Summary of the main findings of the comparison between the ICMA European Repo Survey and the ECB Euro Money Market Study

In the meeting of the MMCG on 16 February 2006 Danielle Sindzingre (Société Générale) and Johan Evenepoel (Dexia Bank) presented a comparative analysis of the latest ICMA European Repo Survey and the latest ECB Euro Money Market Study (see attached presentation). The main findings of this analysis are summarised below.

- Because of the distinct methodologies, the results of the two surveys differ in some aspects. Identical trends can nevertheless be identified.

- The concentration analysis of both surveys establishes that over 50% of the total volumes are claimed by the Top 10 participants, whereas 75% of total volumes are claimed by the Top 20 banks.

- The ICMA data shows that EUR transactions represent 70% of total volumes, the same number as in 2004. The aggregate figures provided by Euroclear Bank and Clearstream Banking offer a similar picture: here EUR transactions remained unchanged at 61%.

- The repo market as a whole continued to grow at a rapid pace according to both ECB and ICMA data. Increases were in both cases nearly identical compared to last year: +16% for ICMA and +13% for the ECB Survey.

- In line with previous years, the majority of repo transactions have a maturity of 1-Month or less.
  - When comparing the ECB data, stable numbers for volumes up to 1-Month at approximately 87% can be noted. The trend from previous years of increasing volumes in 1-Day transactions, is further confirmed in 2005.
According to the ICMA data, the 1-Month volumes remain at 65%. In this survey a further increase of the volumes in the 3-Months tenor can be noted. Volumes in longer maturities give also evidence of growth.

- In previous surveys, ICMA clearly indicated a continuous reduction of the voice-broker market share, in 2005 this number however stabilises at 25%. We note a drop by 5% in the ECB numbers for 2005, with voice brokers also attaining 25% in this year.

- The ICMA survey indicates a drop in the volumes of ATS transactions from 24% to 21% and this after a 6% increase in the previous year. The total number for ATS transactions in the ECB survey remained stable at around 42%. This high reading can be explained by the ECB survey-methodology, which is based on volumes: as stated before, the majority of the repo transactions have a very short maturity, and such short-term trades are typically executed via ATS platforms.

- The ECB survey indicates a substantial increase of the share of triparty repos: from 7.3% to 10.3%. The ICMA data reveals an identical number in 2005 (10.4%), unchanged from 2004.

- The ICMA survey and the aggregated figures of Clearstream Banking and Euroclear Bank offer more details in regard to the underlying collateral.
  - In 2004 ICMA had noted a sharp drop in collateral issued in the euro area. In 2005, this percentage however stabilised at 68%. The aggregated figures of Clearstream Banking and Euroclear Bank even indicate an increase of the euro area collateral by 2.5% to 58%.
  - In the ICMA-survey, the share of non-government bonds in the total collateral pool becomes more import; whereas in 2002 91% of the total collateral used in repo transactions consisted of government bonds, this share was reduced to 86% in 2005. The aggregated figures of Clearstream Banking and Euroclear Bank also show a decrease (from 30% to 28%).