International
Capital
Market
Association

Press release

News from the International Capital Market Association (ICMA)

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Repo market firmly asserts its importance for international financing

ICMA's latest statistics show market size estimated at EUR 5, 319 billion

(LONDON, UK) The International Capital Market Association today released the results of its ninth semi-annual survey of the repo market in Europe conducted on June 8, 2005. The market size is now estimated to be in excess of EUR 5.3 trillion, once again showing a sizeable increase over the previous 6 months.

Growth for a constant sample of banks was 19% year-on-year, almost identical to the growth rate in the previous year (June 2003 to June 2004). Godfried De Vidts, Chairman of ICMA's European Repo Council, welcomes this verification of the market's significance: "Despite a perceived slowdown in wholesale banking activities, the repo market has proved to be integral to core financing and has firmly stated its importance with yet another increase in outstanding volumes. As Basle 2 approaches, with its capital requirements affecting all banks in Europe, this trend to increased use of repo is set to continue".

This latest survey also shows that the market share taken by electronic trading was virtually unchanged at 21.2% compared to 21.3% in December 2004; however, in absolute terms, volumes traded grew by 14% over the six months to June 2005.

More follows/ …

Generally, the structure of the repo market as indicated by the relative shares of different segments (e.g. currency, collateral and maturity distributions) remained similar to previous surveys. However, the share of government bonds in collateral issued in the EU fell to a record low of 85.7%, probably reflecting the growing role of credit repo in Europe.

Despite the positive trend demonstrated by this, and all previous ICMA surveys, significant obstacles to the continued growth of this important market remain, notably the lack of a uniform market infrastructure, highlighted by both Giovannini reports and by the EU Commission through the CESAME working group. Godfried Devidts commented: "The market and the European Repo Council have for years emphasised the gaps in repo delivery and settlement systems. These issues need to be resolved speedily with the co-operation of governments, central banks and EU institutions if the repo market is to contribute fully to the achievement of the goals laid out in the Lisbon agenda."

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Notes for editors

1 Obtaining copies

ICMA's *European repo market survey Number 9 – conducted June 2005 is* available for download free of charge from ICMA's web site at www.icma-group.org/surveys/repo/latest.html

2 International Capital Market Association (ICMA)

ICMA is the self-regulatory organisation and trade association representing the investment banks and securities firms issuing, and dealing in the international capital market. ICMA's members are located in 50 countries across the globe, including all the world's main financial centres, and currently number some 430 firms in total. ICMA was created in July 2005 by the merger of the International Primary Market association and the International securities Market Association

3 The survey

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 established under the auspices of ICMA to promote and represent banks active in Europe's repo markets. A sample of financial institutions in Europe were asked for the value of their repo contracts that were still outstanding at close of business on June 8, 2005. Replies were received from 81 offices of 74 financial groups, representing the majority of significant players in the European repo market. All institutions who participate in the survey automatically receive, in confidence, a list of their rankings in the various categories of the survey. The ICMA survey is the only authoritative source of data on the size and composition of the European repo market.

More follows/ …

4 Contact details for further information

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