Spanish Repo Market
MMCG

Bankia

17 June 2015
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1. SPGB Market

Outstanding Government Debt distribution

843 bn

- Bonos 214 bn (26%)
- Obligaciones 483 bn (57%)
- T-bill 77 bn (9%)
- Others 69 bn (8%)

Distribution by holder

SOURCE: Spanish Treasury
2. Players

SPANISH REPO MARKET

SUPERVISOR

SETTLEMENT

CCP’S

TRADING

DOMESTIC

INTERNATIONAL

SUPERVISOR

SETTLEMENT

CCP’S

TRADING
3. Short Term Spanish Funding alternatives

**REPO**

**Domestic Market**
- MeffClear & bilateral
- Low volume
- Higher cost.

**International Market**
- Eurex, LCH & bilateral
- High volume
- Lower cost

**Tesoro**
- “Subasta de Liquidez”
- Tenders weekly/monthly/…
- Secured & Unsecured
- High volatility in rates & volumes

**ECB**
- MRO/LTRO/TLTRO
- Still High dependency (31% of Euro system)

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**ECP - Pagarés**

- Outstanding average (bn)
  - Pagares
  - ECP

**Depo**

- Volume (bn)

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**Not longer funding alternatives**

SOURCE: BME & CMD

SOURCE: Bank of Spain Boletín de Operaciones
4.1. Repo analysis. Domestic vs International CCPs

**Meffclear**
- 26 Spanish banks.
- 3 Non Spanish banks.

**LCH**
- 11 Spanish banks
- 92 Non Spanish banks.
TLTRO and QE have driven a decline in money market rates. Current market environment is still characterized by fragmentation and limited access to CCPs due to aversion to peripheral exposures.

**4.2. Repo analysis. Domestic vs International CCP**

**Spanish Treasury**  
<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>LCH</th>
<th>GCP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1M</td>
<td>-0,05</td>
<td>-0,10</td>
<td>-0,17</td>
</tr>
<tr>
<td>2M</td>
<td>-0,04</td>
<td>-0,10</td>
<td>-0,18</td>
</tr>
<tr>
<td>3M</td>
<td>-0,04</td>
<td>-0,10</td>
<td>-0,16</td>
</tr>
<tr>
<td>6M</td>
<td>-0,03</td>
<td>-0,10</td>
<td>-0,12</td>
</tr>
<tr>
<td>12M</td>
<td>+0,01</td>
<td>-0,10</td>
<td>-0,13</td>
</tr>
</tbody>
</table>

**EUREX Repo** Still set up Spain and Italy as “Yellow” countries, with some threshold for same country (Core countries no threshold).
4.3. ICMA Survey

GEOGRAPHICAL ANALYSIS

MAIN SURVEY
- Domestic 24.6%
- Eurozone 17.2%
- Non-Eurozone 34.1%
- Anonymous ATS 24.1%

SPAIN
- Domestic 42.3%
- Eurozone 33.4%
- Non-Eurozone 3.5%
- Anonymous ATS 20.9%

REPO RATE ANALYSIS

- Fixed rate 84.5%
- Floating 9.6%
- Open 5.9%

- Fixed rate 95.3%
- Floating 4.6%
- Open 0.1%

CURRENCY ANALYSIS

- EUR 85.0%
- USD 12.9%
- GBP 2.1%

- EUR 96.3%
- USD 3.1%
- GBP 0.5%

SOURCE: ICMA Repo Market Survey dec-14
4.4. ICMA Survey

**MAIN SURVEY**

- **ATS**: 31.5%
- **Direct**: 54.9%
- **Voice-broker**: 13.6%
- **Sell/Buy back**: 12.9%
- **Undocumented**: 2.1%
- **Repo**: 85.0%

**SPAIN**

- **ATS**: 20.9%
- **Direct**: 48.4%
- **Voice-broker**: 30.7%
- **Sell/Buy back**: 12.4%
- **Undocumented**: 12.4%
- **Repo**: 38.2%

**MATURITY ANALYSIS**

- **1D**: Main 24.30%, Spain 26.00%
- **2D to 1M**: Main 31%, Spain 26.30%
- **>1M to 3M**: Main 19%, Spain 23.10%
- **>3M to 6M**: Main 5.90%, Spain 13.80%

SOURCE: ICMA Repo Market Survey dec-14
4.5. Fails?

Automatic provision of securities, APS (Simultánea de oficio)
In order to reduce settlement risks, IBERCLEAR has a successful procedure for providing securities on a systematic basis to entities that lack an adequate securities balance to meet the orders they have reported.

**APS*: less 0,3% - Fails 0%

* In Bankia 2014-2015 period

- Any participant that has signed the appropriate agreement with IBERCLEAR may act as securities provider.
- This facility is voluntary for entities which lack sufficient securities.
- IBERCLEAR will give notice of the shortfall and request authorization to initiate the securities provision mechanism.
- Eligibility for such transactions will be conditional on the availability of enough cash in the cash account at the Banco de España that has been designated by the accepting entity for cash settlement.

**Pool of banks**

Bank 1
Bank 2
Bank 3
**Bank 4 (long SPGB)**
Bank 5
Bank 6
......

**Iberclear plays the role of the “Referee”**

“Bank 4” (long) and “Bank A” (short) enter into a B/S back repo at -0,20% + 3.000 € penalty
5. Spanish Treasury Tenders (Subasta de Liquidez del Tesoro)

Tesoro excess liquidity

Latest tender resolution

Average rate

High Volatility

SOURCE: Bankia & Reuters
6. ECB refinancing operations

![Graph showing ECB refinancing operations]

- **LTRO/TLTRO**
- **MRO/DF...**
- **Share**

- **35%**
- **-177 bn**
- **31%**

**€ bn**

- **Dec-12**
- **Feb-13**
- **Apr-13**
- **Jun-13**
- **Aug-13**
- **Oct-13**
- **Dec-13**
- **Feb-14**
- **Apr-14**
- **Jun-14**
- **Aug-14**
- **Oct-14**
- **Dec-14**
- **Feb-15**
- **Apr-15**

**TLTRO1**
**TLTRO2**
**TLTRO3**

12 de 12 / 17 June 2015