

Press release

News from the International Capital Market Association (ICMA)

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New repo market initiatives at the European Repo Council

(London, UK) Representatives from the banks who are major participants in the European repo market discussed a number of market initiatives at the general meeting of the ICMA European Repo Council (ERC) in London last week. The meeting heard reports from regulators and market infrastructure providers on progress in operational issues which have an effect on the efficiency and therefore the costs of business in this rapidly growing market.

The Global Master Repurchase Agreement (GMRA), the legal documentation governing transactions in the international cross-border repo market and ensuring its safe functioning, is underpinned by legal opinions on its enforceability in different jurisdictions. The ERC meeting heard that there are now 53 opinions available and that new territories to be added soon included Slovakia, Slovenia, Oman and Qatar – which reflect the scope of activities of the members of the ERC in these markets.

The repo market requires the daily transfer of collateral between different clearing organisations in Europe, and through the ERC has sought to encourage increased inter-operability between those clearing systems in order to improve efficiency in this area. The two International Clearing and Settlement Depositories houses (ICSDs), Euroclear and Clearstream, reported on their latest initiative to maximise same-day financing and transaction management possibilities for the global market by increasing the number of daily transactions and matching instructions that pass across the 'bridge' that links the two organisations.

At the meeting Matthias Levin from the European Commission provided a description of Commissioner McCreevy's Code of Conduct, which is designed to

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encourage the market and infrastructure providers themselves to seek solutions to the barriers preventing the creation of the single European market in post trade clearing and settlement. Although its scope is currently limited to equities, this could be extended to other market sectors.

The recent successful launch of ICMA's own TRAX2 system designed to improve confirmations and workflow in the over the counter sector of the market was announced.

The meeting also welcomed a presentation from the European Central Bank (ECB) which is seeking market feedback on its proposal to extend its Target 2 system to the European Securities Market to create a single integrated European Settlement system for securities.

ENDS

Notes for editors

1. International Capital Market Association (ICMA)

The International Capital Market Association (ICMA) is the self-regulatory organisation representing the financial institutions active in the international capital market worldwide. ICMA's members are located in some 50 countries across the globe, including all the world's main financial centres, and currently number over 400 firms.

2. European Repo Council

The ERC was established in December 1999 by ICMA. Membership is open to any ICMA member who undertakes dedicated repo markets activity. A core responsibility of the ERC and one of the original reasons for its existence is to assist ICMA in maintaining the legal documentation which underpins the safe functioning of the cross-border repo market, specifically, the Global Master Repurchase Agreement (GMRA).

Perhaps one of the most widely known initiatives of the ERC has been its educational programme. With the backing of ICMA and the ACI, the ERC has run the ICMA-ACI Professional Repo Market course since 2002. This year the course will run in Madrid in November and a similar course is planned in Moscow in 2007.

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