



Press release

News from the International Securities Market Association (ISMA)

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I S M A

Please see foot of release for contact details

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release: immediate

European repo market grows by 17% over the last year ISMA's most recent survey establishes minimum market size at over EUR 4 trillion

(LONDON, UK) The International Securities Market Association (ISMA) today released the results of its fifth semi-annual survey of the repo market in Europe, conducted on June 11, 2003. The survey estimates the total value of outstanding repo contracts on the books of participating institutions at that date to be over EUR 4 trillion. (This figure, while substantial, represents only the lower limit for the size of the European repo market. Although it includes the largest players in the market, the survey does not yet cover a number of smaller players so actual market size is certainly much larger.)

The survey also reveals that the market grew by over 17% in the year to June, with most of the growth taking place in the first half of 2003. The resumption of robust growth in the first 6 months of the year, after stagnation in the second half of 2002, reflects buoyant trading in the European government bond market during 2003, which has continued despite the reverses suffered by the US debt markets in the summer. The bulk of repos in Europe are against government bonds.

Godfried De Vidts, Chairman of ISMA's European Repo Council, remarked; " The most recent ISMA survey demonstrates consistent growth in the European repo market - in the future we look forward to further growth and the integration of the EU Accession countries."

The survey also points to a further increase in market share for electronic trading systems. Repo is one of the few Over-The-Counter (OTC) markets, along with spot FX and cash bonds, that is making widespread use of electronic trading. Such systems are now used by the majority of survey participants for some part of their repo business and the market share of electronic trading has risen to 18% of the total value of outstanding contracts. About half of electronic trading is accounted for by anonymous trading through systems using Central Clearing Counterparties (CCPs).

Repos, or repurchase agreements, are simply short-term loans, where a security, usually a government bond, is used as collateral. They are principally used to fund bond positions in the wholesale financial markets, which in turn are used for hedging and arbitrage strategies against derivatives; the repo market therefore underpins the functioning of the financial markets as a whole. Despite being pivotal to the securities market in Europe, figures on repo market size are difficult to obtain. ISMA's semi-annual

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surveys are acknowledged to provide the most reliable analysis of the market yet produced, giving an insight into its structure, growth and size.

The surveys are conducted by the ISMA Centre at the University of Reading in the UK, at the request of the European Repo Council (ERC), a body set up within ISMA's structure to promote and represent banks active in Europe's repo markets.

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 11, 2003. Replies were received from 84 offices of 72 financial institutions, representing the majority of significant players in the European repo market.

ISMA's next repo market survey is due to take place on December 10, 2003.

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Notes for editors

1 Obtaining copies

ISMA's *European repo market survey Number 5 – conducted June 2003* is available for download free of charge from ISMA's web site at www.isma.org/surveys/repo/latest

2 International Securities Market Association (ISMA)

ISMA is the self-regulatory organisation and trade association for the international securities market. For over 450 member firms in almost 50 countries world wide, ISMA oversees the efficient functioning of the market through the implementation and enforcement of a self-regulatory code covering trading, settlement and good market practice. The Association also provides its member firms - and other users - with a range of services, products and support.

ISMA has devoted considerable attention to developing a standard master agreement for repo transactions in conjunction with The Bond Market Association in New York (formerly the Public Securities Association (PSA)). The first version of the TBMA/ISMA Global Master Repurchase Agreement (GMRA) was published in 1992, followed by a substantially revised version in 1995. Due to its versatility and adaptability to suit local law and practice, it has since become accepted as the international standard for repo transactions. The most recent version of the GMRA, taking into account market developments since 1995, was published in 2000.

3 European Repo Council (ERC)

The International Repo Council (IRC) is a special interest group established by ISMA for members active in the international repo markets. Beneath the level of the IRC, regional repo councils may be established to represent the repo market of a particular geographic area. The European Repo Council (ERC) is the first such regional council to have been established. Its members comprise the major banks and securities houses active in Europe's cross-border repo markets.

4 ISMA Centre

In 1991, ISMA sponsored a professorship in investment banking at the University of Reading in the UK, which led to the creation by the University of the ISMA Centre. The ISMA Centre's first responsibility was to provide the tuition expertise for ISMA's practitioner programmes. Since then, it has grown to become one of the world's major centres of academic excellence in the study of financial markets and is internationally recognised as 'The Business School for Financial Markets'.

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5 Contact details for further information

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