

Presentation of survey results

**Survey of dealer banks
on intermediation capacity
in EGB repo and trading markets**

11 March 2024

ECB Bond Market Contact Group

Current intermediation capacity in EGB repo and trading markets

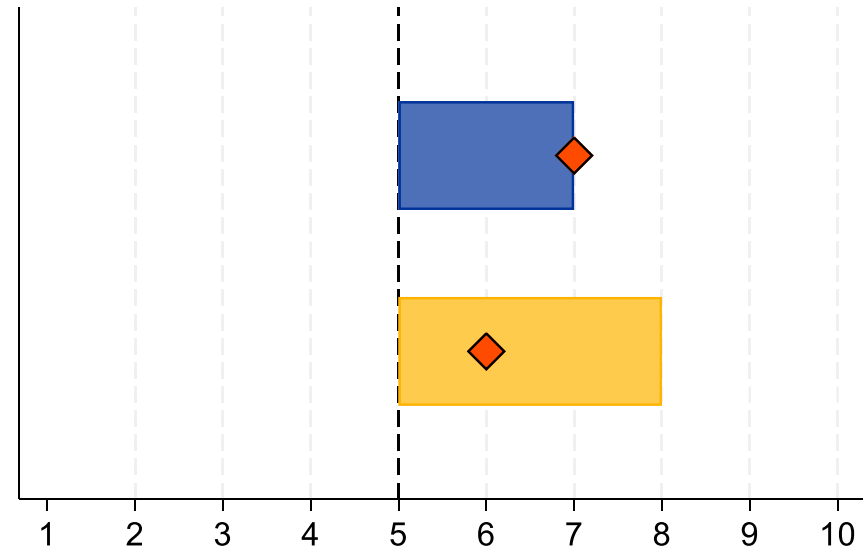
Stock-taking exercise of dealer intermediation motivated by:

- Market functioning and absorbing capacity amid ECB reduced presence
- Increased net supply of EGBs
- Developments in US market: mandatory clearing, deregulation discussions

➤ **Sample of 16 dealer banks, among which members of MMCG and BMCG.**

➤ **Survey conducted from 3-7 March.**

Q) How would you rate your firm's current intermediation capacity?



Interquartile range and median (in red)

■ Secured financing backed by EGB

■ EGB trading

Note: Nobs is 14 out of 16 respondents for repo markets and 13 out of 14 respondents on EGB trading.

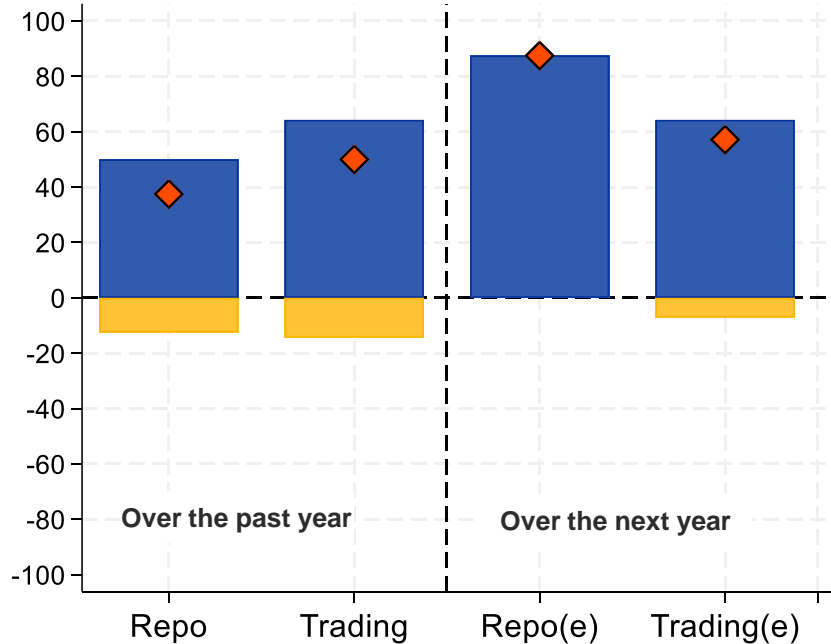
1 indicates that capacity is fully maxed out, with no possibility of increasing through capital adjustments or inventory sales.

10 indicates your firm can fully accommodate a strong positive shock in demand without needing to adjust inventory or capital.

Evolution in intermediation demand and capacity in EGB repo and trading markets

Q) Evolution in intermediation demand by your counterparties over the past / next year (expected)

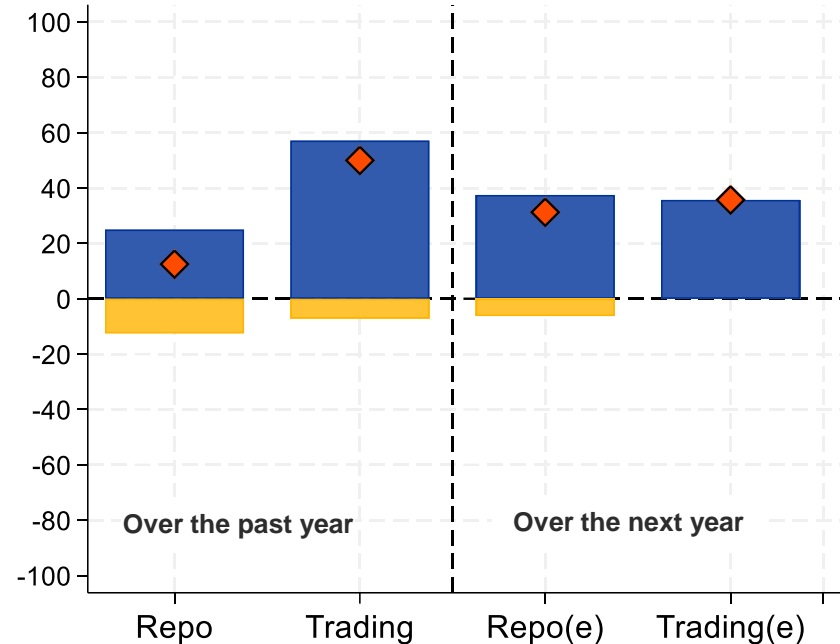
Percentage of respondents



■ Increased ■ Decreased (-) ◆ Net percentage

Q) Evolution in your capacity to provide intermediation over the past year / next year (expected)

Percentage of respondents

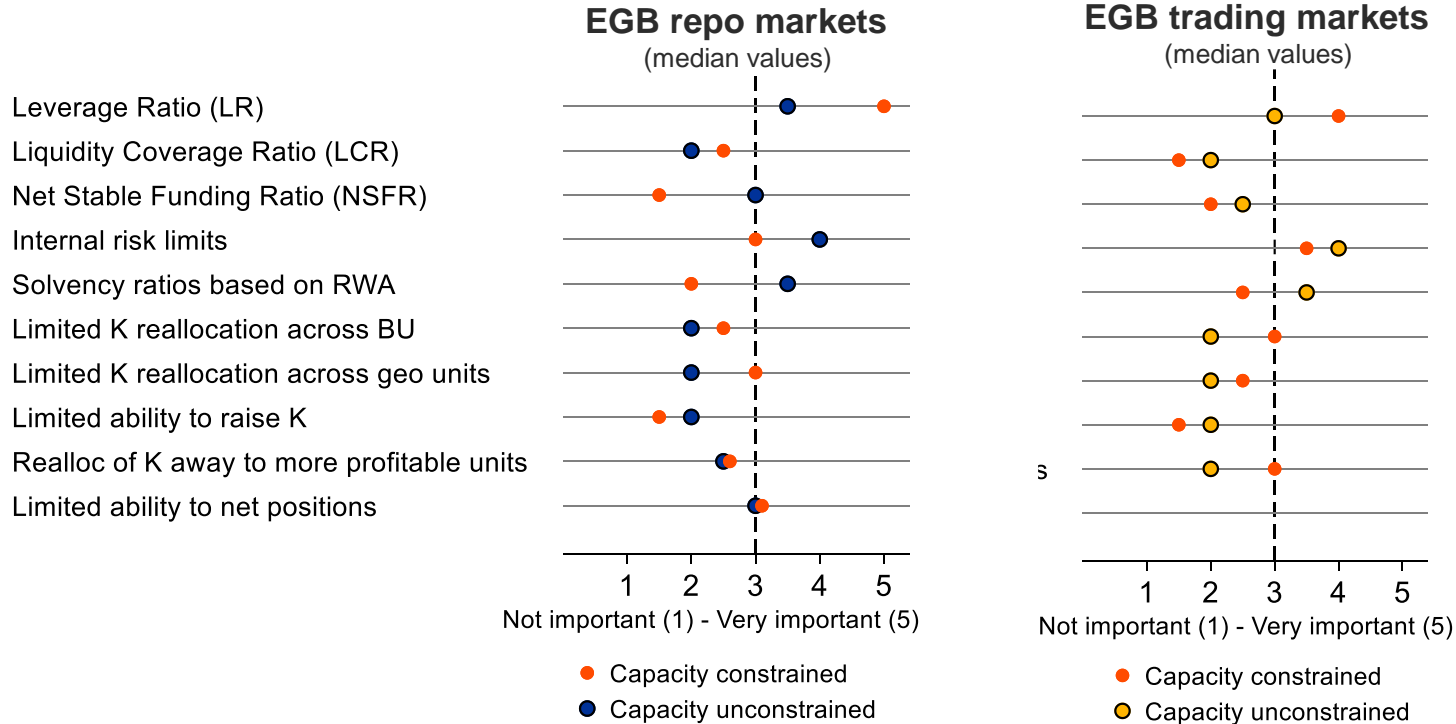


■ Increased ■ Decreased (-) ◆ Net percentage

Note: Nobs is 16 respondents for repo markets and 14 respondents for EGB trading. The percentage of respondents not shown as either "increased" or "decreased" replied with "unchanged".

Significance of balance sheet/capital constraints

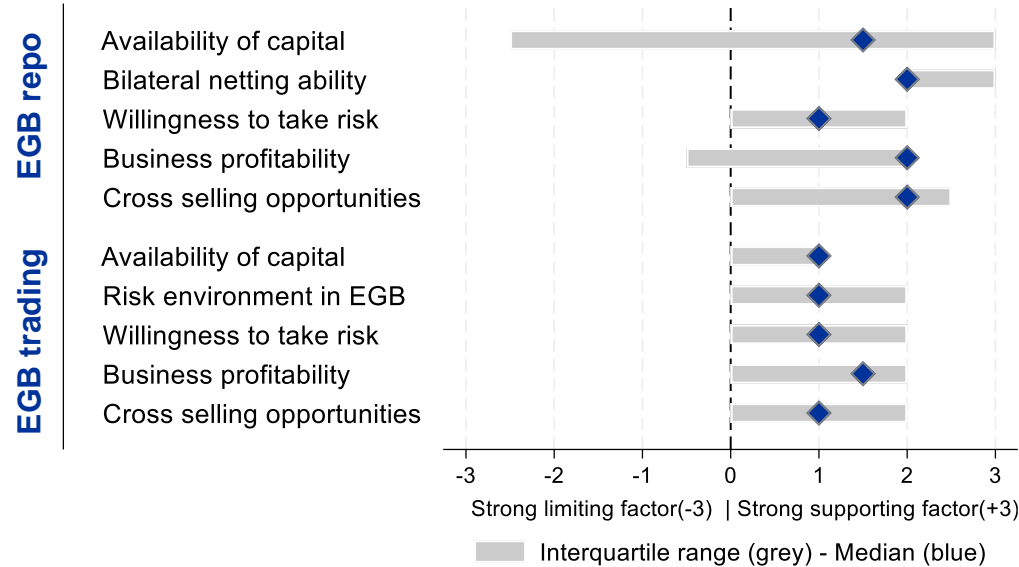
Q) On a scale from 1 to 5, how significant were the following constraints on the availability of balance sheet or capital for providing intermediation services in EGB markets?



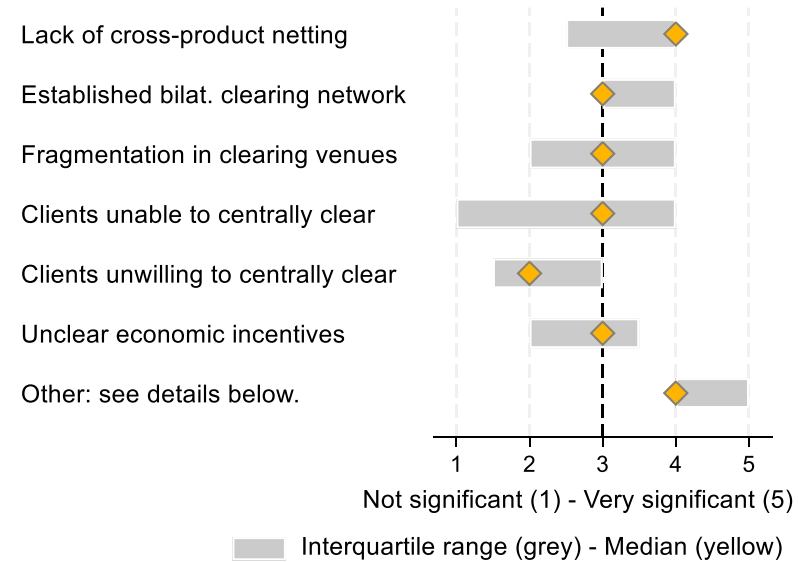
Capacity is constrained if dealers reported a rating below 5 in Q1 on capacity assessment. **Capacity is not constrained** if dealers reported a rating of 5 or above in Q1.

How to support intermediation capacity?

Q) Top factors supporting your firm's future capacity to provide intermediation services in EGB markets



Q) How significant are the following constraints for further adoption of central clearing in repo markets?



Other limiting factors relate to implementation costs: high capital costs and margin requirements, lack of efficient CCP offering.