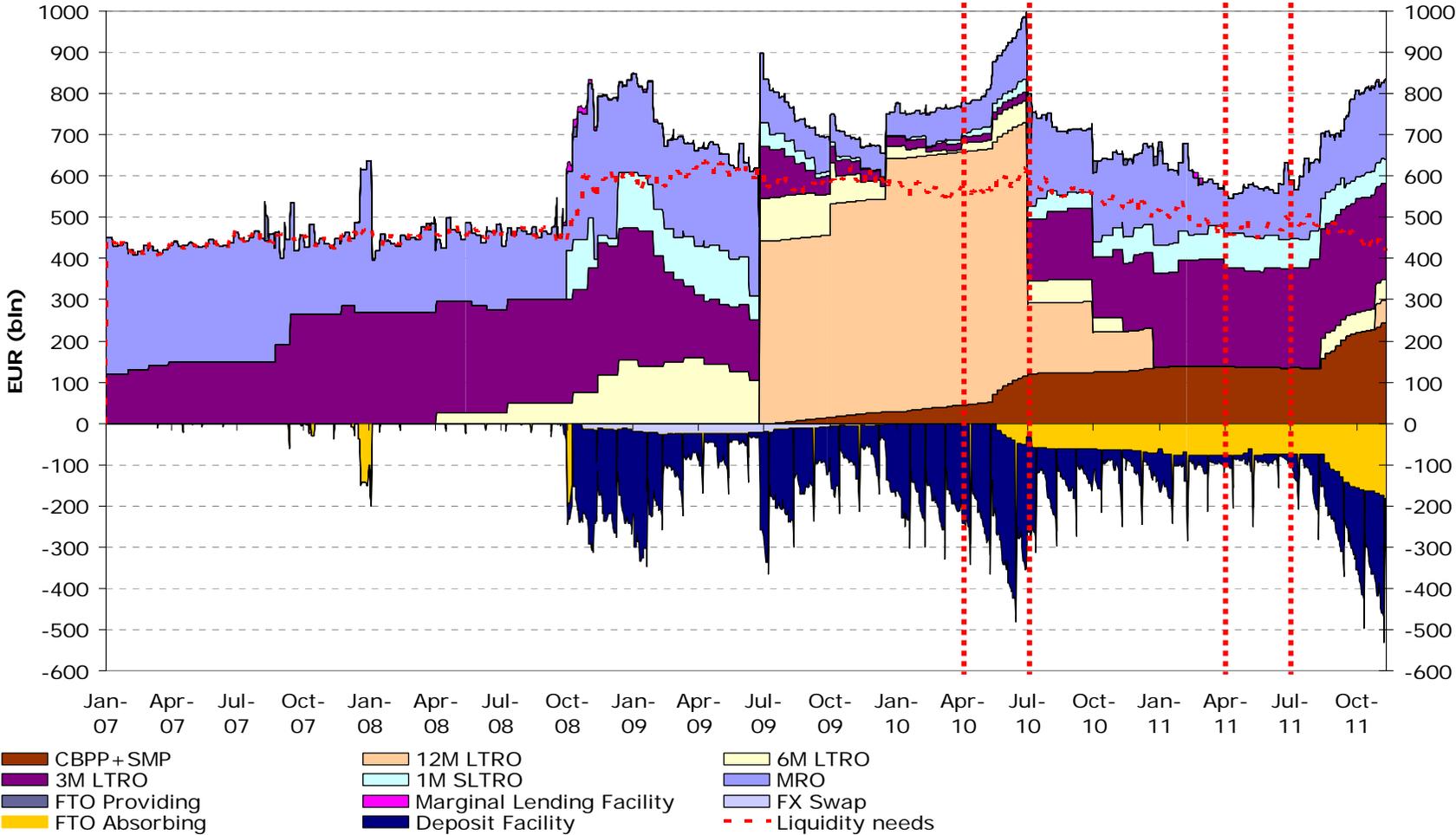


# The euro money market survey 2011

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Frankfurt am Main, 14 December 2011

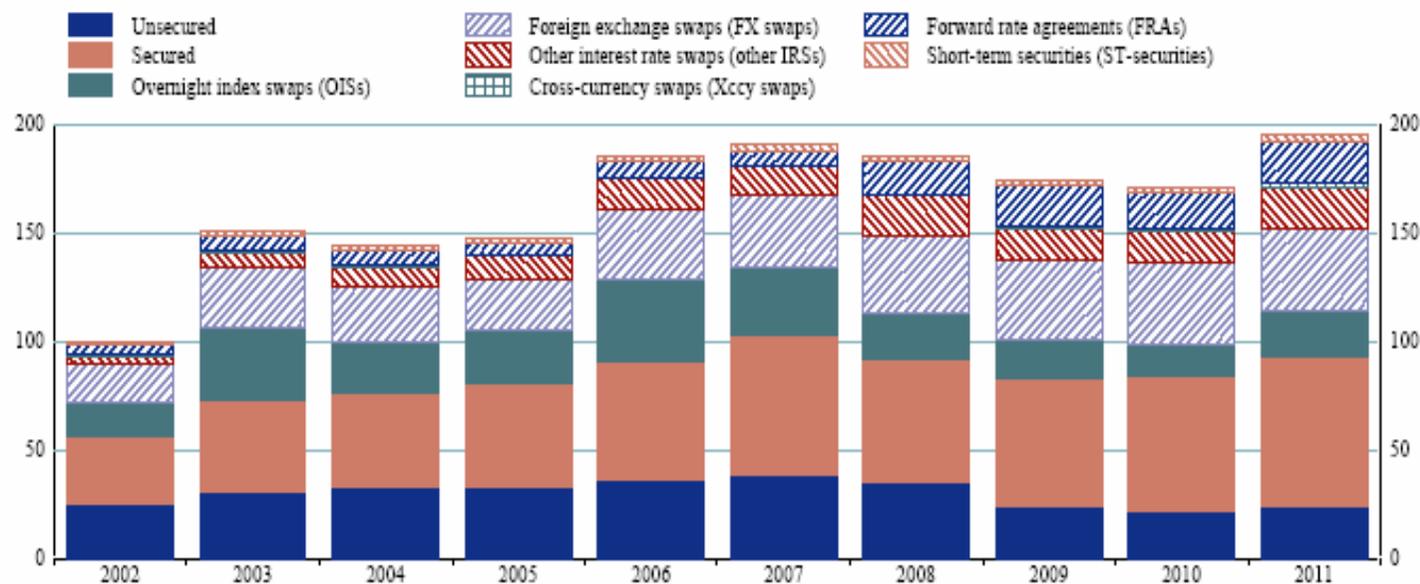
# The liquidity context: Outstanding Amounts of Monetary Policy Operations



# I. Euro money market across time and segments

- The 2011 Survey showed an increase in **aggregate turnover** (by 15% in Q2 2011 from Q2 2010) for the first time after three consecutive years of decline.
- **The (secured) repo market** remained the largest segment and increased by 10% in 2011. The **CCP segment** also continued to increase (+7%).
- Largest relative increases were recorded in the derivatives: XCCY (68%) and OIS (42%).

Chart 66 Aggregated average daily turnover of the euro money market  
(index: aggregated average daily turnover volume in 2002 = 100)

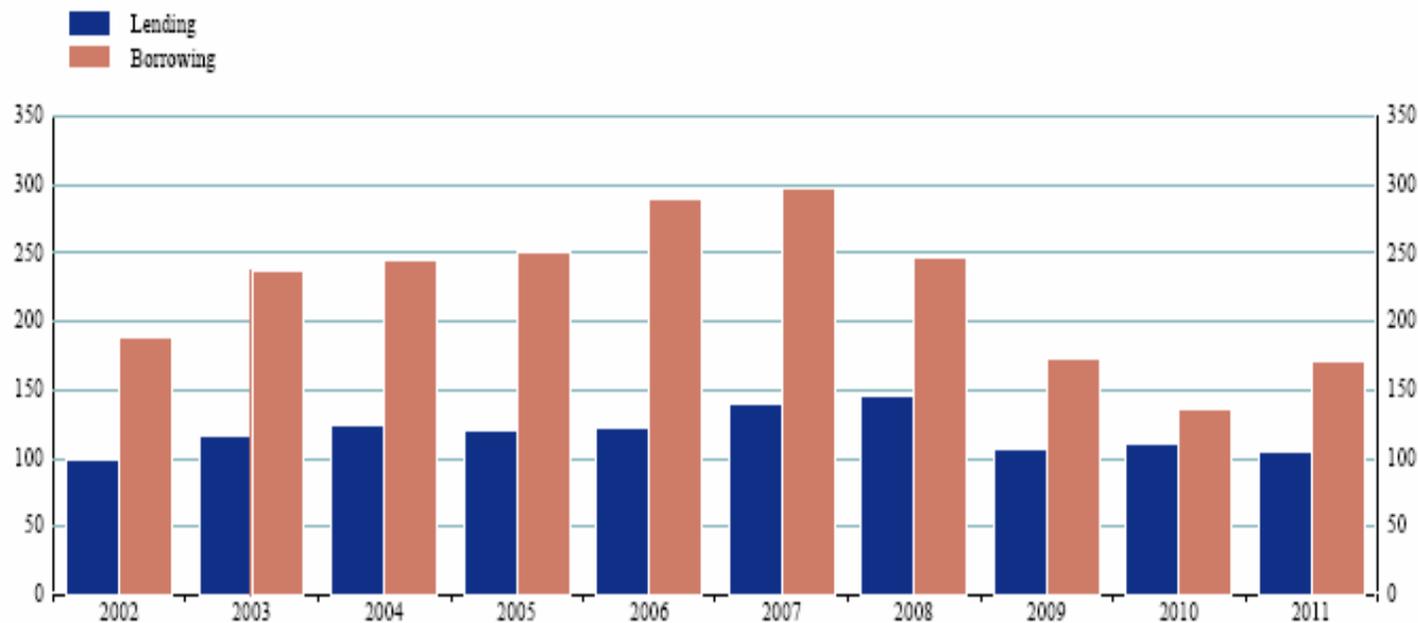


Note: The panel comprised 105 credit institutions.

## 2. Euro Money Market: Unsecured market

- In the **unsecured market** the borrowing increased by 26% for the first time since 2008. The lending contracted by 5%.

Chart 1 Average daily turnover in unsecured cash lending and borrowing  
(index: cash lending volume in 2002 = 100)



Note: The panel comprised 105 credit institutions.

# 3. Unsecured market: shortening of maturities

- The increase in the unsecured borrowing came mainly from activity in the shorter maturities (ON, +34%, up to 1m, +18%) and despite the decrease in the longer maturities (1m to 3m, -15%, 3m-1y, -56%)

Chart 2 Maturity breakdown for average daily turnover in unsecured lending (index: cash lending volume in 2002 = 100)

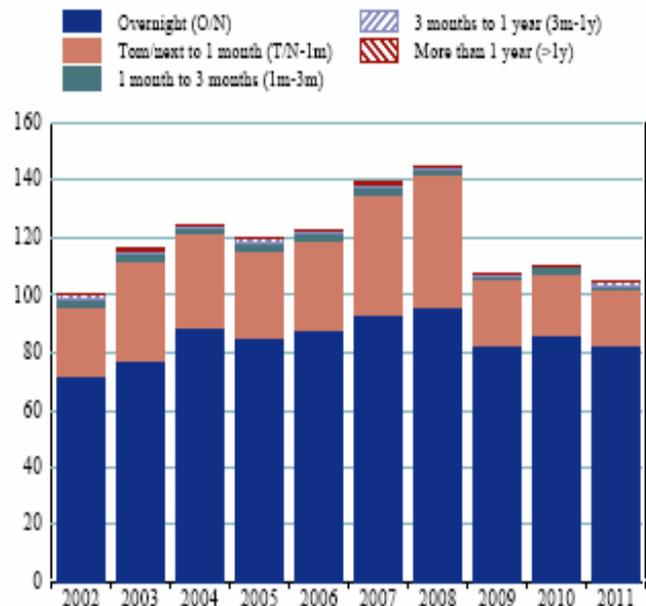
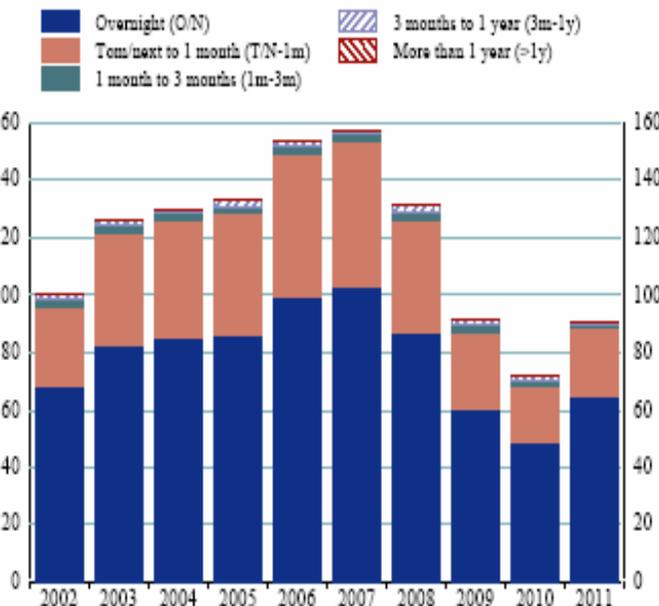


Chart 3 Maturity breakdown for average daily turnover in unsecured borrowing (index: cash borrowing volume in 2002 = 100)



Note: The panel comprised 105 credit institutions.

## 4. Unsecured market: qualitative assessment

- The qualitative assessment showed that there is an improvement in the perception of **efficiency** in this segment
- Increased number of respondents reported that liquidity conditions had remained broadly unchanged in 2011 compared to 2010.

Chart 8 Is the unsecured segment in your opinion efficient?  
(percentages of total)

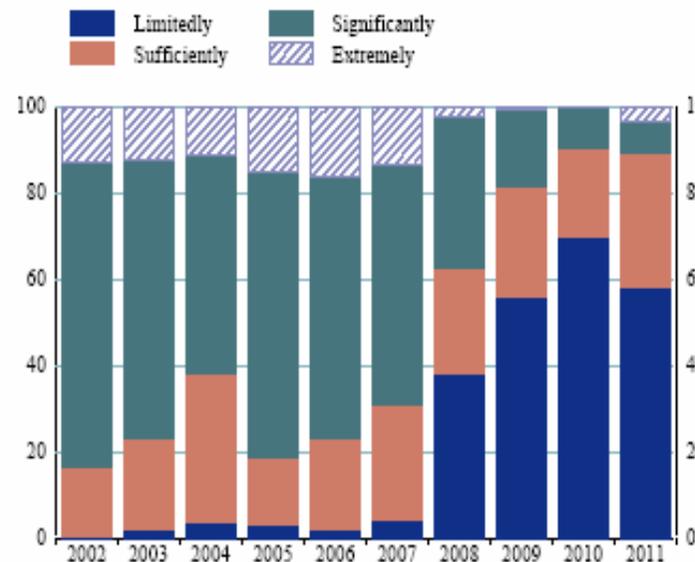
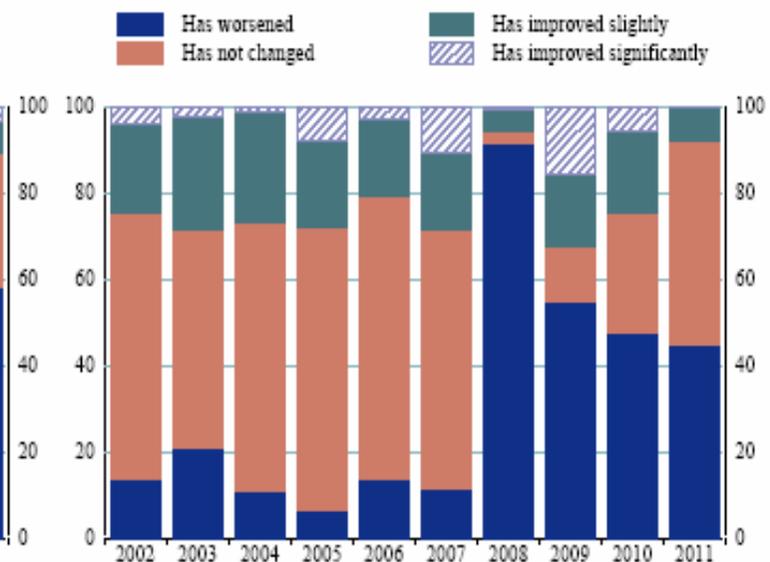


Chart 9 Has the market liquidity in the unsecured market changed with respect to last year?  
(percentages of total)



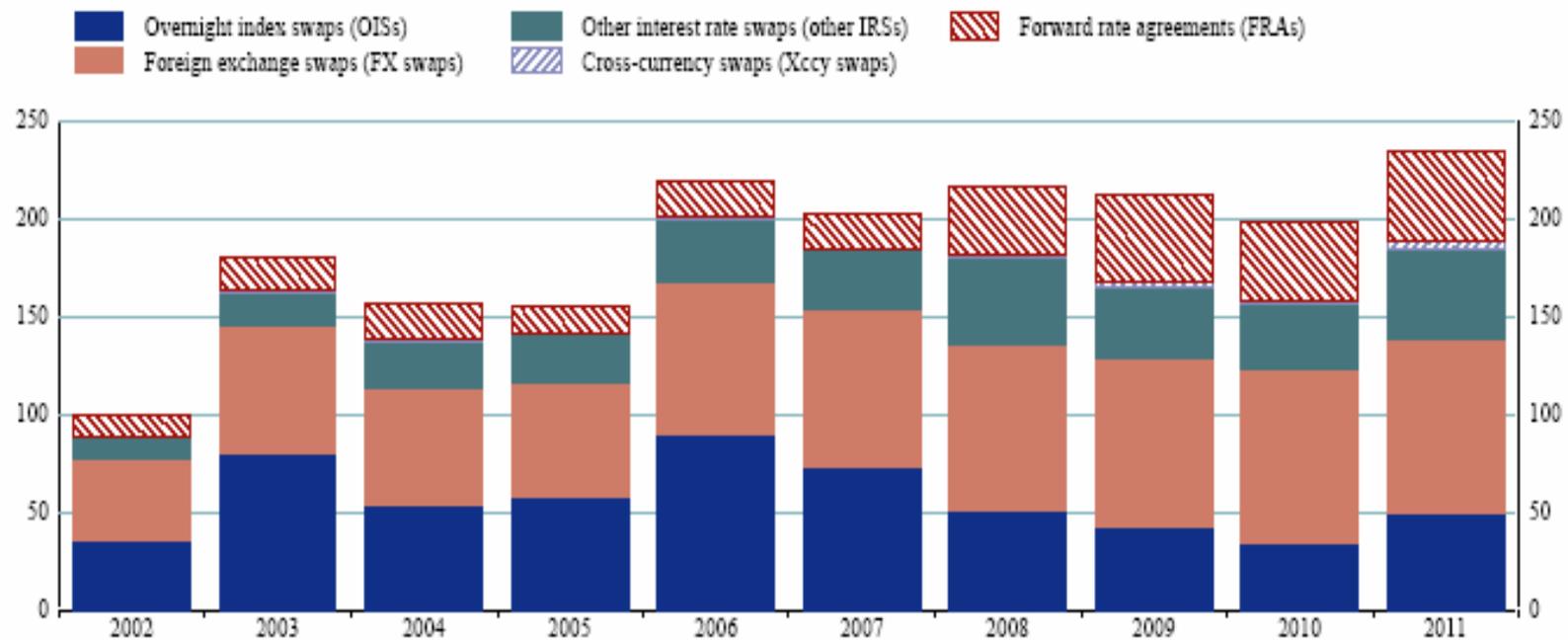
Note: The panel comprised 105 credit institutions.

Source: ECB

# 5. Derivatives market: Aggregate turnover

- Activity in the derivatives market increased by 18%. FX swap market retained biggest share, though with only 1% increase in Q2 2011

Chart 26 Average daily turnover in the various OTC derivatives markets  
(index: OTC derivatives volume in 2002 = 100)

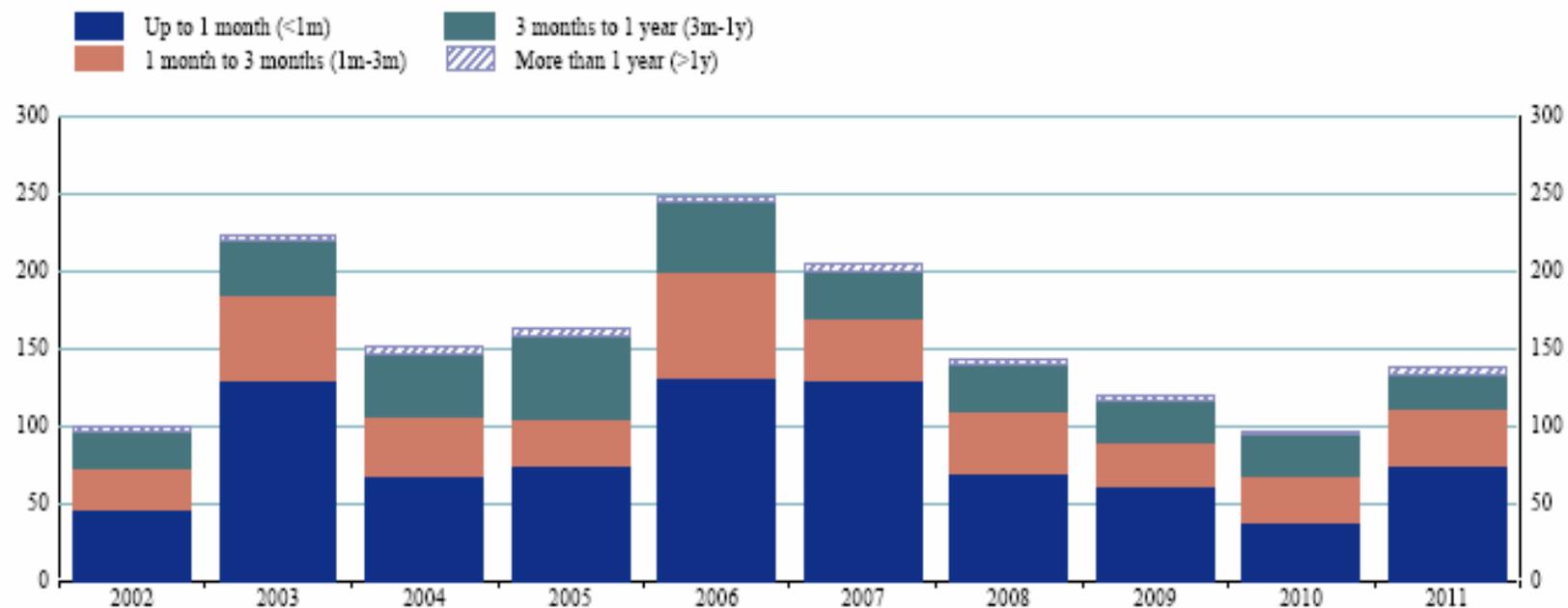


Note: The panel comprised 105 credit institutions.

## 6. Derivatives market: OIS segment

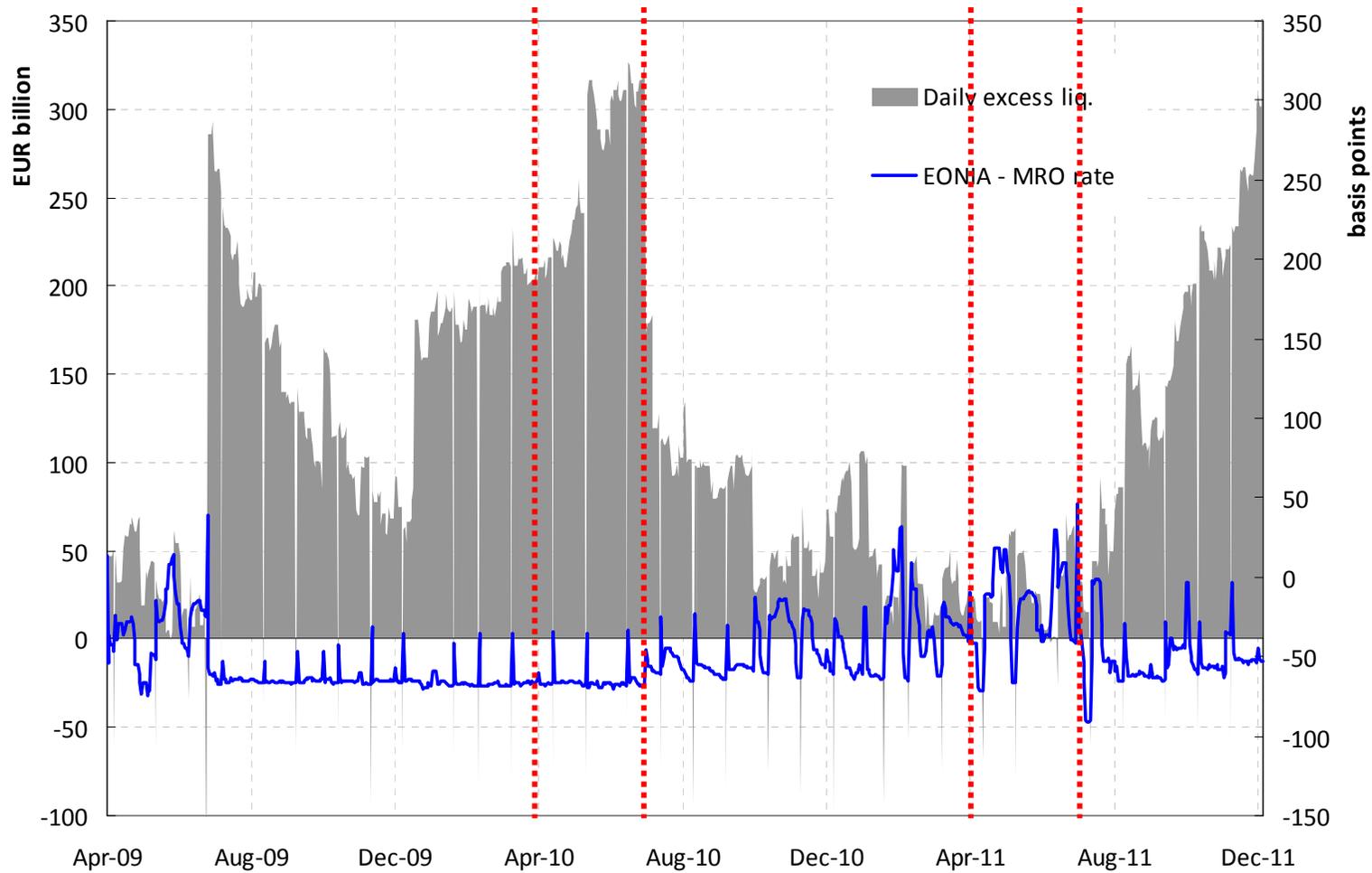
- The **OIS segment** increased markedly by 42% in Q2 2011 as the shorter, up to 1-month maturity, almost doubled

Chart 27 Average daily turnover in the OIS segment  
(index: OIS volume in 2002 = 100)



Note: The panel comprised 105 credit institutions.

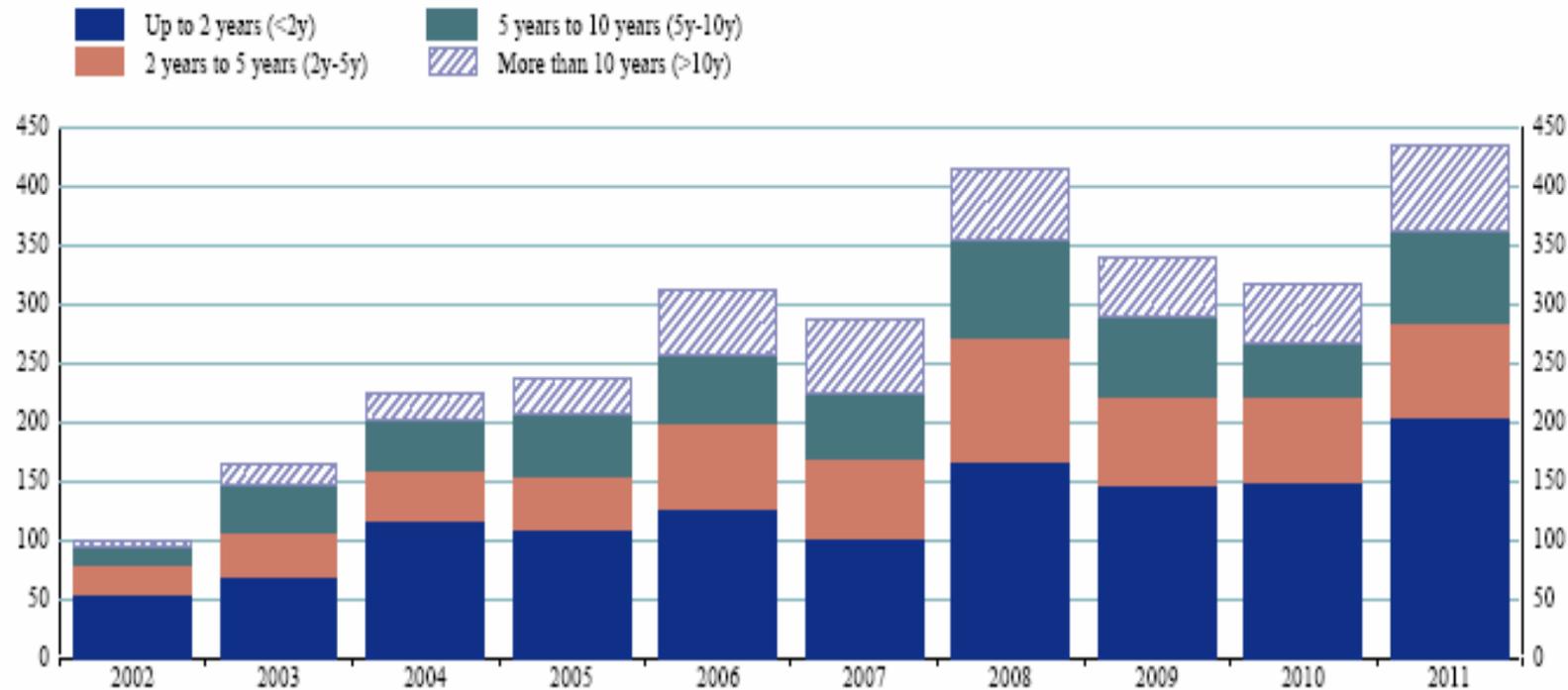
# Does the return in Eonia volatility help explain the increase in OIS turnover?



## 7. Derivatives market: IRS segment

- **IRS activity** rose by 37% and the increase was visible in all maturity buckets

Chart 29 Average daily turnover in the other IRS segment  
(index: other IRS volume in 2002 = 100)

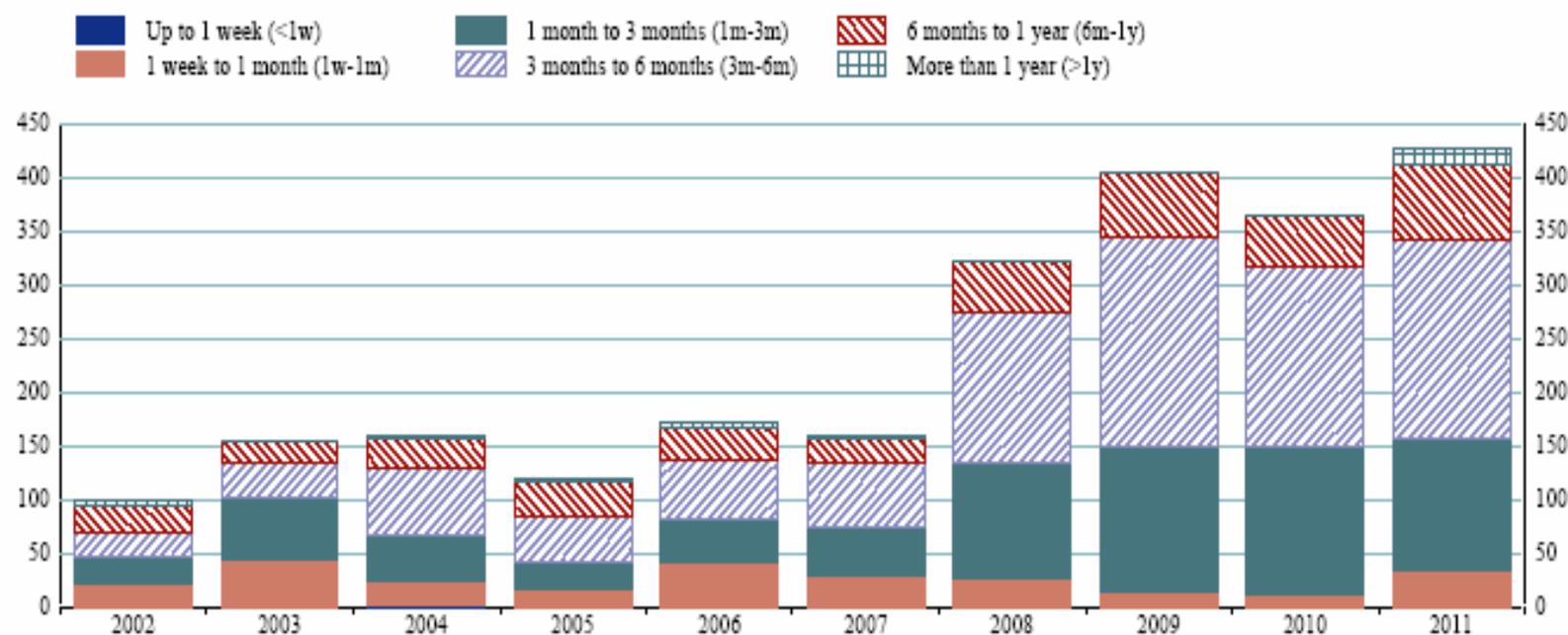


Note: The panel comprised 105 credit institutions.

## 8. Derivatives market: FRA segment

- **FRA turnover** increased by 17%
- Most significant rise took place in maturities of up to 1w and more than 1-year.

Chart 31 Average daily turnover in the FRA segment  
(index: FRA volume in 2002 = 100)

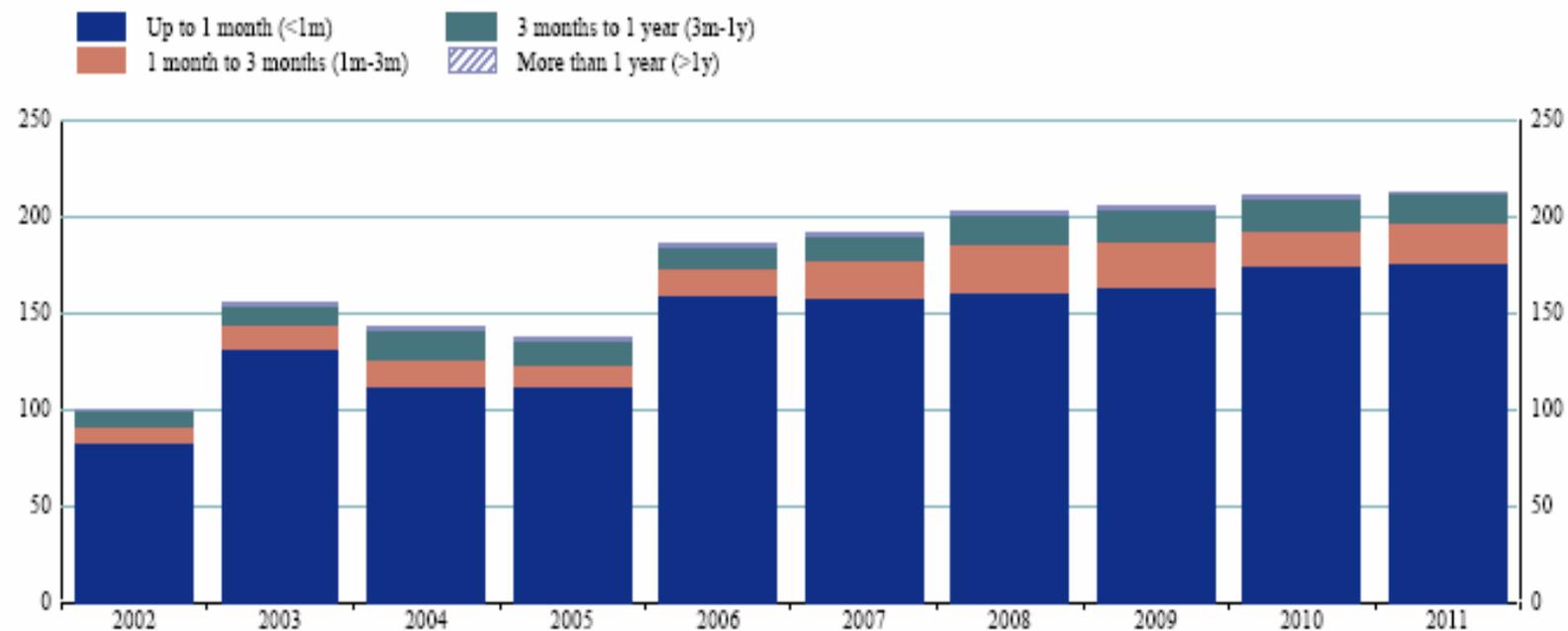


Note: The panel comprised 105 credit institutions.

# 9. Derivatives market: FX Swap segment

- Activity in the **FX swap market** increased by 1% in 2011. This segment remained the largest among the derivatives
- The trades with maturity of up to 1-month prevailed

Chart 33 Average daily turnover in the FX swap segment  
(index: FX swap volume in 2002 = 100)

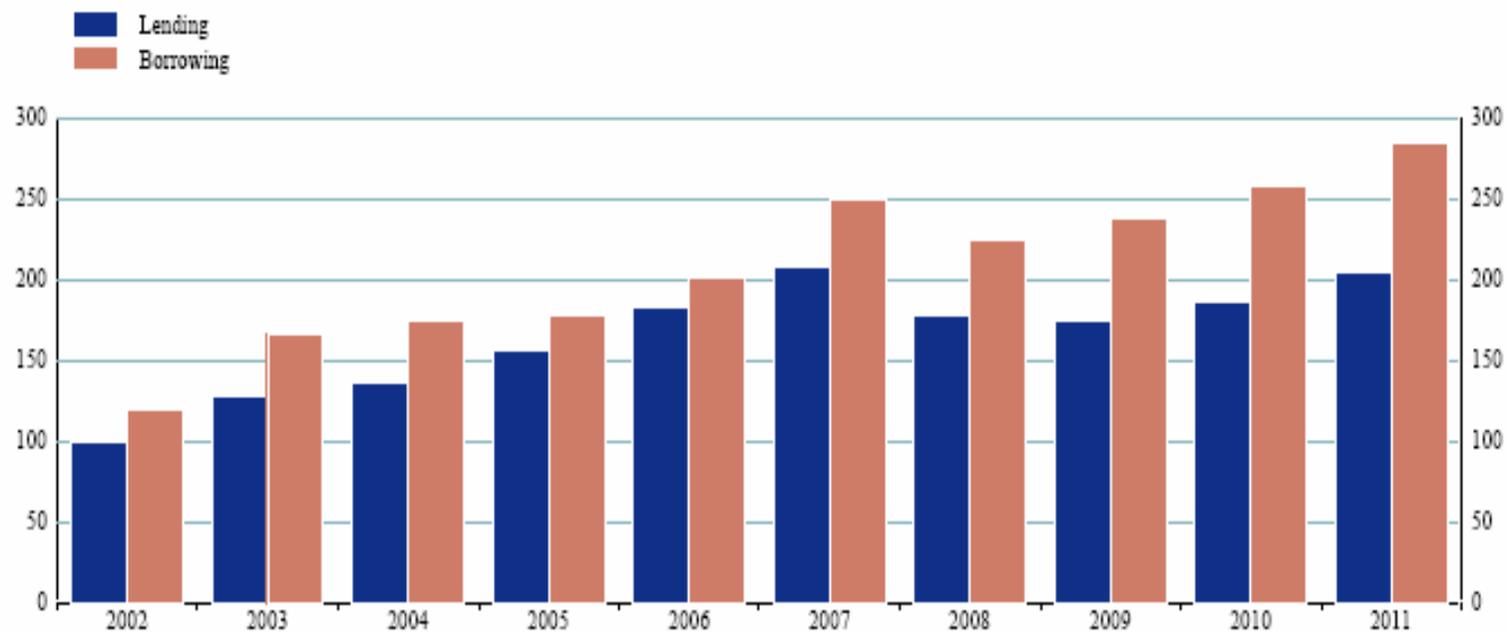


Note: The panel comprised 105 credit institutions.

# 10. Euro Money Market: Secured market

- Activity in the **secured market** increased by 10% for both the cash lending and the cash borrowing sides
- The secured market remained the largest money market segment

Chart 12 Average daily turnover in secured cash lending and borrowing  
(index: cash lending volume in 2002 = 100)



Note: The panel comprised 105 credit institutions.

## II. Secured market: maturity structure

- The secured market activity was concentrated in the shorter maturities.
- ON activity slightly increased in 2011 compared to 2010

Chart 13 Maturity breakdown for average daily turnover in secured lending and borrowing (percentages of total)

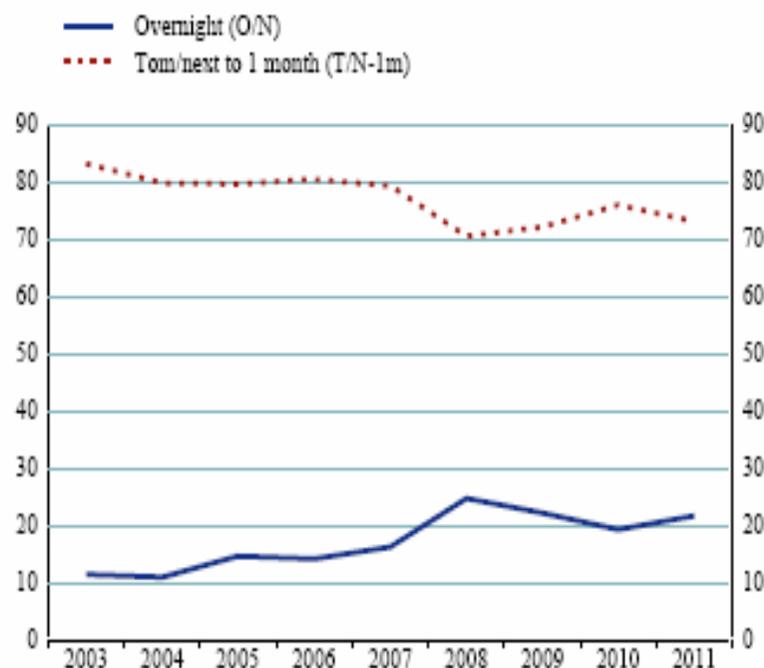
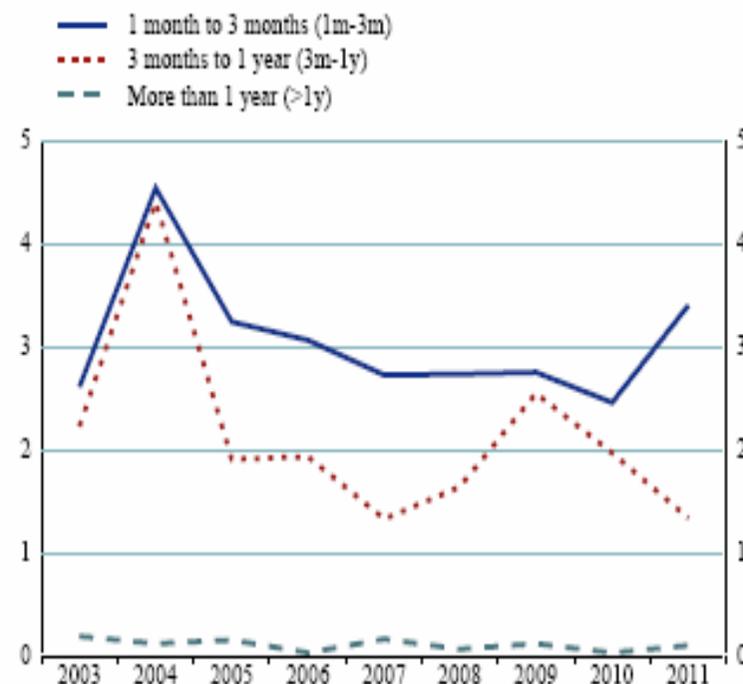


Chart 14 Maturity breakdown for average daily turnover in secured lending and borrowing (percentages of total)

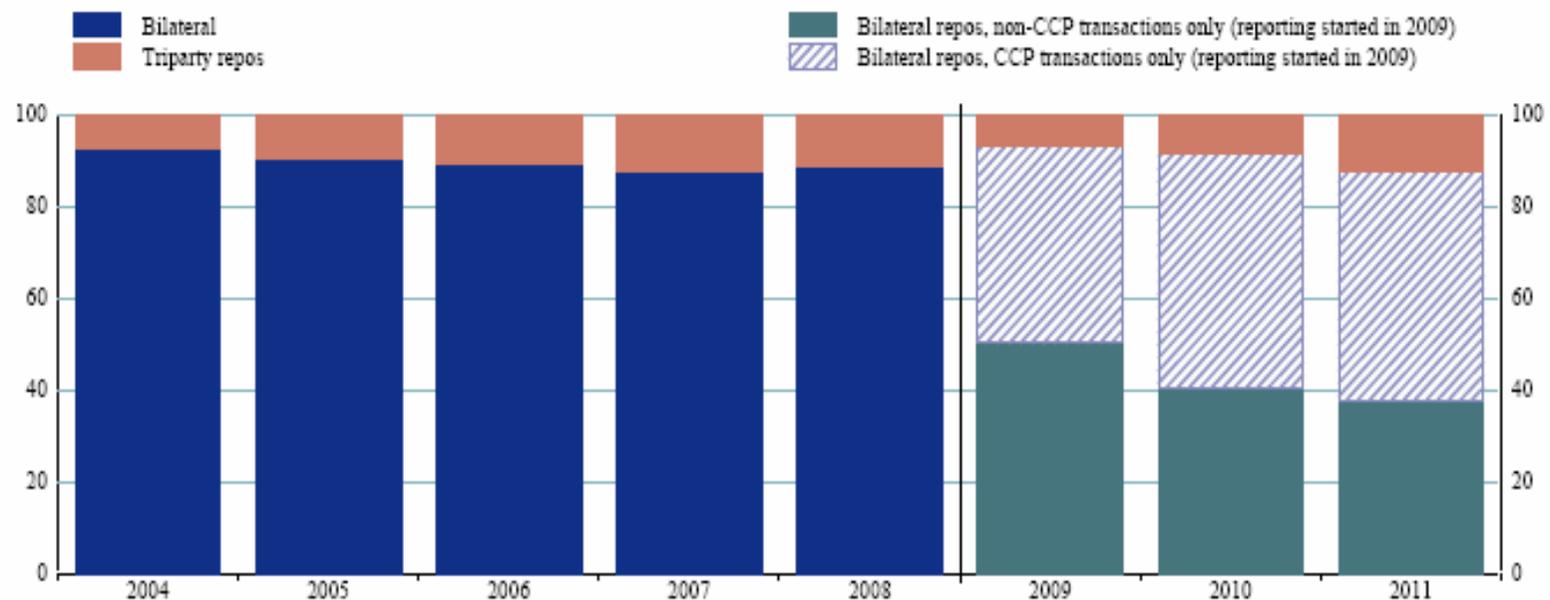


Note: The panel comprised 105 credit institutions.

## 12. Secured market: CCP accounts for a larger share of bilateral repo

- The activity in the secured market **cleared via central counterparties** increased by 7% in 2011. The share of this transactions accounted for 50% of the repo market (broadly stable from Q2 2010)
- The triparty repos increased by 47%. The share of Triparty repo grew to 12% in 2011 (from 8% in 2010)

Chart 19 Total repo market breakdown  
(percentages of total)



Note: The panel comprised 105 credit institutions.

# 13. Secured market: Share of ‘national’ collateral increased

- The share of ‘national’ collateral increased from 33% in 2010 to 43% in 2011 on the back of the decreased share of the ‘euro area’ collateral .

Chart 17 Geographical collateral breakdown for bilateral repos in 2010 (percentages of total)

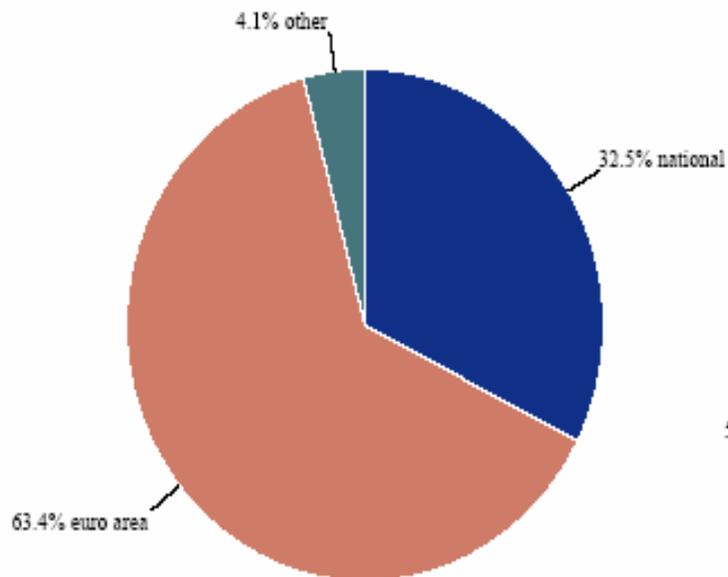
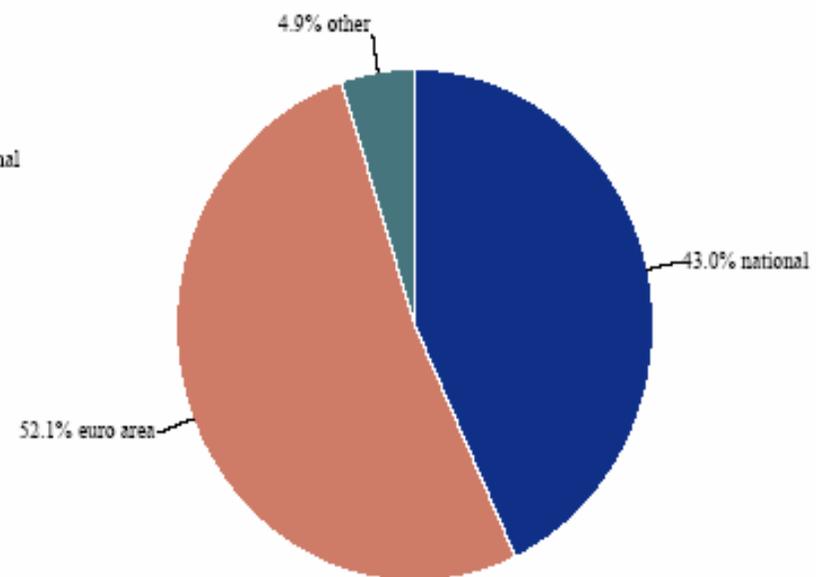


Chart 18 Geographical collateral breakdown for bilateral repos in 2011 (percentages of total)



Note: The panel comprised 170 credit institutions.

# ICMA June 2011

- Total repo business increased by 3.6% between December 2010 and June 2011 based on the constant panel
- The annual change (June 2010 – June 2011) was an increase of 10.2%

Table 2.1 – Total repo business from 2001 to 2011 (EUR billions)

survey	total	repo	reverse repo
2011 June	6,178	50.9%	49.1%
2010 December	5,908	51.0%	49.0%
2010 June	6,885	53.7%	46.3%
2009 December	5,582	50.0%	50.0%
2009 June	4,868	52.2%	47.8%
2008 December	4,633	49.9%	50.1%
2008 June	6,504	48.8%	51.2%
2007 December	6,382	49.4%	50.6%
2007 June	6,775	50.8%	49.2%
2006 December	6,430	50.7%	49.3%
2006 June	6,019	51.7%	48.3%
2005 December	5,883	54.6%	45.4%
2005 June	5,319	52.4%	47.6%
2004 December	5,000	50.1%	49.9%
2004 June	4,561	50.6%	49.4%
2003 December	3,788	51.3%	48.7%
2003 June	4,050	50.0%	50.0%
2002 December	3,377	51.0%	49.0%
2002 June	3,305	50.0%	50.0%
2001 December	2,298	50.4%	49.6%
2001 June	1,863	49.6%	50.4%

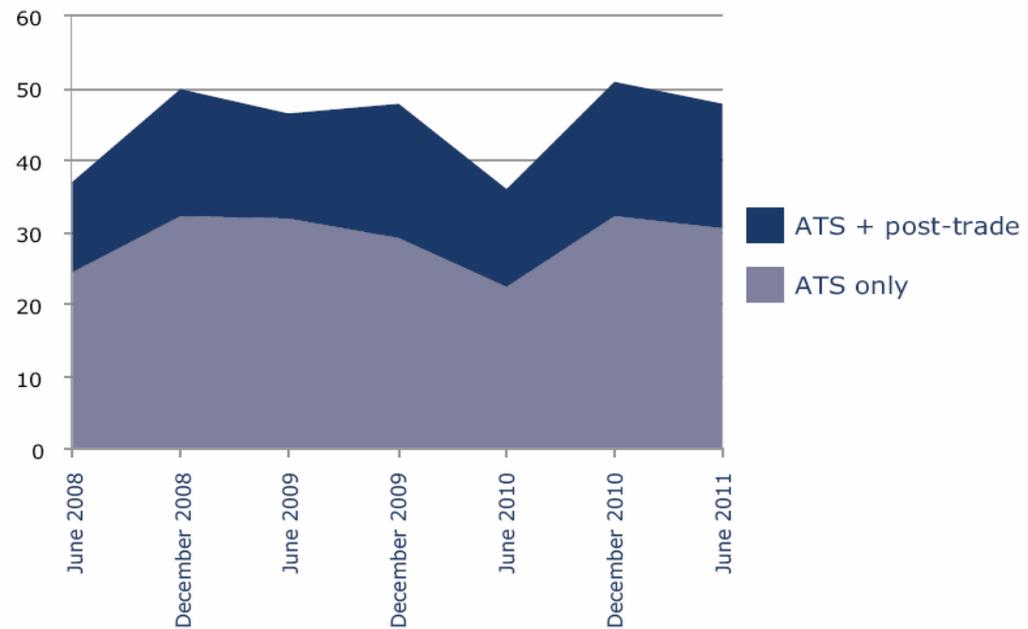
**Note: Data is for total (not constant) panel**

**Source: ICMA**

# June 2011 ICMA Survey findings on CCPs

- The share of CCP fell to 30.5% in June 2011 from 32.3% in December 2010.

Figure 2.3 – Business cleared across CCPs



## Other interesting findings from the ICMA Survey

- In data provided directly by European ATS, the value of anonymous electronic trading grew by 3.3%, while the value of non-anonymous trading fell by 20%
- The main survey recorded no absolute growth in tri-party repo in the first half of 2011. Data provided directly by major tri-party agents showed rapid growth of 22.3%
- Triparty repo expanded most rapidly between pairs of eurozone counterparties
- The latest survey shows evidence of the increasing volumes of longer term repos being negotiated by banks seeking to lock in liquidity, in part, to meet regulatory requirements

# ICMA Survey collateral analysis

- The share of German government bonds fell back, but that of German covered bonds increased
- German government bonds have become scarcer as their role as a safe haven has reduced secondary market supply
- Spanish collateral (particularly government securities) continued to gain share demonstrating the success of CCP-clearing in securing market access for Spanish banks.

Table 2.8 – Collateral analysis

	June 2011	December 2010	June 2010
Germany	22.4%	24.3%	21.3%
Italy	10.0%	10.3%	9.5%
France	9.9%	9.4%	8.6%
Belgium	2.2%	2.3%	1.8%
Spain	7.1%	5.2%	4.0%
other eurozone	6.6%	6.5%	6.0%
UK	11.1%	11.6%	9.9%
DKK, SEK	2.4%	2.3%	2.2%
US	2.4%	3.1%	3.1%
Accession countries	0.8%	0.5%	0.3%
Japan	4.2%	2.5%	2.0%
other OECD	11.9%	13.7%	22.8%
other	8.0%	7.6%	7.4%
equity	0.9%	0.7%	1.0%

## 15. Issues for discussion

- **Does higher interest rate volatility help explain the increase in turnover in OIS and other short-term interest rate derivatives?**
- **To what extent did the increased use of CCPs impact the choice of collateral?**
- **How could the Money Market Survey be further developed in the future (scope, frequency of data)?**