

EUREPO

the secured benchmark
evolution

ECB / MMCG, Madrid 16 June 2014



Luis Soutullo
Head of Funding-Trading Desk
+ 34 - 915315454
lsoutull@ceca.es

cecabank
SERVICIOS FINANCIEROS

Background

- **Eurepo ®**, was launched on 4 March 2002, with 37 panel banks, and 10 steering committee members
- **Original Index definition:** the rate at which, at 11.00 am, Brussels time, one prime bank offers, in the euro-zone and worldwide, funds in euro to another prime bank if in exchange the prime bank receives from the other prime bank Eurepo GC as collateral. Act./360 basis.
- **Definition update, Jan. 2011:** the rate at which, at 11.00 am, Brussels time, one bank offers, in the euro-zone and worldwide, funds in euro to another bank if in exchange the former receives from the latter the best collateral within the most actively traded European repo market.

Current situation

- **Current panel, 11 members:** Belfius, Commerzbank, DZ Bank, Unicredit AG, NBGreece, Monte dei Paschi, Intesa Spaolo, CGD, BBVA, Santander, Cecabank.
- EBF conducted a **survey** (May 2013) asking two main aspects:
 - Real utilisation of the index ➡ **NOT** to much
 - Value of a secured benchmark ➡ **IMPORTANT** to have one
- **EBF** decided the creation of a **task force** to redefine the Eurepo in cooperation with the **Eurepo Steering Committee** the **ERC**, and **ECB as observer**
- Some private initiatives already publishing their own real transaction-based indices. STOXX GC Pooling: <http://www.eurexrepo.com/repo-en/market-data/indices/>

Current situation (II)

Conclusion

➤ To follow the IOSCO principles and EBA/ESMA recommendations

- Transparent
- Robust
- Reliable
- Durable (for the next 10y)
- Transaction based
- Clear governance

➤ Clear definition of what the alternative benchmark is expected to represent:

(still being worked through)

- Should represent the **pan-european curve** for the secured market
- **CCP cleared** transactions (LCH, Eurex, CC&G, MEFFREPO)
- **Executed electronically**
- Including secured funding transactions **cash driven** like, **GC baskets, GC trades**, and transactions of **individual bonds which do not trade special** (the challenge is how to extract the latter)
- Terms: at the beginning only **volumes on an specific date**, including trades executed in **S/N, T/N** (prior to this date) and **O/N**.

Next steps

Meeting in Brussels, beginning of July 2014



Launching of the new index-benchmark: during 2015 depending on



the progress of the task force



Which rate the market needs: a funding rate vs pure O/N, T/N rate



cecabank

SERVICIOS FINANCIEROS