Euro Money Market Survey 2007

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1. Introduction

- Euro Money Market **Survey**: every year
- Euro Money Market **Study**: every second year
- Ninth survey conducted in 2007
- “Average” daily turnover for each maturity band over the second quarter of each year ➔ flow data
- **Nominal** amounts for cash transactions and **notional** amounts for derivative transactions
- Allocated according to the **initial maturity** of the transaction
- Aims to assess trends and developments in the **integration** of the euro money market
2. Improved methods of compilation

- ECB’s DG – Statistics (Monetary, Financial Institutions and Markets Statistics Division) were responsible for the collection and compilation of the data this year; the ECB’s DG – Market Operations continued to act as main point of contact.

- In line with the superior methods of data compilation we are able to publish more information this year through the SDW (Statistical Data Warehouse), indexed series.
Analysis of revisions to 2006 and 2007 data

- Some genuine mistakes were corrected
- Some banks wrongly included non-interbank and non-money market transactions ➔ statistical definitions
- Some banks did not divide by the number of days in the quarter to find the average daily turnover ➔ reporting forms
- Some confusion about what the maturity of some contracts should be defined as (e.g. open-ended repos)
- Some banks improved internal data collection procedures hence data submitted in 2007 (also for Q2 2006) was more accurate than in the past
- Some banks had not reported certain figures in the past but reported them in 2007
- Some banks indicated only one contact person and this person was absent at times when queries were directed to them
3. Main findings

- **Aggregate turnover increased** slightly further; highest since 1999; increase especially in repo segment
- **Repo remains the biggest segment**; both bilateral and triparty repo increased significantly
- **Depo, repo and FX swap turnover** still highly concentrated in very short-term maturities; OIS turnover concentrated in maturities up to three months
- **Market concentration** lowest for depo, followed by repo
- **Share of electronic trading systems** broadly unchanged, except FRA (significant increase); share marginal in e.g. OIS; share around 50% in repo
- **FX swaps account for 31% of euro money market turnover** in new EU Member States
4.a) **Unsecured** cash borrowing and lending

Average daily turnover in unsecured cash borrowing and lending between 2000 and 2007

The cash lending volume in Q2 2002 is taken as the base (100). The panel comprised 85 banks in 2000 and 2001 and 114 banks thereafter.
Maturity breakdown between 2000 - 2007

Average daily turnover in **unsecured cash lending**
2002 Q2=100

Data received from a panel of 85 banks during 2000/2001 and 114 thereafter.
Geographical counterparty breakdown 2006-2007

Unsecured lending 2006

Unsecured counterparties 2006

- National: 55%
- Euro area: 20%
- Others: 25%

Unsecured lending 2007

Unsecured counterparties 2007

- National: 50%
- Euro area: 22%
- Others: 28%
4.b) Secured cash borrowing and lending

Data received from a panel of 85 banks in 2000/2001 and 114 thereafter.
Maturity breakdown for repos 2003-2007

Data received from a panel of 114 banks
Geographical collateral breakdown in 2006 and 2007

2006

- National: 61%
- Euro area: 36%
- Other: 3%

2007

- National: 60%
- Euro area: 35%
- Other: 5%
Composition of total repo (lending and borrowing) from 2003 to 2007

Data received from a panel of 114 banks
Maturity breakdown for tri-party repos in 2006-2007

The panel comprised 158 banks. O/N stands for overnight, T/N for tomorrow/next and S/N for spot/next.
Electronic trading in secured markets 2002 – 2007

The chart shows the trend of electronic trading in secured markets from 2002 to 2007. The percentage of electronic trading, voice broker, and direct transactions is depicted for each year. The data indicates a steady increase in electronic trading over the years.
4.c) Developments in the market shares of the various OTC derivatives markets 2001-2007

Note: Q2 2002 = 100; Data received from a panel of 85 banks in 2001 and 114 thereafter.
4.d) Short-term securities (up to 12 months)

Evolution of secondary market turnover 2000 - 2007
4.e) Cross-market segment analysis

Aggregated turnover of the euro money market between 2000 and 2007

Note: The volume of aggregated euro money market transactions in Q2 2002 is taken as the base (100). The panel comprised 85 banks in 2000 and 2001 and 114 banks thereafter.
Market concentration: Lorenz curves (2006)

Lorenz curve showing the concentration for total money market activity in 2006

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

% of market participants

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

% of activity

Unsecured, OIS, FRA, Xccy swaps, Secured, FX swaps, IRS, Short-term securities
Market concentration: Lorenz curves (2007)

Lorenz curve showing the concentration for total money market activity in 2007
# Market concentration: biggest players (2006)

## Concentration % in Q2 2006
- OTC derivatives markets

<table>
<thead>
<tr>
<th></th>
<th>OIS</th>
<th>Other IRS</th>
<th>FRAs</th>
<th>FX swaps</th>
<th>Xccy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 5 banks</td>
<td>43.4%</td>
<td>51.8%</td>
<td>62.7%</td>
<td>52.6%</td>
<td>51.2%</td>
</tr>
<tr>
<td>Top 10 banks</td>
<td>67.8%</td>
<td>71.8%</td>
<td>82.9%</td>
<td>66.8%</td>
<td>70.3%</td>
</tr>
<tr>
<td>Top 20 banks</td>
<td>87.8%</td>
<td>86.5%</td>
<td>93.9%</td>
<td>84.3%</td>
<td>89.4%</td>
</tr>
</tbody>
</table>
## Market concentration: biggest players (2007)

### Concentration % in Q2 2007  
- all market segments

<table>
<thead>
<tr>
<th></th>
<th>Unsecured</th>
<th>Secured</th>
<th>Short-term Securities</th>
<th>OIS</th>
<th>Other IRS</th>
<th>FRAs</th>
<th>FX Swaps</th>
<th>Xccy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Top 5 banks</strong></td>
<td>21.9%</td>
<td>35.1%</td>
<td>50.2%</td>
<td>36.7%</td>
<td>53.4%</td>
<td>50.5%</td>
<td>44.9%</td>
<td>58.2%</td>
</tr>
<tr>
<td><strong>Top 10 banks</strong></td>
<td>36.8%</td>
<td>55.2%</td>
<td>74.1%</td>
<td>62.3%</td>
<td>72.4%</td>
<td>75.1%</td>
<td>64.9%</td>
<td>75.2%</td>
</tr>
<tr>
<td><strong>Top 20 banks</strong></td>
<td>56.4%</td>
<td>79.2%</td>
<td>91.7%</td>
<td>83.3%</td>
<td>0.0%</td>
<td>93.4%</td>
<td>84.9%</td>
<td>90.0%</td>
</tr>
</tbody>
</table>
Geographical counterparty structure 2006-2007
Trading structure 2006 - 2007
5. Issues for discussion

- Comments on the methods of compilation and timeline; any suggestions for changes
- Comments on the findings, e.g. the further shortening of maturities in depo, repo and FX swap
- Discussion on the possible impact of money market developments after the end of Q2 2007 for the future
- Possible enhancements in the survey, estimating total turnover (DG-S)
6. Conclusions

• 2007 survey was conducted in a different manner at the ECB, promising for possible future enhancements in data provision and in leveraging of the survey

• 2007 survey results essentially confirm (more or less, depending on the segments) the trends observed in 2006

• market turmoil raises a number of issues for consideration; the next survey may help in addressing some of those issues