

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

Executive summary

- The average daily turnover of repos in the EU market over 2023 grew +8% versus 2022 to reach **EUR 2,432 billion**, while the number of trades increased by +10% to over **90,000** per day (so average deal size contracted).
- Turnover was slow to recover after the 2022 end-year break. It then trended sideways for the rest of year, albeit at a higher level than in 2022, but fluctuating widely, with peaks around futures delivery and deep troughs at Easter, around May Day and again at end-year.
- The average value of repos outstanding at end-week trended up over 2023 but struggled to regain the levels seen in 2022 with the result that it contracted over the year to **EUR 11,577 million** (-2%). However, the average number of outstanding trades rose by +3% to **451,000**.
- The share of **CCP-clearing** fell to 57% of average daily turnover from 60% but rose to 48% of average end-week outstanding value from 41%. In contrast to the rest of the market, average deal size increased.
- Most EU repo continue to trade on **EU Trading Venues** (MTFs and OTFs) but their share of turnover fell to 52% from 53% in 2022, as OTC trading and non-EU Trading Venues increased their shares. However, the EU Trading Venues' share of outstanding value rose to 42% from 36% while that of OTC trading decreased to 49% from 52%. There appear to have been some very large and very short-term repos executed cross-border on non-EU Trading Venues during Q2 and Q3.
- **Cross-border** trading increased its dominant share of the EU market, rising to 53% from 51% in 2022 but lost share in terms of outstanding value. This aligns with the increase in activity seen on non-EU Trading Venues.

Summary statistics for the EU repo market

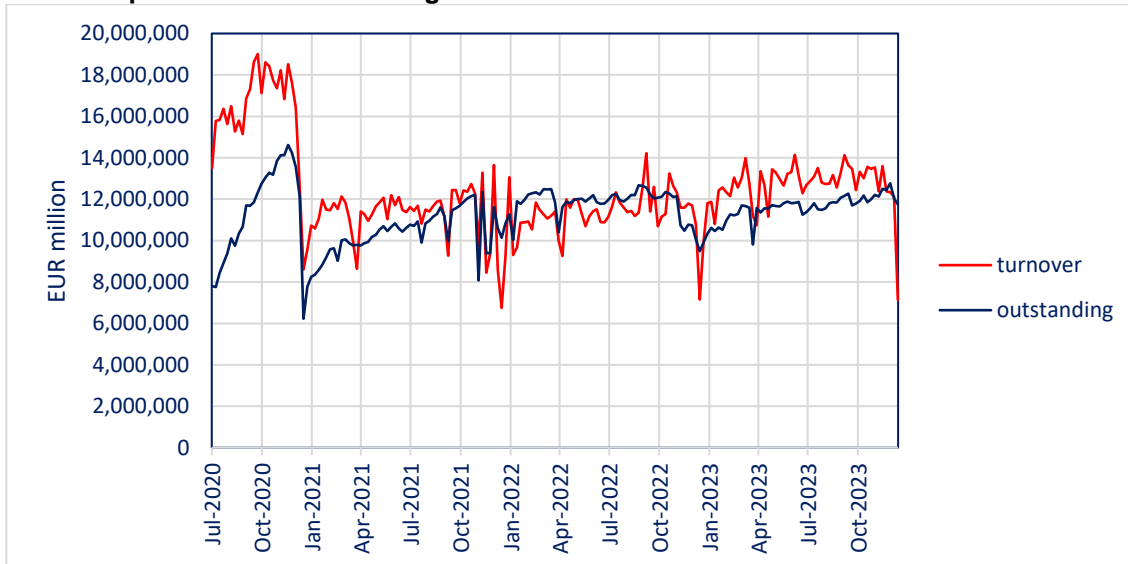
2023 (EUR billion)	average daily turnover	average end-week balance
all repo	2,432	11,577
number of repos	90,289	450,700
repurchase transactions	93%	91%
CCP-cleared repo	1,374 (57%)	5,498 (48%)
repo on EU trading venue	1,252 (52%)	4,802 (42%)
repo on non-EU trading venue	193 (8%)	840 (7%)
post-trade registration of OTC repo	40 (2%)	317 (3%)
OTC repo	947 (39%)	5,618 (49%)
EU-EU repos	1,155 (48%)	6,010 (52%)
EU-nonEU repos	1,276 (53%)	5,428 (47%)

2022 (EUR billion)	average daily turnover	average end-week balance
all repo	2,261	11,796
number of repos	81,769	439,685
repurchase transactions	91% Turnover %	92%
CCP-cleared repo	1,365 (60%)	4,850 (41%)
repo on EU trading venue	1,194 (53%)	4,271 (36%)
repo on non-EU trading venue	165 (7%)	602 (5%)
post-trade registration of OTC repo	65 (3%)	335 (3%)
OTC repo	837 (37%)	6,120 (52%)
EU-EU repos	1,113 (49%)	5,859 (50%)
EU-nonEU repos	1,147 (51%)	5,914 (50%)

EU repo market in 2023

Overall size

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

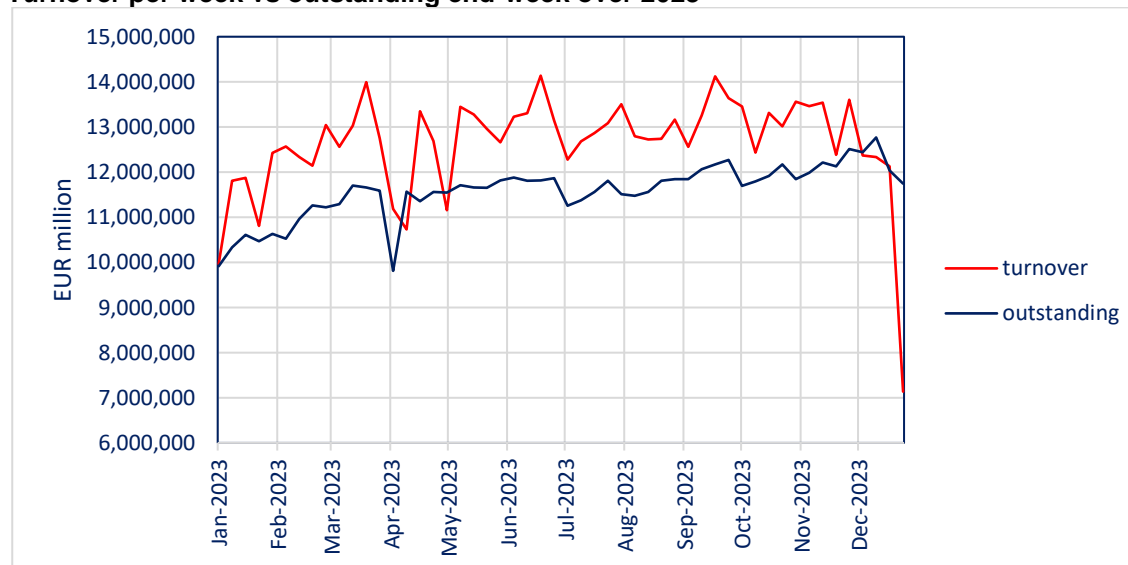


Source: DTCC, RegisTR, Unavista, author's calculations

The average daily turnover of repos in the EU market grew by +7.6% in 2023 versus 2022 to reach **EUR 2,432 billion**. The number of new trades increased by +10.4% to **90,289** trades per day, implying a lower average deal size. The market recovered slowly from the seasonal hiatus at the end of 2022 and then trended sideways from Q2 to Q4 until another dramatic seasonal drop at the end of 2023 (-41% in the last week alone). However, activity fluctuated widely around the trend, with the usual seasonal spikes around the front three futures delivery dates and deep troughs at Easter, around the May Day holiday and at end-year.

The average value of repos outstanding at end-week fell by -1.9% in 2023 to **EUR 11,577 million** but the average number of outstanding trades increased by +2.5% to **450,700**. As a result, average outstanding deal size contracted to EUR 25.0 million from 26.9 million.

Turnover per week vs outstanding end-week over 2023



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

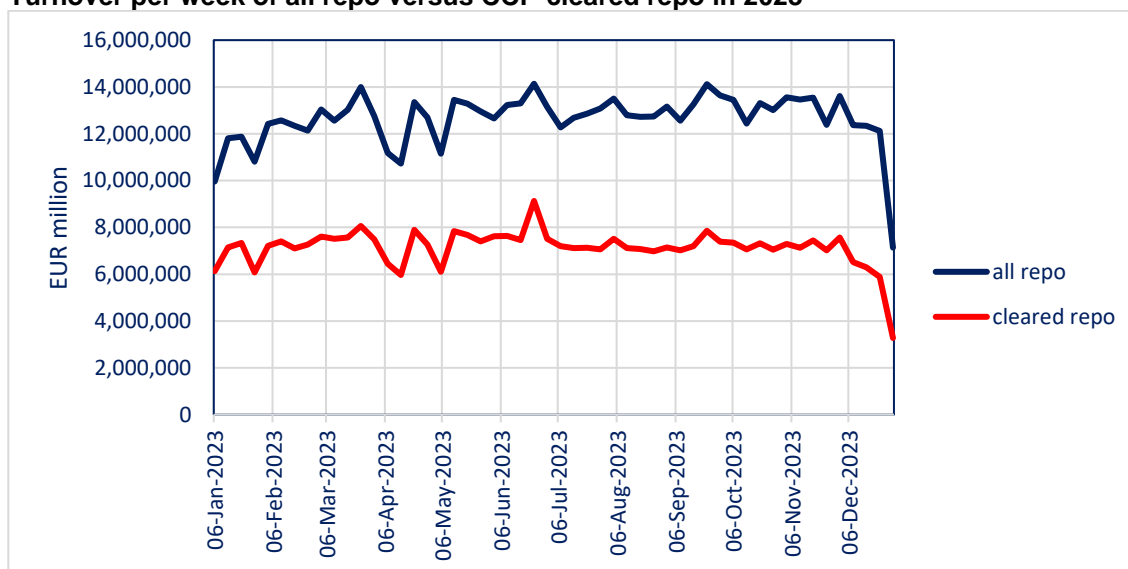
CCP-clearing

Although turnover in new CCP-cleared repos grew by +0.7% in 2023 versus 2022, CCP-clearing lagged behind the rest of the market, as a result of which, its share fell to 56.5% from 60.4%. The loss in share was concentrated in H2 after a spike around the June futures delivery date (turnover fell to 54.5% in H2 from 58.5% in H1).

In contrast, the share of outstanding CCP-cleared repos jumped +13.4% to 47.5% in 2023 from 41.1% in 2022, following a sudden surge in cleared repos at the end of 2022 and despite the outstanding value of all repos racing ahead of CCP-cleared repos in Q3 2023. The implication is that the average duration of CCP-cleared repo increased in 2023. There is anecdotal evidence from one electronic platform in particular to support the idea of longer terms in CCP-cleared repo.

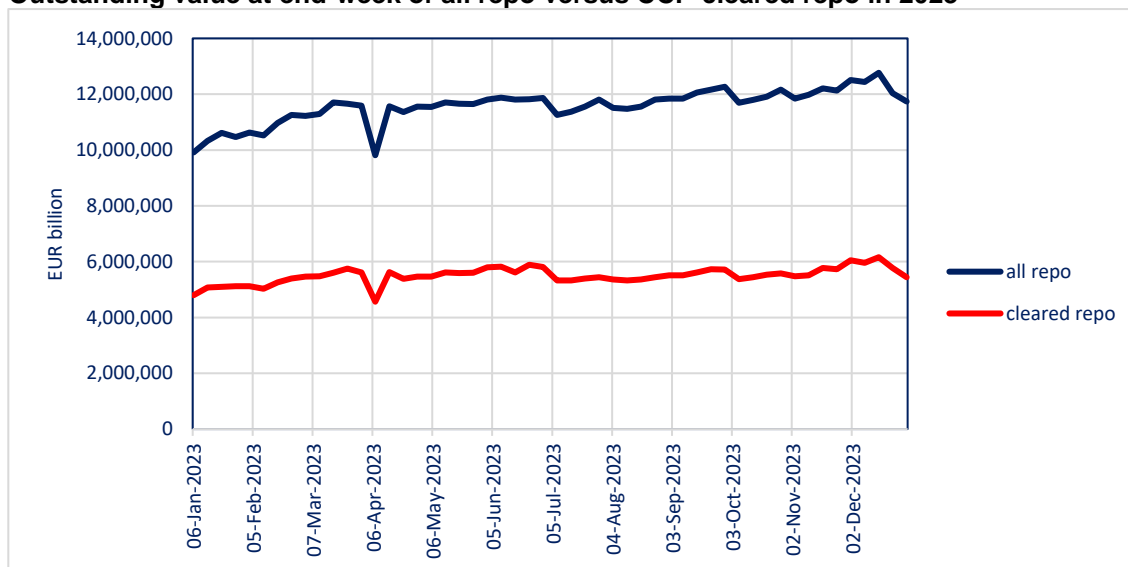
The numbers of CCP-cleared repos fell by -10.4% to 61.9% of average daily turnover in 2023 from 63.8% in 2022 but grew by +2.5% to 38.7% from 36.5% of average end-week outstandings. In other words, the average deal size increased of both new and outstanding in CCP-cleared repos.

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



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

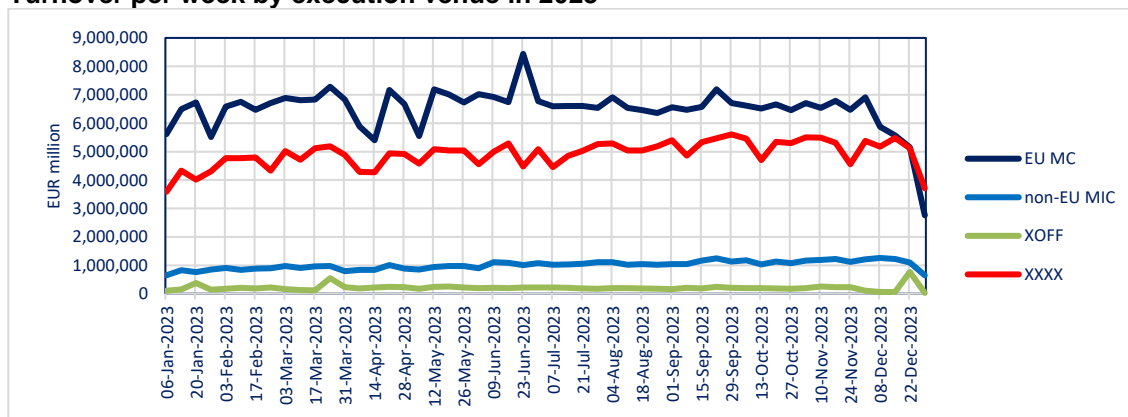
Outstanding value at end-week of all repo versus CCP-cleared repo in 2023



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

Execution venues

Turnover per week by execution venue in 2023



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

The core of the EU market repo remains on **EU Trading Venues** (MTFs and OTFs). In 2023, their turnover increased by +4.9% but their share of the market contracted slightly to 51.5% from 52.8% in 2022. On the other hand, the outstanding value of trades executed on these venues grew by +13.5% and their share jumped to 41.5% from 36.2%, implying longer transactions.

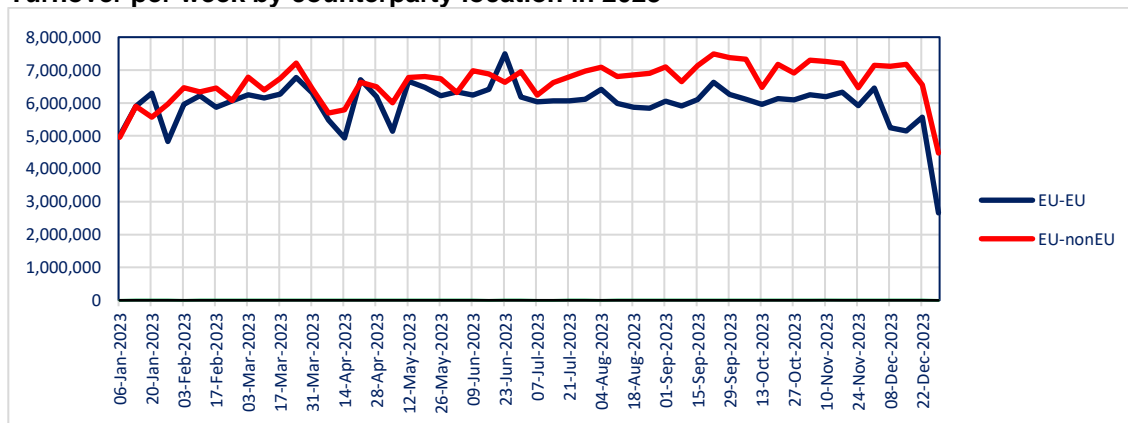
The **OTC** market (SFTR code = XXXX) saw turnover grow by +5.2%, mainly in H2, and increased its share to 38.9% from 27.0% in 2022. However, their average outstanding value fell by -8.2% over 2023 and their share was reduced to 48.5% from 51.9%, implying that new trades were shorter-term. As the number of new trades expanded by +9.4%, average OTC deal size must also have contracted.

The average daily turnover of **non-EU Trading Venues** grew +16.9% in 2023 (mainly over Q2 and Q3) to increase share to 7.9% from 7.3% but outstanding value leapt by 39.5% to a share of 7.3% from 5.1% in 2022. Some big trades appear to have been executed cross-border. A drop of -20.8% in the outstanding value of these trades suggests these big trades were very short-term.

Locations of counterparties

Average daily turnover reported by EU entities with third-country counterparties gained parity with intra-EU trades in 2022. In the 2023, notably in H2, EU-nonEU trades grew by +11.2% compared with +3.8% in intra-EU trades to increase their share to 52.5% from 50.7% in 2022, while the share of intra-EU trades fell to 47.5% from 49.2%. In terms of outstanding value, EU-nonEU repos shrank by -8.2%, which reduced their share to 46.9% from 50.1%, pointing to shorter trades. It is difficult to believe these changes were unconnected to the big very short-term seen on non-EU Trading Venues.

Turnover per week by counterparty location in 2023



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