

What SFTR public data tell us about the UK repo market in 2023

Executive summary

- The average daily turnover of repos in the UK market over 2023 grew by +7% to reach **GBP 1,716 million = EUR 1,988 billion** and the number of trades increased by +16% to over **66,000** trades per day.
- Most of the growth occurred after Easter, particularly during Q4 (+11% over Q4 2022).
- The average value of repos outstanding at end-week in 2023 grew to **GBP 8,240 million = EUR 9,543 million** (+3% YOY), while the average number of outstanding trades rose by +10% to **466,000**.
- The share of **CCP-clearing** fell back to 27% of the value of average daily turnover and 18% of average end-week outstanding compared with 29% and 19%, respectively, in 2022. However, changes in the numbers of transactions were small, with CCP-cleared repos taking 30% of average daily turnover and 12% of average end-week outstandings, compared with 31% and 12%, respectively, in 2022. In other words, average CCP-cleared deal size shrank in 2023.
- The focus of UK repo remains **OTC** trading, which was virtually unchanged at 55% of turnover but down to 56% of outstanding value from 60% in 2022. In terms of numbers of trades, there were falls to 50% from 51% in new repo and to 52% from 57% in repos outstanding at end-week. In other words, average OTC deal size increased.
- The share of UK **trading venues** (MTFs and OTFs) dropped to 11% from 14% and that of offshore trading venues grew to 29% of turnover from 27%. The share of UK trading venues in end-week balances was even lower at 8%, down from 10% in 2022.
- The average daily share of **cross-border** trades grew by 11% to reach a new high of 83% of turnover from 80% in 2022, at the expense of **domestic** repo (down to 17% from 20% in 2022).

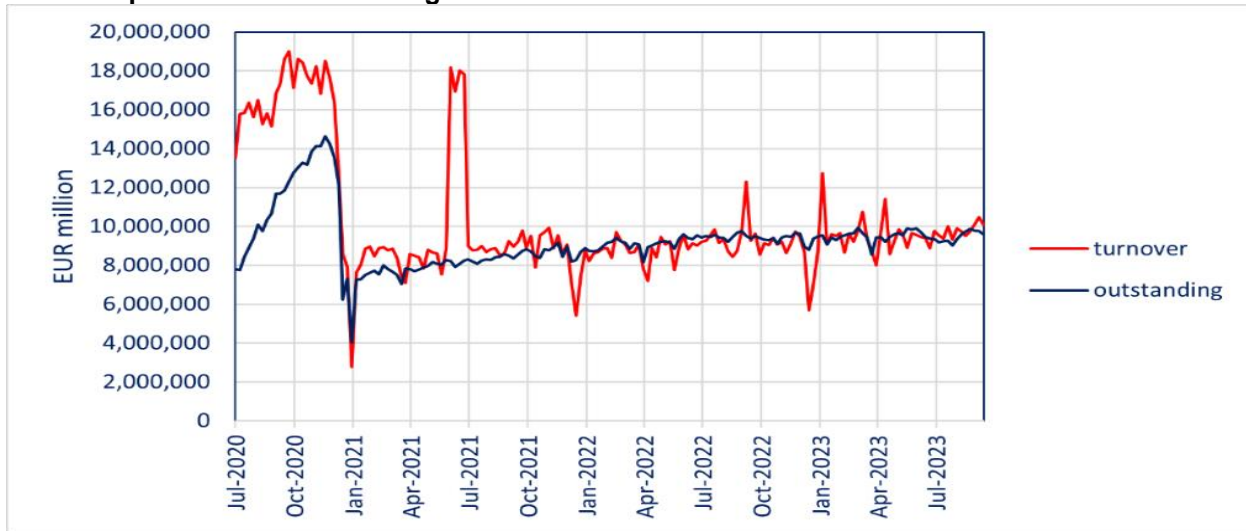
Summary statistics for the UK repo market

2023 (EUR billion)	average daily turnover	average end-week balance
all repo	1,988	9,543
number of repos	66,275	456,716
repurchase transactions	97%	96%
CCP-cleared repo	536 (27%)	1,729 (18%)
repo on UK trading venue	212 (11%)	804 (8%)
repo on non-UK trading venue	583 (29%)	2,548 (27%)
post-trade registration of OTC repo	98 (5%)	829 (9%)
OTC repo	1,095 (55%)	5,349 (56%)
UK-UK repos	334 (17%)	1,349 (14%)
UK-nonUK repos	1,640 (83%)	7,971 (84%)
2022 (EUR billion)	average daily turnover	average end-week balance
all repo	1,850	9,234
number of repos	51,027	413,846
repurchase transactions	97%	96%
CCP-cleared repo	542 (29%)	1,746 (19%)
repo on UK trading venue	253 (14%)	923 (10%)
repo on non-UK trading venue	493 (27%)	2,037 (22%)
post-trade registration of OTC repo	81 (4%)	715 (8%)
OTC repo	1,022 (55%)	5,505 (60%)
UK-UK repos	371 (20%)	1,677 (18%)
UK-nonUK repos	1,479 (80%)	7,549 (82%)

UK repo market in 2023

Overall size

Turnover per week vs outstanding end-week to end-2023

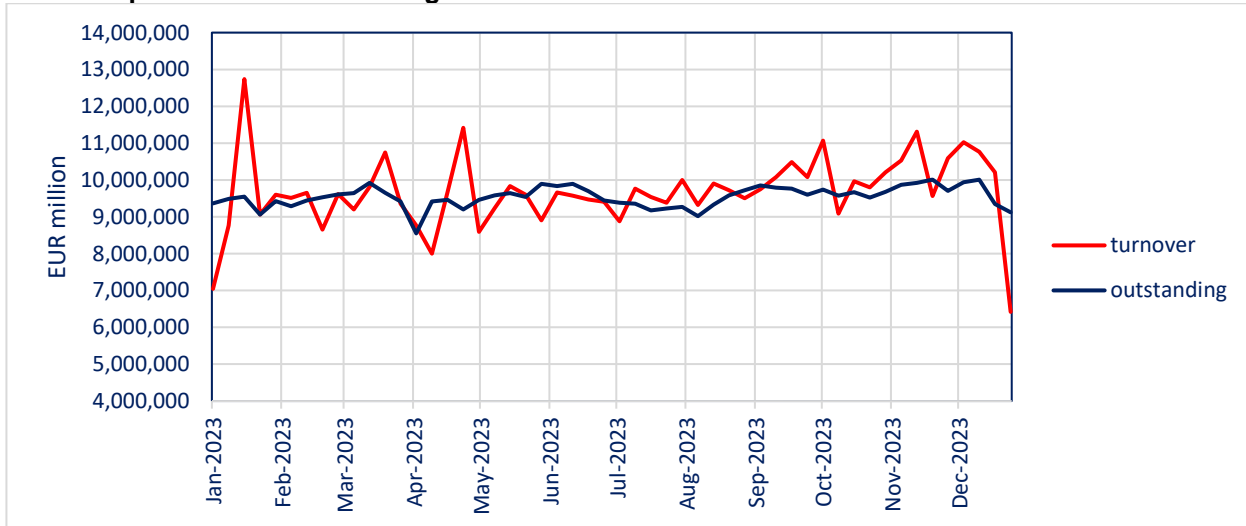


Source: DTCC, RegisTR, Unavista, author's calculations

The average daily turnover of repos in the UK market grew by +7.4% in 2023 compared with 2022 to reach **GBP 1,716 million = EUR 1,988 billion**.¹ The number of new trades increased by +16.2% to **66,275** trades per day.² Most of the growth in the UK repo market occurred after Easter, particularly during Q4 (+11.4% over Q4 2022). Average new deal size decreased to EUR 30.0 million from EUR 32.4 million.

The average value of repos outstanding at end-week grew by +3.3% in 2023 to **GBP 8,240 million = EUR 9,543 million**. The average number of outstanding trades increased by +10.4% to **456,716**. Average outstanding deal size therefore contracted to EUR 20.9 million from 22.3 million.

Turnover per week vs outstanding end-week over 2023



Source: DTCC, RegisTR, Unavista, author's calculations

The usual seasonal features can be seen in turnover data over 2023: the Easter break; the return from summer break; and the drying-up of liquidity ahead of end-year (starting in the week ending 15 December, earlier than in 2022). One could argue that the impact of the March gilt futures delivery is evident and, to a lesser extent, the September and December deliveries, but the pattern is much less clear than in other repo markets. The key difference from 2022 was the huge rebound in turnover in mid-January, which was driven

¹ Average daily turnover rates have been recalculated for this report to exclude non-business days.

² Compared with a contraction of -2.0% in 2022 but note that early SFTR was distorted by poor reporting.

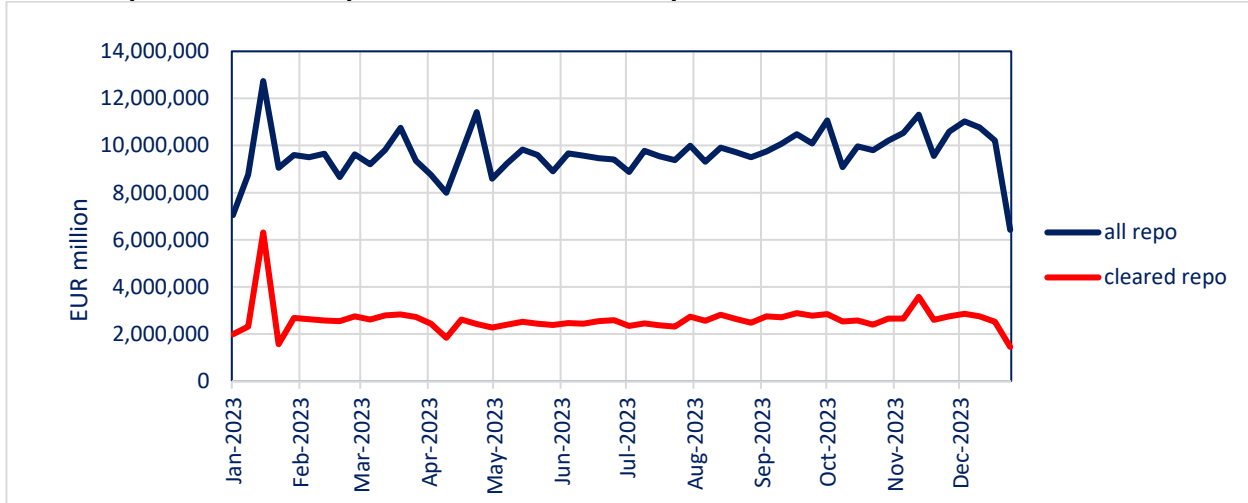
by CCP-cleared repo. Outstanding value displayed three broad waves: January-Easter; Easter-early August; and the remainder of the year.

CCP-clearing

CCP-cleared repo continues to be much smaller in the UK than in the EU and its share is shrinking. Its share of the value of CCP-cleared repo fell back by -1.0% to 27.0% of average daily turnover over 2023 and also by -1.0% to 18.1% of average end-week outstanding value, compared with 29.3% and 18.9%, respectively, in 2022.

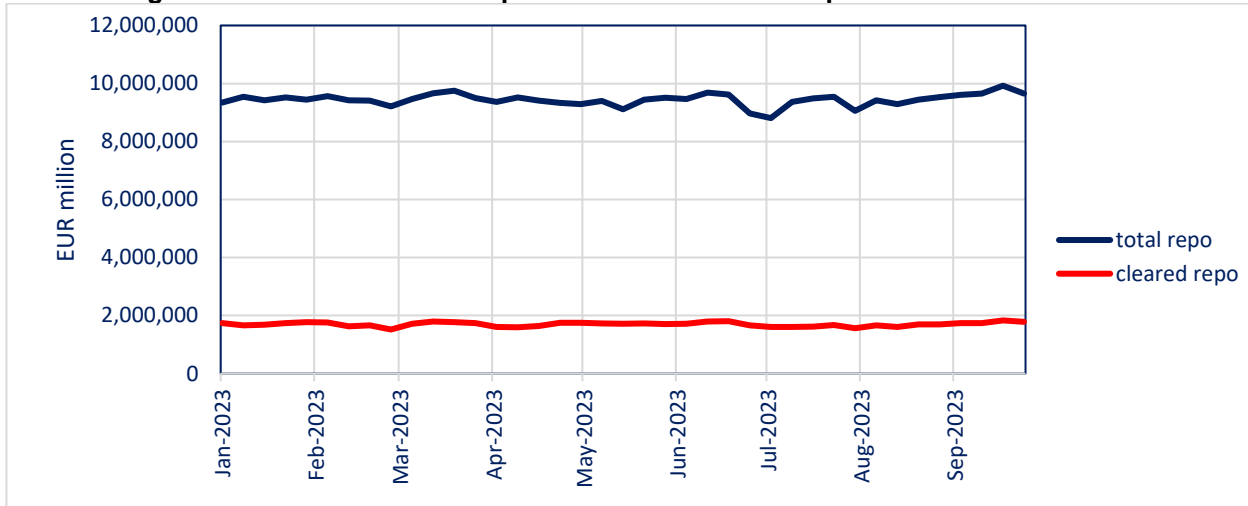
However, the numbers of CCP-cleared repos grew by +14.1% to 30.4% of average daily turnover and by +11.8% to 11.7% of average end-week outstandings, compared with 30.9% and 11.5%, respectively, in 2022. In other words, average CCP-cleared deal size shrank over 2023.

Turnover per week of all repo versus CCP-cleared repo in 2023



Source: DTCC, RegisTR, Unavista, author's calculations

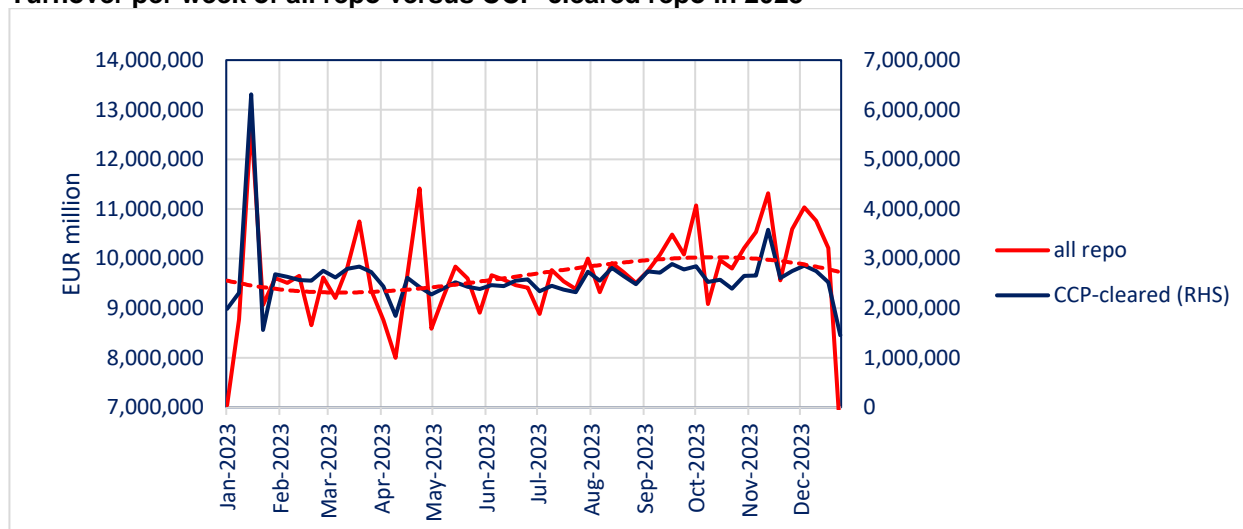
Outstanding value at end-week of all repo versus CCP-cleared repo in 2023



Source: DTCC, RegisTR, Unavista, author's calculations

The evolution of CCP-cleared repo was much smoother than for uncleared repo with the exception of Easter and the spike in CCP-cleared turnover in mid-January. The latter could have been the market re-establishing positions after the end-year break. There was also a stronger correlation in the week ending 17 November, when the share CCP-cleared repo peaked at 31.7% (compared with a low of 22.6% at year-end) in response to the bond market rally prompted by heightened expectations of central bank rate cuts.

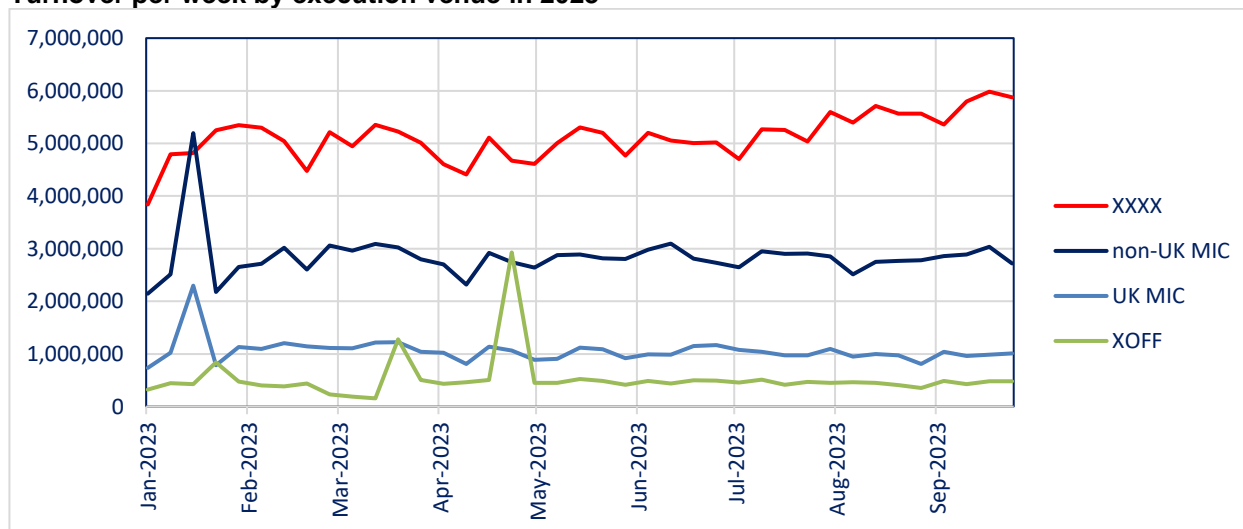
Turnover per week of all repo versus CCP-cleared repo in 2023



Source: DTCC, RegisTR, Unavista, author's calculations

Execution venue

Turnover per week by execution venue in 2023



Source: DTCC, RegisTR, Unavista, author's calculations

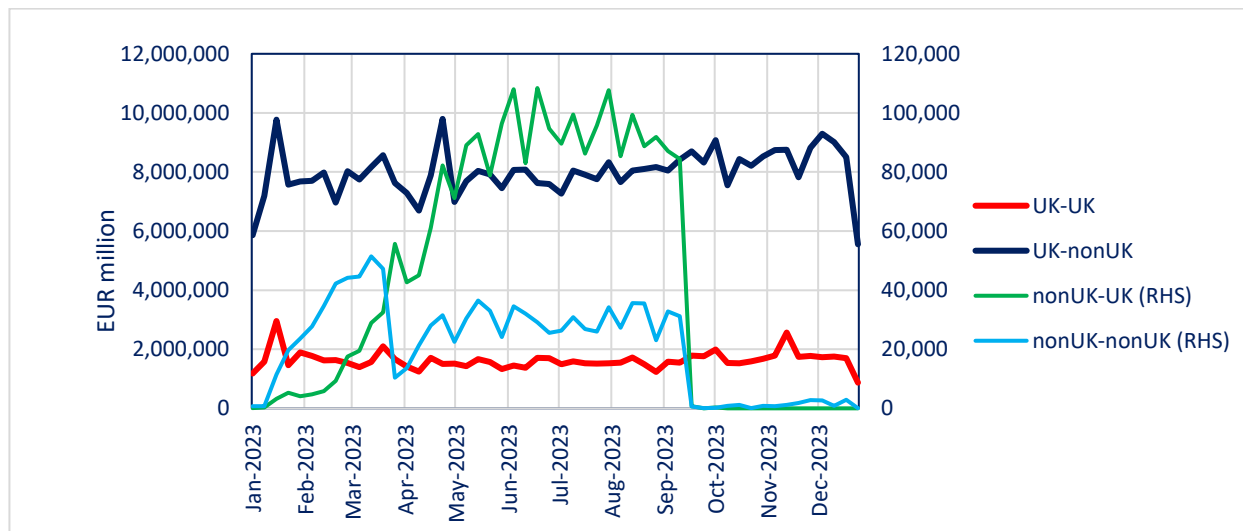
The focus of UK repo remains **OTC** trading (SFTR code = XXXX). The value of turnover in OTC repos resumed its upwards trend in H2, growing by +20.5% in Q4 2023 compared with Q4 2022 and by +7.1% over 2023 as a whole, but its share over 2023 averaged 55.1%, little changed from 55.2% in 2022. As the number of new trades expanded by +13.4%, average deal size must have increased.

In terms of repo outstanding at end-week, the share of OTC repo contracted by -2.8% to 56.1% in 2023 from 59.6% in 2022, suggesting a shortening of tenors. The number of outstanding OTC repos grew by +1.0% but the slow rate of growth meant their share fell back to 52.0% from 56.8%.

The share of UK **trading venues** (MTFs and OTFs: SFTR code = MIC) dropped by -16.4% to 10.6% of turnover in 2023 from 13.7% in 2022, while offshore trading venues grew by +18.2% to 29.3% of turnover from 26.6%. The share of UK trading venues outstanding at end-week was even lower at 8.4%, down -12.9% from 10.0%, whereas non-UK trading venues increased their share by +25.1% to 26.7% from 22.1%. However, there was a small increase of +1.1% in the number of new repos on UK trading venues, implying smaller average deal size.

The share of new **OTC repos registered with a trading venue post-trade** (SFTR code = XOFF) increased by +20.9% to 4.9% of average daily turnover in 2023 from 4.4% in 2022. The number of new OTC repos registered post-trade grew by 44.2% to 8.0% from 6.4%. Meanwhile, the value of outstanding OTC repos registered post-trade expanded by +16.1% to 8.7% from 7.7%, while the number of such trades jumped by +40.7% to 20.2% from 15.8%. These changes suggest OTC repos registered post-trade decreased in size and, to a lesser extent, in term.

Location of counterparties



The average daily share of **cross-border** trades reported by UK counterparties grew by 10.9% to reach a new high of 82.5% of turnover from 79.9% in 2022, once again at the expense of **domestic** activity, which was down -9.9% to 16.8% from 20.0%. The number of these new cross-border repos increased by +17.3% to 81.5% from 80.7%, while the number of domestic repos grew by +8.4% to 17.9% from 19.2%, which implies that new domestic repos became relatively smaller.

The value of cross-border repos reported by UK counterparties that were still outstanding at end-week increased by +5.6% in 2023 to 83.5% from 81.8% in 2022 and the number increased by +10.7% to 86.2% from 85.9%. In comparison, the outstanding value of domestic repos fell sharply by -19.6% to 14.1% from 18.2%, while the number decreased by -4.4% to 12.1% from 14.0%. Outstanding domestic repo therefore became larger.

The curiosity in SFTR counterparty location data was reporting by non-UK entities. These are branches of overseas firms located in the UK. Their reported repos grew from very low levels over Q1-Q3 and then collapsed in the penultimate week of September, although outstanding repos between non-UK counterparties continued to be reported over the remainder of the year. It is almost certain that these are changes in the way these branches report themselves rather than shifts in trading.