Repo Markets for German Government Bonds

Money Market Contact Group – Paris / June 2015
Total Holdings of German General Government Debt

Source: IMF, ECB, Eurostat, Commerzbank Research  (Data as of Q3/2014)
Market Participants in the German Repo Market

- **Primary Dealer / Market Maker**
  - Collateral taker (short coverage) / Collateral provider (longs funding)

- **Foreign Central Banks**
  - Cash provider: bunds taken as collateral

- **Domestic & Foreign Asset Manager**
  - Collateral provider

- **Domestic Banks**
  - Collateral provider

- **Eurex Futures Trader**
  - Collateral taker: Physical delivery for BUND / BOBL / SCHATZ

- **Bundesbank / German Finance Agency**
  - Collateral provider: The German Finance agency uses retained parts in repo transactions supporting smooth trading in German government securities
German Repos – Overnight Market

- ECB Excess Liquidity
- Repo Funds Rate Germany
- ECB Deposit Rate
- EONIA
- Spread Repo Funds - EONIA

Source: ICAP, Bloomberg
German Repos – 3 Month Term Market

Source: Commerzbank, Bloomberg
Public Sector Purchase Program - Secured Lending Agreements for German Government Bonds

- **Bundesbank (as of June, 8th)**
  - Automated Securities Lending Programme (ASL) – live (Fee 1.35%)
  - Automated Securities Lending Programme plus - intended (Fee to be negotiated)
  - Bilateral Repos – initialised
  - Securities Lending – initialised

- **European Central Bank**
  - Activity delegated to its existing lending agent Deutsche Bank (Fee 0.40%)
  - Euroclear Bank SA/NV's Securities Lending and Borrowing Programme called SLB (Fee 1.00%)
Summary

- GC Pricing for German Government paper driven by excess liquidity
- So far only a few German Government bonds trade at special rates (e.g. Cheapest – to – deliver bonds for BUND future)
- A significant increase in German Government bonds trading at special rates is likely in late summer / autumn due to continuation of the PSPP.