by central governments appears to have resumed its downward trend, reaching 84.3% compared to 85.9% in December 2005 and 85.7% in June 2005. When the survey began in June 2001, the share of government collateral was over

91%. This reflects, to some degree, the observed growth of credit repo in the European market (credit repo is also a growing proportion of tri-party business).

**Figure 2.4 – Collateral analysis**



Business reported directly by ATSS continued to be dominated by collateral issued in Germany, Italy and France (77.9%). As in the main survey, the share of German collateral fell back sharply, touching 36.6% compared with 43.9% in December 2005 and 40.0% in June 2005, whereas Italian collateral increased its share dramatically to 29.7% from 21.3% in December 2005 and 27.6% in June 2005.

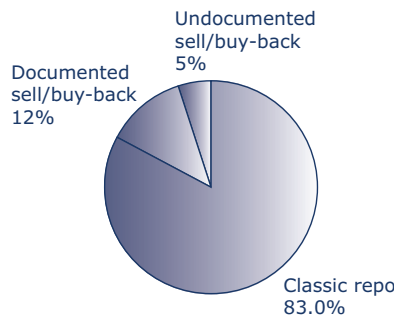
The big swing in the collateral composition of tri-party business reported in December 2005 was partly reversed, with the share of equity falling back to 15.6% from the peak of 20.4%. The largest shares of collateral in tri-party repo continued to have been issued in Germany (16.1%), the UK (10.9%), 'other OECD' (9.9%), France (8.1%) and Netherlands (6.9%).

It is worth noting that the share of eurozone collateral was much smaller in tri-party repos (as reported directly by the tri-party agents) than in the survey overall, 50.0% compared to 64.0%. This probably reflects the popularity of tri-party repos for cross-currency transactions. The share of EU government collateral was also much lower in tri-party repos than in the main survey, 26.3% compared to 84.3%. Tri-party repos are widely used for more challenging collateral such as corporate bonds, structured bonds and equity.

**Contract analysis (Q1.4)**

The share of reported outstanding repo contracts taking the form of classic repos (also called “repurchase agreements”) was steady at the record high of 83.0% reached in June 2005 and repeated in December 2005.

**Figure 2.5 – Contract analysis**



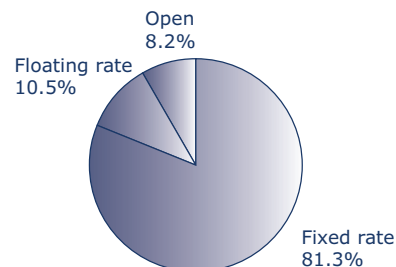
**Repo rate analysis (Q1.5)**

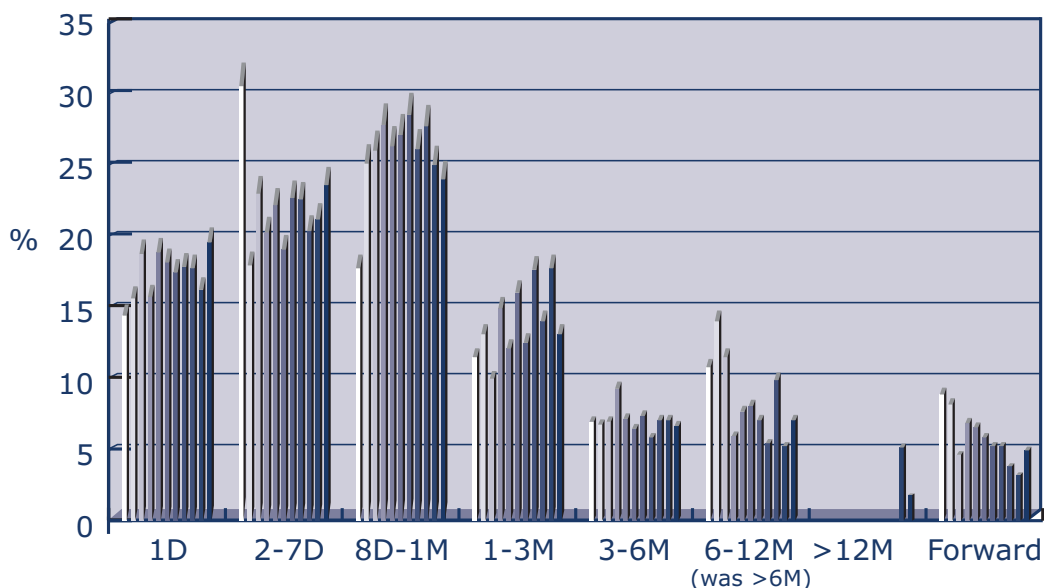
The trend increase in the share of floating-rate repos (typically indexed to EONIA) continued, reaching a new record high of 10.5% from 10.0% in December 2005 and 7.6% in June 2005.

However, floating-rate repos in ATS business, as reported directly by ATSS, fell back to 10.1% from 11.6% in December 2005, level with June 2005. The proportion of floating-rate repos managed through tri-party arrangements remains small at 1.0%.

Open repos continue to be more popular in tri-party repos (18.6% compared to 17.1% in December 2005) than in the main survey (8.2% compared to 7.7% in December 2005).

**Figure 2.6 – Repo rate analysis**



**Figure 2.7 – Maturity analysis****Table 2.7 – Maturity analysis**

	June 2006	December 2005	June 2005
<b>1 day</b>	19.4%	16.1%	17.6%
<b>2 days to 1 week</b>	23.4%	21.0%	20.2%
<b>1 week to 1 month</b>	23.8%	24.8%	27.5%
<b>&gt;1 month to 3 months</b>	13.0%	17.6%	13.9%
<b>&gt;3 months to 6 months</b>	6.6%	7.0%	7.0%
<b>&gt;6 months to 12 months</b>	7.0%	5.2%	9.9%
<b>&gt;12 months</b>	1.8%	5.1%	
<b>forward-start</b>	4.9%	3.2%	3.8%

**Maturity analysis (Q1.6)**

In June 2006, transactions with a remaining term of maturity of one week or less increased share (to 42.8% from 37.1% in December 2005 and 37.8% in June 2005) at the expense of remaining terms of between one week and six months (to 43.4% from 49.4% in December 2005 and 48.4% in June 2005). Contracts with more than six months but less than one year remaining to maturity increased share, reaching 7.0% but contracts

with more than one year remaining to maturity contracted sharply to 1.8%. On the other hand, forward-forward repos recovered to 4.9% from a record low of 3.2% in December 2005. Both changes may reflect expectations of rising official interest rates. Rising rates mean increased market risk, especially for long-term positions, but increased position-taking opportunities that can be exploited with forward-forward repos.



**Table 2.8 – Concentration analysis**

	June 2006	December 2005	June 2005
<b>top 10</b>	54.0%	54.3%	55.5%
<b>top 20</b>	77.4%	77.0%	78.2%
<b>top 30</b>	89.4%	88.6%	90.1%
<b>other</b>	10.6%	11.4%	9.9%

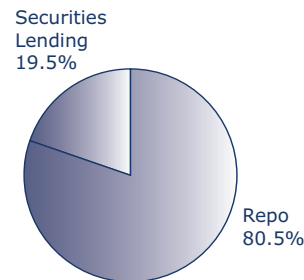
The bulk of outstanding contracts reported directly by the ATs continue to have a remaining term to maturity of one day. The proportion increased to 79.7%, compared to 77.7% in December 2005 and 77.1% in June 2005. This goes a little way to explaining the smaller share of electronic transactions. So does the increase in the share of ATS business with between 2 days and 1 week remaining to maturity to 13.1% from 9.4% in December 2005 (compared to 13.4% in June 2005) and the decrease in the share of outstanding ATS transactions with more than 1 week to maturity (to 6.1% compared to 12.9% in December 2005 and 8.4% in June 2005).

In tri-party repo, the shift in the maturity distribution of business that occurred between June and December 2005 was largely reversed. In the latest survey, the share of outstanding tri-party contracts with one month or less remaining to maturity increased to 68.1% from 55.2% in December 2005.

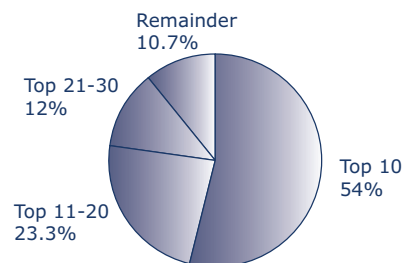
**Product analysis (Q2)**

The share of total business accounted for by securities lending and borrowing conducted on repo desks increased to 19.5% from 17.7% in December 2005 compared with 19.2% in June 2005. The share of fixed income securities was little changed at 90.8% compared to 90.3% in December 2005 and 88.6% in June 2005.

**Figure 2.8 – Product analysis**



**Figure 2.9 – Concentration analysis**



### **Concentration analysis**

The concentration of the repo market in June 2006 as measured by the survey was little changed from December 2005.

Given the narrower participation, concentration ratios are much higher in electronic trading and tri-party repos, particularly in the top 10 institutions. In electronic trading, the top 10 account for 62.5% overall and 70.8% in anonymous electronic trading, while the top 20 account for 85.3% and 94.7%, respectively, and the top 30 account for 96.4% and 100.0%, respectively. In tri-party repos, the top 10 account for 69.8%, the top 20 for 90.9% and the top 30 for 98.0%.

## CHAPTER 3: CONCLUSION

The ICMA survey on June 14, 2006, confirmed the scale of the European repo market by pushing the boundary for the minimum size of that market above EUR 6 trillion for the first time. This reflected healthy year-on-year growth in the survey sample of between about 12% and 15%, mainly in the six months to December 2005.

Tri-party repos accounted for a record market share of 11.3%, raising the possibility that this section of the market may have entered a new phase of growth and confirming evidence of growing interest in triparty products and perhaps the impact of recent innovation in this sector.

However, the share of electronic trading fell back to 21.4% from 24.7% in December 2005 and the value of outstanding contracts reported in the survey declined by 11%. The share and value of anonymous electronic business suffered even more than electronic trading overall. Some of this set-back may simply be a reaction to the very rapid growth in electronic trading in the previous six months. It may also reflect the shortening of the average term to maturity of electronic transactions (shorter-term transactions feed through into lower levels of outstanding transactions on survey dates). The decline in anonymous electronic trading may be

connected to the development problems being experienced at CCPs.

The continued decline in the share of voice-brokers supports suggestions of a secular shift in market structure away from this form of intermediation. However, the decline in the share of voice-broking clearly cannot be attributed entirely to substitution by electronic trading given that this sector has underperformed.

Expectations of rising official interest rates may have driven the shortening of the average term of maturity of repo business as well as renewed interest in forward-forward repos. Increased position-taking may in turn explain some of the growth of directly-transacted business at the expense of electronic and voice-brokered business.

The share of EU collateral issued by central governments appears to have resumed its downward trend, reaching 84.3% and reflecting to some degree the growth in credit repo activity reported anecdotally. The true size of the credit repo market is understated in the survey because of the share of this activity 'hidden' in tri-party repo business.

The latest survey confirms strong growth in sterling repos, possibly reflecting the impact of recent changes in the Bank of England's money market

operations. Some of the other changes in the latest survey were due to the unwinding of dramatic changes seen in the last survey, particularly the swing between German and Italian collateral, and changes in the share of the US dollar, equity and longer-term transactions in tri-party repo. These swings to some extent reflect the impact of major players on the survey.

## APPENDIX A: SURVEY GUIDANCE NOTES

The following extract is based on the Guidance notes issued to participants conjunction with the survey that took place on June 14, 2006.

The data required by this survey are: the total value of the repos and reverse repos booked by your repo desk that are still outstanding at close of business on Wednesday, June 14, 2006, and various breakdowns of these amounts.

Branches of your bank in other countries in Europe may be asked to complete separate returns. If your repo transactions are booked at *another branch*, please forward the survey form to that branch. If branches of your bank *in other countries* run their own repo books, please copy the survey form to these branches, so that they can also participate in the survey. Please feel free to copy the survey form to other banks, if you discover that they have not received it directly.

### General guidance

a) Please fill in as much of the form as possible. For each question that you answer, you will receive back your ranking in that category.

b) If your institution does not transact a certain type of repo business, please enter 'N/A' in the relevant fields. On the other hand,

if your institution does that type of business but is not providing the data requested by the survey, please do not enter anything into the relevant field.

c) You only need to give figures to the nearest *million*. However, if you give figures with *decimal points*, please use full stops as the symbols for the decimal points, *not* commas. For *nil returns*, please use zeros, *not* dashes or text.

d) Please do not re-format the survey form, ie change its lay-out, and do not leave formulae in the cells of the underlying spreadsheet.

e) Include all classic repos, sell/buy-backs and similar types of transaction (e.g. pensions livrées). There is a separate question (see question 2) on securities lending and borrowing transactions (including securities lending and borrowing against cash collateral).

f) Exclude repo transactions undertaken with central banks as part of their official money market operations. Other repo transactions with central banks, e.g. as part of their reserve management operations, should be included.

g) Give the value of the *cash* which is due to be repaid on all repo and reverse repo contracts (*not* the market value or nominal value of the collateral) that are still

*outstanding at close of business on Wednesday, June 14, 2006.* This means the value of transactions at their repurchase prices.

h) "Outstanding" means repos and reverse repos *which will mature or roll over on or after Thursday, June 15, 2006.* You should therefore include all open repos and reverse repos that have been rolled over from Wednesday, June 14, 2006 to a later date and all *forward-forward repos and reverse repos that are still outstanding at close* on Wednesday, June 14, 2006.

i) Give separate totals for (a) repos plus sell/buy-backs and (b) reverse repos plus buy/sell-backs.

j) The survey seeks to measure the value of repos and reverse repos on a *transaction date basis*, rather than a value date basis. This means that you should include all repo and reverse repo contracts that have been agreed before close of business on Wednesday, June 14, 2006, even if their value dates are later.

k) Give *gross* figures, i.e. do *not* net opposite transactions with the same counterparty. If this is not possible, please indicate that your figures are net.

l) In the case of equity repo, for synthetic structures, please give the value of the cash payment.

## **Guidance on specific questions in the survey form**

Q1.1 Transactions Q(1.1.1) direct with counterparties or Q(1.1.2) through voice-brokers should *exclude* all repos transacted over an ATS (see below). These should be recorded under Q(1.1.3).

Q(1.1.2) Transactions through voice-brokers should be broken down in terms of the location of the counterparties, rather than the location of the voice-brokers.

Q(1.1.3) "ATSs" are automated trading systems (e.g. BrokerTec, Eurex Repo and MTS/EuroMTS, but not voice-assisted electronic systems such as e-speed and GFInet). Transactions through these systems should be included in Q(1.1.2). Anonymous transactions through an ATS with a central counterparty (e.g. LIFFE-Clearnet systems and Eurex Clearing) should be recorded in Q(1.1.3.4).

Q1.4 "Classic repos" include transactions documented under the Global Master Repurchase Agreement (GMRA) 1995 and Global Master Repurchase Agreement (GMRA) 2000 *without* reference to the Buy/Sell-Back Annexes, and transactions documented under other master agreements. "Sell/buy-backs" are therefore taken to include all transactions that are not documented. Classic repos include pensions livrées. Classic repos are characterised by the

immediate payment by the buyer to the seller of a manufactured or substitute payment upon receipt by the buyer of a coupon on the collateral held by the buyer. If a coupon is paid on collateral during the term of a sell/buy-back, the buyer does not make an immediate manufactured or substitute payment to the seller, but reinvests the coupon until the maturity of the sell/buy-back and deducts the manufactured or substitute payment (plus reinvestment income) from the repurchase proceeds due to be received from the seller. Sell/buy-backs may be quoted in terms of a forward price rather than a repo rate. Where sell/buy-backs are documented (e.g. under the Buy/Sell-Back Annexes to the GMRA 1995 and GMRA 2000), periodic adjustments to the relative amounts of collateral or cash – which, for a classic repo, would be performed by margin maintenance transfers or payments – are likely to be made by early termination and re-pricing. All open repos are likely to be classic repos.

Q1.6 This section asks for the *remaining* term to maturity (not the original term to maturity) of the fixed-rate repos reported in (1.5.1) and the floating-rate repos reported in (1.5.2) to be broken down as follows:

Q(1.6.1.1) 1 day – this means:

- all contracts transacted prior to Wednesday, June 14, 2006, that will mature on Thursday, June 15, 2006;

- overnight, tom/next, spot/next and corporate/next contracts transacted on Wednesday, June 14, 2006.

Q(1.6.1.2) 2–7 days –

this means:

- all contracts transacted prior to Wednesday, June 14, 2006, that will mature on Friday, June 16, 2006, or any day thereafter up to and including Wednesday, June 21, 2006;
- contracts transacted on Wednesday, June 14, 2006, with an original term of between two days and one week inclusive (irrespective of the value date, which will vary).

Q(1.6.1.3) More than 7

days but no more than 1 month – this means:

- all contracts transacted prior to Wednesday, June 14, 2006, that will mature on Thursday, June 22, 2006, or any day thereafter up to and including Friday, July 14, 2006;
- contracts transacted on Wednesday, June 14, 2006, with an original term of between eight days and one month inclusive (irrespective of the value date, which will vary).

Q(1.6.1.4) More than 1

month but no more than 3 months – this means:

- all contracts transacted prior to Wednesday, June 14, 2006, that will mature on Monday, July 17, 2006, or any day thereafter up to and including Thursday, September 14, 2006;
- contracts transacted on Wednesday, June 14, 2006, with an

original term between one month and one day, and three months inclusive (irrespective of the value date, which will vary).

Q(1.6.1.5) More than 3 months but no more than 6 months – this means:

- all contracts transacted prior to Wednesday, June 14, 2006, that will mature on Friday, September 15, 2006, or any day thereafter up to and including Thursday, December 14, 2006;
- contracts transacted on Wednesday, June 14, 2006, with an original term between three months and one day, and six months inclusive (irrespective of the value date, which will vary).

Q(1.6.1.6) More than 6 months but no more than 12 months – this means;

- all contracts transacted prior to Wednesday, June 14, 2006, that will mature on Friday, December 15, 2006, or any day thereafter up to and including Thursday, June 14, 2007;
- contracts transacted on Wednesday, June 14, 2006, with an original term between six months and one day, and 12 months inclusive (irrespective of the value date, which will vary).

Q(1.6.1.7) More than 12 months – this means;

- all contracts transacted prior to Wednesday, June 14, 2006, that will mature on Friday, June 15, 2007, or any day thereafter;
- contracts transacted on Wednesday, June 14, 2006, with an original term of 12 months and one day, or longer (irrespective of the

value date, which will vary).

Q(1.6.2) Forward-forward repos are defined for the purposes of this survey as contracts with a value date of Monday, June 19, 2006, or later. There is therefore an overlap with corporate/next transactions. If the latter cannot be identified separately, it is accepted that they will be recorded as forward-forward repos.

Q1.7 Please confirm whether you have included your tri-party repo business in Q(1.6).

Q1.8 Eurobonds should be included as fixed income securities issued “by other issuers” in the countries in which the bonds are issued. This will typically be Luxembourg Q(1.8.10) and the UK Q(1.8.15). Equity collateral should be recorded in Q(1.8.31).

Q(1.8.26) “US in the form of fixed income securities but settled across Euroclear or Clearstream” means only domestic and Yankee bonds. This includes Reg.144a bonds, but *excludes* Eurodollar and US dollar global bonds, which should be treated as bonds issued “by other issuers” in the countries in which the bonds are issued. This will typically be Luxembourg Q(1.8.10) and the UK Q(1.8.15).

Q(1.8.27) “Other OECD countries” are Australia, Canada, Iceland, Korea, Mexico, New Zealand, Norway, Switzerland, Turkey and the US. In the case of collateral issued in the US, only



collateral settled across the domestic US settlement system should be included in Q(1.8.27). US collateral settled across Euroclear and Clearstream Luxembourg should be recorded in Q(1.8.26).

Q(1.8.31) "Equity" includes ordinary shares, preference shares and equity-linked debt such as convertible bonds.

Q2 "Total value of securities loaned and borrowed by your repo desk" includes the lending and borrowing of securities with either cash or securities collateral. Exclude any securities lending and borrowing done by desks other than your repo desk. If your repo desk does not do any securities lending and borrowing, this line will be a nil return.

Q3 "Active" means about once a week or more often.



List of respondents	Jun -01	Dec -01	Jun -02	Dec -02	Jun -03	Dec -03	Jun -04	Dec -04	Jun -05	Dec -05	Jun -06
BHF-Bank	x	x	x	x	x	x	x	x	x	x	x
BHF-Bank Luxembourg							x			x	x
BNP Paribas	x	x	x	x	x	x	x	x	x	x	x
Bundesrepublik Deutschland Finanzagentur			x	x	x	x	x		x		x
BW-Bank		x									
Caixa d'Estalvis de Catalunya					x				x		
Caixa Geral de Depositos			x	x							
Caja de Ahorros y Monte de Piedad de Madrid (Caja Madrid)			x	x	x	x			x	x	x
Calyon		x	x	x	x	x	x	x	x	x	x
Capitalia			x				x	x	x	x	x
CDC IXIS Capital Markets Zweigniederlassung Deutschland			x	x	x	x	x	x	x		x
Citigroup	x	x	x	x	x	x	x	x	x	x	x
Commerzbank	x		x	x	x	x	x	x	x	x	x
Confederación Española de Cajas de Ahorros (CECA)	x		x	x	x	x	x	x	x	x	x
Credito Valtellinese					x						
Croatian National Bank		x			x						
Credit Suisse	x	x	x	x	x	x	x	x	x	x	x
Danske Bank									x	x	
Daiwa Securities SMBC Europe	x	x	x	x	x	x	x	x	x	x	x
Dekabank Deutsche Girozentrale	x	x	x	x					x	x	
Delta Lloyd Securities					x						
DePfa ACS				x	x	x	x	x	x		
DePfa Bank				x	x	x	x	x	x	x	x
Deutsche Bank	x		x	x	x	x	x	x	x	x	x
Deutsche Postbank			x	x	x	x	x	x	x	x	x
Dexia	x	x	x	x	x	x	x	x	x	x	x
Dexia BIL						x				x	x
Dexia Kommunal Bank Deutschland	x	x							x	x	x
Dresdner Bank	x	x	x	x	x	x	x	x	x	x	x
DZ Bank	x	x	x	x	x	x	x	x	x	x	x
EFG Eurobank Ergasias			x	x			x		x	x	x



List of respondents	Jun -01	Dec -01	Jun -02	Dec -02	Jun -03	Dec -03	Jun -04	Dec -04	Jun -05	Dec -05	Jun -06
Natexis Banques Populaires		x	x	x		x					
National Bank of Greece	x	x	x	x	x	x	x	x	x	x	x
Nomura International	x	x	x	x	x		x	x	x	x	x
Norddeutsche Landesbank Girozentrale	x	x	x	x	x	x	x	x	x	x	x
Nordea Markets			x	x	x	x	x	x	x	x	x
Norinchukin Bank						x	x	x	x	x	x
Nova Ljubljanska Banka d.d.							x				
Omega Bank			x	x							
Piraeus Bank			x								
Rabobank		x	x	x	x	x	x	x	x	x	x
Royal Bank of Scotland			x	x	x	x	x	x	x	x	x
RZB	x	x	x		x		x	x	x	x	x
Sal. Oppenheim Jr.	x	x	x			x	x	x			
Sampo Bank			x	x					x	x	
SEB		x		x							
Société Générale		x	x	x	x	x	x	x	x	x	x
Toronto Dominion Bank					x	x					
UBS	x	x	x	x	x	x	x	x	x	x	x
Ulster Bank			x	x			x	x	x	x	
Unicredit Banca Mobiliare			x	x	x	x	x	x	x	x	x
Unicredito Italiano Bank (Ireland)					x						
Vereins und Westbank			x	x	x	x	x				
Westdeutsche Immobilien Bank		x	x								
Westdeutsche Landesbank Girozentrale	x		x			x	x			x	x
Zagrabacka Banka				x				x		x	x

## APPENDIX C: SUMMARY OF SURVEY RESULTS

Q1 What are the total gross values of cash due to be repaid by you and repaid to you on repo transactions maturing after June 14, 2006 (figures in EUR billions)					
	4,050	4,561	5,319	5,883	6,019
Of the amounts given in response to question (1) above:					
	Jun-03	Jun-04	Jun-05	Dec-05	Jun-06
1.1 How much was transacted:					
<b>direct</b> with counterparties					
• in the <b>same country</b> as you	19.6%	19.7%	20.2%	19.8%	19.2%
• cross-border in (other) <b>eurozone countries</b>	14.5%	13.0%	15.6%	17.1%	17.5%
• cross-border in <b>non-eurozone countries</b>	17.7%	19.2%	18.1%	17.2%	22.1%
through <b>voice-brokers</b>					
• in the <b>same country</b> as you	13.6%	11.7%	10.9%	9.4%	9.1%
• cross-border in (other) <b>eurozone countries</b>	12.0%	9.0%	8.7%	8.6%	7.5%
• cross-border in <b>non-eurozone countries</b>	4.2%	3.5%	5.2%	4.0%	3.8%
on <b>ATs</b> with counterparties					
in the <b>same country</b> as you	4.9%	5.8%	5.6%	6.3%	6.3%
• cross-border in (other) <b>eurozone countries</b>	3.0%	3.6%	3.7%	3.9%	3.5%
• cross border-border in <b>non-eurozone countries</b>	1.4%	2.7%	1.5%	2.6%	2.2%
• anonymously through a central clearing counterparty	9.0%	11.6%	10.4%	11.0%	8.7%
1.2 How much of the cash is denominated in:					
• EUR	75.6%	70.5%	70.0%	68.2%	65.2%
• GBP	8.8%	11.8%	11.8%	12.7%	13.5%
• USD	9.4%	10.8%	11.1%	11.3%	13.9%
• SEK, DKK	2.0%	2.0%	2.2%	2.1%	1.8%
• JPY	3.3%	3.5%	3.4%	3.6%	3.5%
• CHF				0.2%	0.2%
• other currencies	0.9%	1.4%	1.5%	1.9%	1.9%
1.3 How much is cross-currency?	1.0%	1.1%	0.9%	1.1%	1.5%
1.4 How much is:					
• classic repo	79.0%	80.9%	83.0%	83.0%	83.0%
• documented sell/buy-backs	13.0%	11.2%	10.5%	10.0%	12.0%
• undocumented sell/buy-backs	7.9%	7.8%	6.6%	7.7%	5.0%

	Jun-03	Jun-04	Jun-05	Dec-05	Jun-06
1.5 How much is:					
• fixed rate	89.9%	87.1%	86.8%	82.3%	81.3%
• floating rate	5.6%	6.6%	7.6%	10.1%	10.5%
• open	4.5%	6.2%	5.6%	7.7%	8.2%
<b>1.6 How much fixed and floating rate repo is (1.6.1) for value before December 7, 2005 and has a remaining term to maturity of:</b>					
• <b>1 day</b>	18.7%	17.3%	17.6%	16.1%	19.4%
• <b>2-7days</b>	22.0%	22.5%	20.2%	21.0%	23.4%
• more than <b>7 days</b> but no more than <b>1 month</b>	26.1%	28.3%	27.5%	24.8%	23.8%
• more than <b>1 month</b> but no more than <b>3 months</b>	12.0%	12.4%	13.9%	17.6%	13.0%
• more than <b>3 months</b> but no more than <b>6 months</b>	7.1%	7.3%	7.0%	7.0%	6.6%
• more than <b>6 months</b>	7.6%	7.0%	9.9%	5.2%	7.0%
• more than 12 months				5.1%	1.8%
• <b>forward-forward repos</b>	6.5%	5.2%	3.8%	3.2%	4.9%
1.7 How much is tri-party repo:	6.2%	10.9%	10.4%	10.4%	11.3%
• for <b>fixed terms to maturity</b>	90.8%	83.1%	93.1%	85.8%	87.9%
• on an <b>open</b> basis	9.2%	16.9%	6.9%	14.2%	12.1%
1.8 How much is against collateral issued in:					
Austria					
• by the central government	0.7%	0.7%	0.8%	0.9%	0.8%
• by other issuers	0.0%	0.1%	0.1%	0.1%	0.1%
Belgium					
• by the central government	5.0%	4.1%	3.6%	3.3%	3.2%
• by other issuers	0.2%	0.2%	0.5%	0.3%	0.3%
Denmark					
• by the central government	0.6%	0.4%	0.2%	0.2%	0.3%
• by other issuers	0.4%	0.3%	0.4%	0.3%	0.3%
Finland					
• by the central government	0.3%	0.3%	0.2%	0.2%	0.3%
• by other issuers	0.0%	0.0%	0.0%	0.0%	0.1%
France					
• by the central government	8.9%	8.3%	9.0%	9.5%	9.1%
• by other issuers	0.9%	1.0%	1.1%	1.0%	1.0%
Germany					
• by the central government	26.6%	23.5%	20.1%	24.9%	18.4%
• pfandbrief	2.6%	2.6%	1.9%	2.0%	2.0%
• by other issuers	2.1%	2.5%	2.8%	2.9%	3.2%
Greece					
• by the central government	2.0%	1.7%	2.2%	1.6%	1.8%
• by other issuers	0.3%	0.0%	0.0%	0.0%	0.0%

	Jun-03	Jun-04	Jun-05	Dec-05	Jun-06
Ireland					
• by the central government	0.1%	0.2%	0.2%	0.1%	0.2%
• by other issuers	0.1%	0.1%	0.1%	0.1%	0.2%
Italy					
• by the central government	15.1%	14.0%	14.9%	13.1%	14.8%
• by other issuers	0.9%	0.3%	0.4%	0.3%	0.5%
Luxembourg					
• by the central government	0.1%	0.1%	0.0%	0.0%	0.0%
• by other issuers	0.3%	0.6%	0.5%	0.6%	0.5%
Netherlands					
• by the central government	1.8%	2.0%	1.9%	1.7%	1.8%
• by other issuers	0.5%	0.8%	0.9%	0.9%	0.7%
Portugal					
• by the central government	0.3%	0.4%	0.6%	0.7%	0.9%
• by other issuers	0.4%	0.0%	0.0%	0.0%	0.0%
Spain					
• by the central government	6.0%	5.4%	5.1%	3.4%	3.3%
• by other issuers	0.2%	0.2%	0.5%	0.5%	0.9%
Sweden					
• by the central government	1.1%	1.1%	1.3%	1.3%	1.1%
• by other issuers	0.3%	0.5%	0.6%	0.4%	0.4%
UK					
• by the central government	8.5%	10.3%	10.3%	11.3%	11.5%
• by other issuers	1.1%	1.3%	2.0%	2.5%	2.7%
US but settled across EOC/CS	2.1%	2.2%	0.0%	2.2%	2.2%
• other countries	0.2%				
Cyprus					
• by the central government		0.0%	0.0%	0.0%	0.0%
• by other issuers		0.0%	0.0%	0.0%	0.0%
Czech Republic					
• by the central government		0.0%	0.0%	0.0%	0.0%
• by other issuers		0.0%	0.0%	0.0%	0.0%
Estonia					
• by the central government		0.0%	0.0%	0.0%	0.0%
• by other issuers		0.0%	0.1%	0.0%	0.0%
Hungary					
• by the central government		0.0%	0.0%	0.5%	0.8%
• by other issuers		0.0%	0.0%	0.0%	0.0%
Latvia					
• by the central government		0.0%	0.0%	0.0%	0.0%
• by other issuers		0.0%	0.0%	0.0%	0.0%
Lithuania					
• by the central government		0.0%	0.0%	0.0%	0.0%
• by other issuers		0.0%	0.2%	0.0%	0.0%



	Jun-03	Jun-04	Jun-05	Dec-05	Jun-06
Malta					
• by the central government		0.0%	0.0%	0.0%	0.0%
• by other issuers		0.0%	0.2%	0.2%	0.0%
Poland					
• by the central government		0.0%	0.0%	0.1%	0.2%
• by other issuers		0.0%	0.0%	0.0%	0.0%
Slovak Republic					
• by the central government		0.0%	0.0%	0.0%	0.0%
• by other issuers		0.0%	0.0%	0.0%	0.0%
Slovenia					
• by the central government		0.0%	0.0%	0.0%	0.0%
• by other issuers		0.0%	3.5%	0.0%	0.0%
Japan					4.5%
other OECD	7.0%	9.8%	11.2%	10.1%	8.8%
non-OECD EMEA	0.4%	1.3%	0.5%	0.5%	0.4%
non-OECD Asian & Pacific	0.2%	0.1%	0.3%	0.3%	0.4%
non-OECD Latin America	0.2%	0.5%	0.6%	0.6%	0.6%
equity	1.0%	1.8%	0.4%	0.4%	0.5%
collateral of unknown origin	1.5%	1.2%	0.8%	1.0%	1.3%
Q2 What is the total value of securities loaned and borrowed by your repo desk: to/from counterparties					
in the <b>same country</b> as you					
• in fixed income	44.6%	53.8%	47.4%	45.6%	43.9%
• in equity	2.3%	1.0%	7.7%	4.5%	4.2%
cross-border in (other) <b>eurozone</b> countries					
• in fixed income	20.5%	19.4%	21.7%	23.4%	26.3%
• in equity	0.8%	0.2%	3.0%	3.7%	3.5%
cross-border in <b>non-eurozone</b> countries					
• in fixed income	30.5%	25.4%	19.5%	21.3%	20.7%
• in equity	1.2%	0.3%	0.7%	1.5%	1.5%
for which the term to maturity is					
• <b>fixed</b>	72.9%	65.9%	53.7%	59.0%	60.1%
• <b>open</b>	27.1%	34.1%	46.3%	41.0%	39.9%

## **APPENDIX D THE EUROPEAN REPO COUNCIL**

The European Repo Council (ERC) is the forum where the repo dealer community meets and forges consensus solutions to the practical problems of a rapidly evolving marketplace. In this role, it has been consolidating and codifying best market practice. The contact and dialogue that takes place at the ERC underpins the strong sense of community and common interest that characterises the professional repo market in Europe.

The ERC was established in December 1999 by the International Capital Market Association (ICMA, which was then called the International Securities Market Association or ISMA) as a body operating under ICMA auspices. Its governing board is the International Repo Committee (IRC Committee), which consists of two representatives appointed by regional repo councils, which in turn comprise those IRC members that are active in the repo market of a particular geographic area. The regional repo councils are to be established by the IRC Committee for those geographic regions in which it considers there to be a reasonable number of ICMA members active in the repo market and a reasonable level of repo dealing. So far, the ERC is the only regional repo council has been formed, but the IRC is in the

process of considering whether to establish Asian and Japanese Repo Councils.

Membership of the ERC is open to any ICMA member who has commenced, or has undertaken to commence, a dedicated repo activity, is willing to abide by the rules applicable to members of the IRC and has sufficient professional expertise, financial standing and technical resources to meet its obligations as a member of the IRC. Membership of the ERC is granted by the IRC Committee in consultation with the ERC Steering Committee.

The ERC meets twice a year (usually in February/March and September) at different financial centres across Europe. The Steering Committee now comprises 19 members elected annually and meets four times a year.

More information about the ERC and IRC is available on [www.icma-group.org](http://www.icma-group.org).