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## **Money Market Contact Group**

### **A focus on the Italian Repo Market**

**Paris, 17th June 2015**  
**Marco Bertotti**

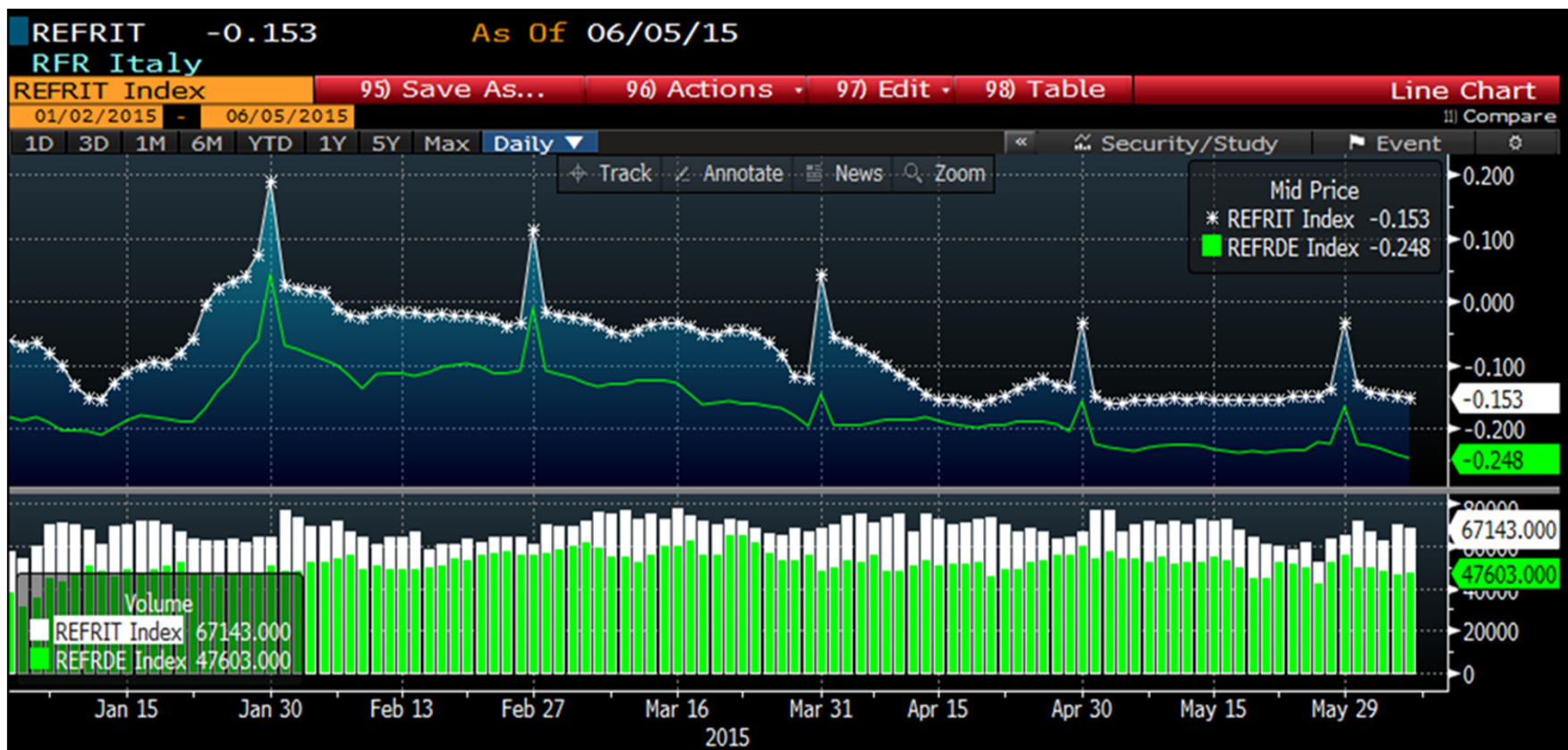
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## IT REPO FUNDS RATE (Rate and Volumes)



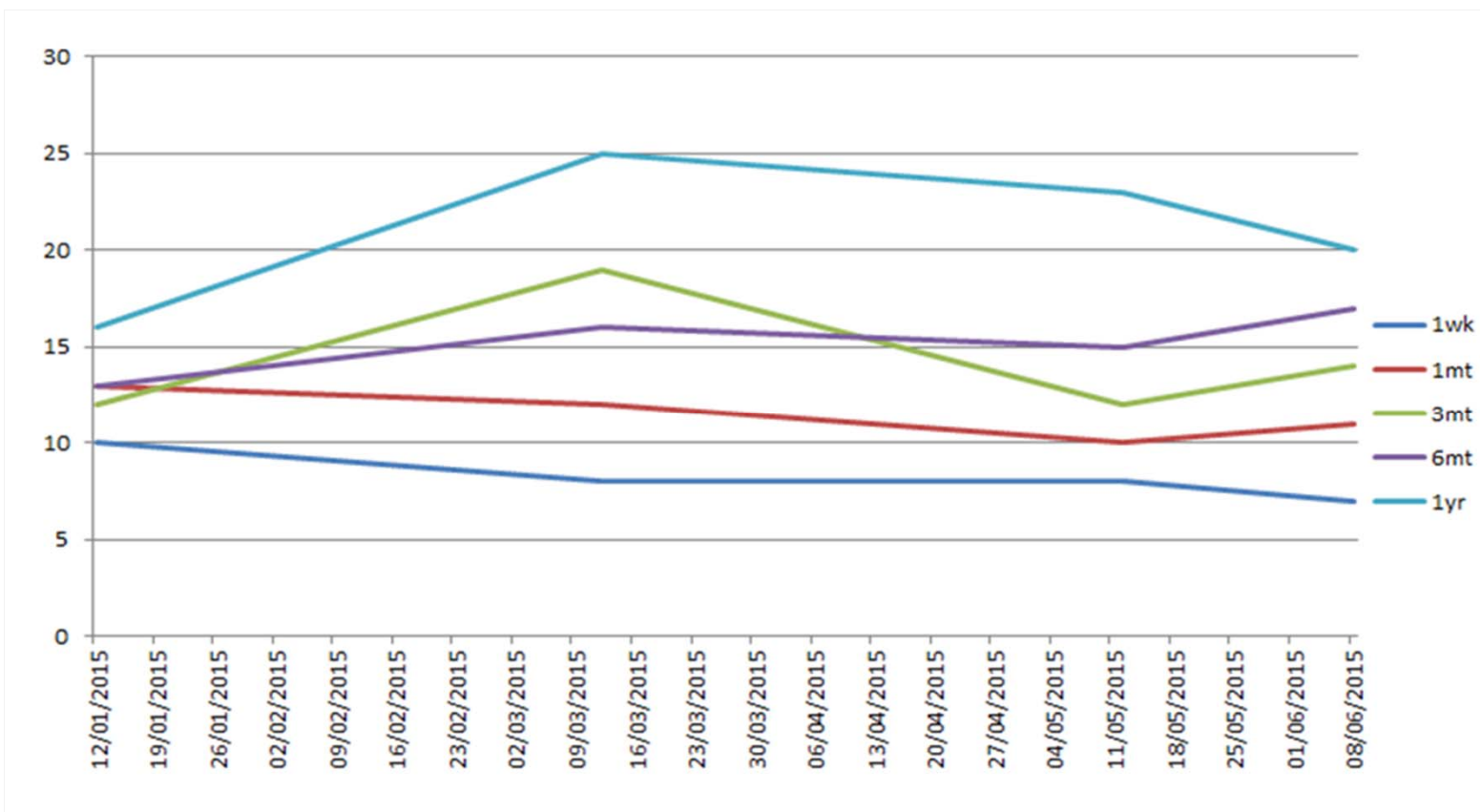
The charts shows the slow but constant descent of the RF rate towards the DF rate (accompanied with the traditional month's end spikes). Average volumes show stability. Spikes are, as usual, exacerbated in conjunction with tax payments (below a dedicated slide)

## REPO FUNDS RATE ITA vs DE (Volumes since the beginning of 2015)



Since late April 2015, with QE unfolding, German repo rates crept below the DF rate and we acknowledge a further recent narrowing of Italian repo rates vs Germany

## ITALY vs GERMANY REPO SPREADS SINCE JANUARY 2015

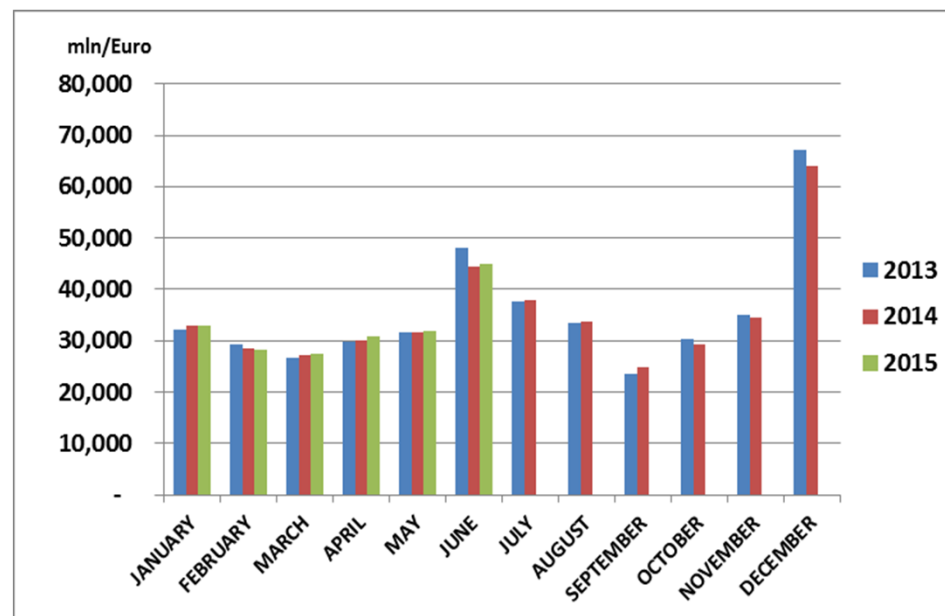


For tenors longer than 1 week, since the beginning of 2015 the spread vs Germany has remained largely unchanged.

Factors other than abundant liquidity are at play: Greece, the more general fly-to-quality mood coupled with the doubts surrounding the effectiveness of QE during the summer months (back-loading?)

## ITALIAN TAX PAYMENT FROM 2013 TO 2015

ITALIAN TAX PAYMENT 2013-2014-2015			
	2013	2014	2015
JANUARY	32,110	32,911	32,868
FEBRUARY	29,250	28,596	28,155
MARCH	26,555	27,132	27,513
APRIL	29,808	30,074	30,726
MAY	31,602	31,629	32,000
<b>JUNE</b>	<b>48,032</b>	<b>44,357</b>	<b>45,000</b>
JULY	37,744	38,021	
AUGUST	33,422	33,653	
SEPTEMBER	23,665	24,902	
OCTOBER	30,240	29,270	
NOVEMBER	35,091	34,624	
<b>DECEMBER</b>	<b>67,114</b>	<b>64,124</b>	
<b>TOTAL</b>	<b>426,646</b>	<b>421,307</b>	<b>198,277</b>



Source: [http://www.finanze.gov.it/export/download/entrate\\_tributarie\\_2015/Bollettino\\_entrate\\_-\\_appendici\\_statistiche\\_Gennaio-Aprile\\_2015..pdf](http://www.finanze.gov.it/export/download/entrate_tributarie_2015/Bollettino_entrate_-_appendici_statistiche_Gennaio-Aprile_2015..pdf)

June 15: our estimate

## PRELIMINARY CONCLUSIONS AND MATTERS FOR DISCUSSION

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- Bilateral transactions on core/semicore GC take place without normally straddling months end: no public data is available, but they represent a residual share of the overall turnover, the majority being repo on GC cleared via CCPs;
- Balance sheet deleveraging ahead of sensitive “technical” dates (months end, quarter end) has become a crucial factor in hindering bilateral trades, even when implemented with non-correlated good quality assets (e.g.: French Govies with Italian banks);
- Triparty Repos are constantly growing in importance, but based on baskets of HQLA or Govies collateral rather than illiquid securities, as was common practice before the crisis.
- Repo desks are increasing their relevance, being more and more involved in strategies aimed at preserving LCR, NSFR and Leverage Ratio targets, often at the detriment of profitability.