

ICMA analysis: SFTR public data for repo in 2022

April 2023



Since the go-live of SFTR reporting in July 2020, ICMA has been collecting SFTR public data points that the Trade Repositories (TRs) are mandated to release on a weekly basis. ICMA collects this data, consolidates it and publishes the information in an aggregated form on the [ICMA website](#). While the number of public data points is limited, it is still a useful resource and provides an additional element of transparency, as well as an interesting reference point for the data that ICMA makes available separately as part of its semi-annual European Repo Market Survey.

In September 2021, ICMA published a report assessing “The first year of SFTR public data on repo”. Following up on this publication, the present report provides a closer look at the SFTR data reported over the course of 2022. In line with SFTR itself, the data is split between figures reported for the EU repo market and those for the UK repo market.

EU

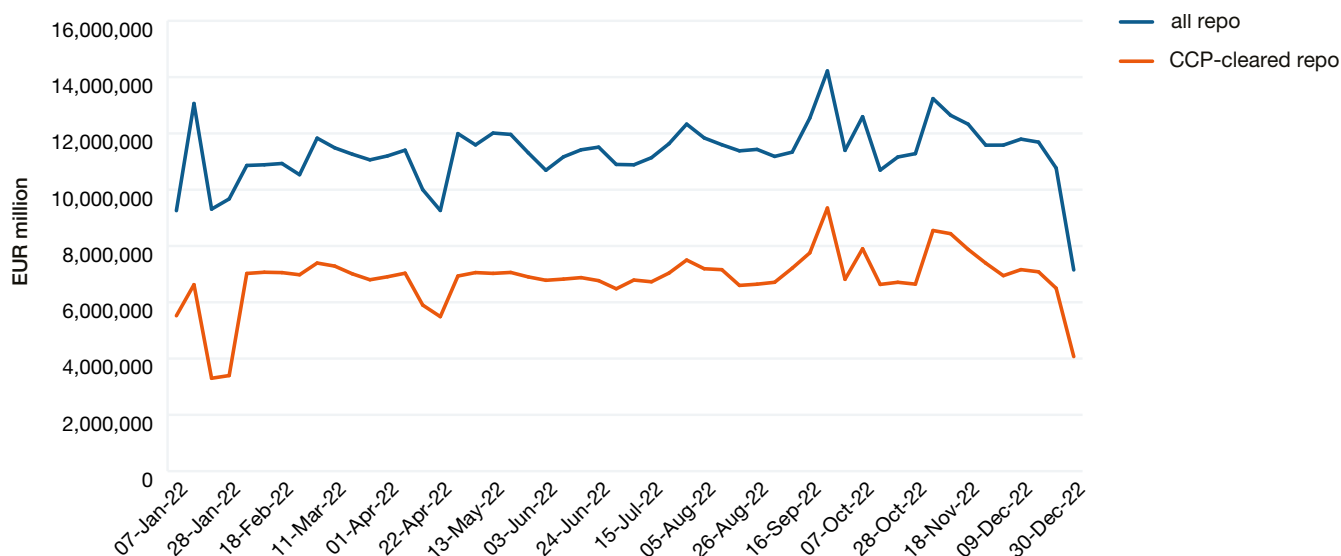
In 2022, the EU repo market saw the average daily turnover rise to **EUR 2,261 billion** but the average number of new transactions fall to below **82,000** per day (+0.5% and -1.0%, respectively, compared to 2021). The average end-week balance of outstanding repos over 2022 was **EUR 11,796 billion** and the average number of transactions outstanding at end-week was some **440,000** (+14.1% and 26.3%, respectively). The data are summarised in the table and illustrated in the charts below.

2022 (EUR billion)	average daily turnover	average end-week balance
all repo	2,264	11,796
repurchase transactions	91%	92%
CCP-cleared repo	1,367 (60%)	4,850 (41%)
repo on EU trading venue	1,196 (53%)	4,271 (36%)
repo on non-EU trading venue	166 (7%)	602 (5%)
OTC registered post-trade on a TV	65 (3%)	335 (3%)
Pure OTC repo	837 (37%)	6,120 (52%)
EU-EU repos	1,114 (49%)	5,859 (50%)
EU-nonEU trades	1,149 (51%)	5,914 (50%)
Total number of repo transactions	81,769	439,685

Sources: DTCC, RegisTR, KPDW, author's calculations

The year started in the EU repo market with the usual bounce-back in turnover from the (usual) collapse at end-year, which was due (as usual) to market intermediaries window-dressing their regulatory and other reports by shrinking their balance sheets. The subsequent January overshoot in reporting (perhaps as much as 35,000 trades per day) suggests that parties had a lot of catching-up to do after Christmas and that a lot of SFTR processing is still manual.

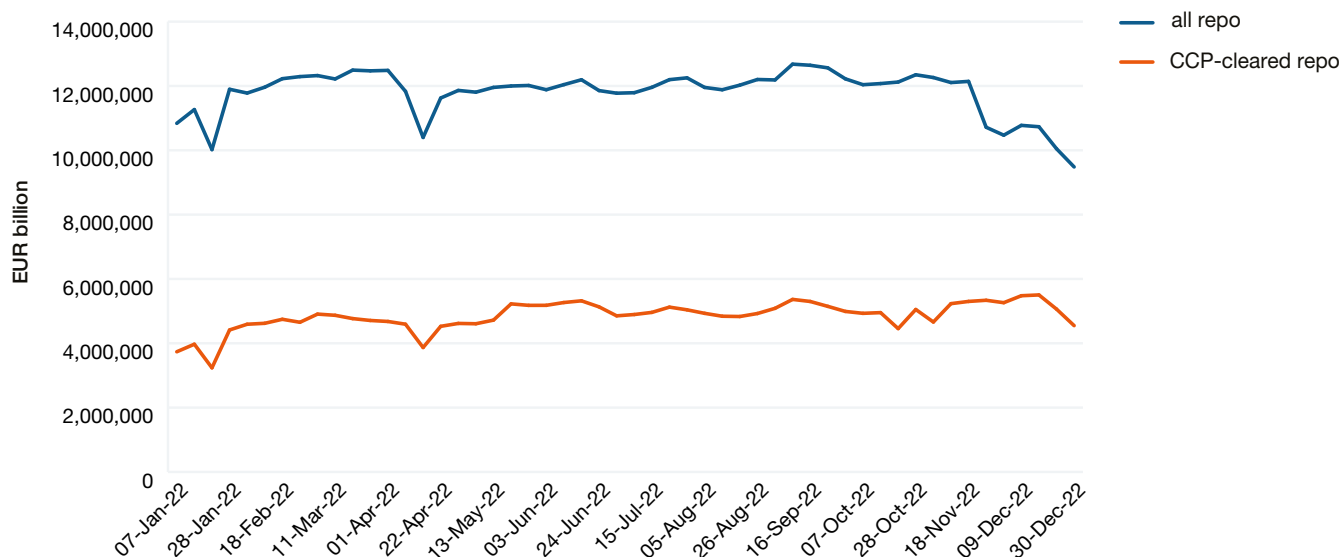
Total and CCP-cleared new repos reported weekly under EU SFTR



Sources: DTCC, RegisTR, KPDW

There also seem to have been reporting delays in EU SFTR in the last two weeks of January, driven largely by CCP-cleared repos. That’s a bit of a mystery as CCP-cleared repos should be relatively straightforward to report given that they tend to be simple (very short-term, plain vanilla and against government securities) and the CCPs provide much of the reporting data.

Total and CCP-cleared outstanding repos reported end-week under EU SFTR



Sources: DTCC, RegisTR, KPDW

The EU market took a break at Easter. However, the effect of summer vacations was not apparent in the data. Nor did end-quarters noticeably affect turnover in March, June or September (the end-quarter impact was largely on prices, with euro repo rates dipping into special territory). The impact of futures delivery deadlines was very faint.

What did move the market in 2022, according to SFTR data, were interest rate hikes by the ECB on 27 July, 14 September and 2 November. The impact of the September rate rise was amplified by the turmoil triggered by the UK mini-budget on 23 September

Fluctuations and trends in the EU repo market were mainly driven by **CCP-cleared repo**. The importance of CCP-cleared repos in SFTR data remains inflated by the double-counting of such transactions but their weight diminished over 2022 to 60% of turnover and 41% of average end-week balances (from 66% and 46%, respectively, in 2021), while the number of CCP-cleared transactions fell to 64% of new transactions and 37% of outstanding transactions at end-week (from 66% and 39%, respectively). The smaller share of balances compared to turnover and the smaller fall in the numbers of transactions compared to value reflects the fact that CCP-cleared repos tend to have a shorter tenor than other repos and there was perhaps a reduction in average transaction size.

An interesting pattern in CCP-cleared repo in the EU market is its tendency to rise gradually over the year and then step down at the start of the next year.

There was a sharp drop in the value of turnover on **EU-based Trading Venues** in 2022 (to 53% from 61% in 2021) but a much smaller change in the number of new transactions (to 59% from 61%) as well as the average end-week balance (36% from 38%) and the average number of transactions outstanding at end-week (35% from 37%). The main counterpart to these declines was an increase in **OTC trading** to 37% (from 32%). Turnover on **non-EU Trading Venues** also rose (to 7% from 5%), as did transactions executed in the OTC market and then registered on a Trading Venue post-trade (to 3% from 2%). However, the average end-week balances of EU-based Trading Venues and OTC trading fell (to 36% and 52%, respectively, from 38% and 54%). The differences between the changes in turnover, numbers of transactions and end-week balances suggest the shift in the location of trading was into smaller and shorter-term repos, which is consistent with the changes in CCP-cleared repo.

There was also a shift in the value of turnover from repos between **EU counterparties** (to 49% from 57% in 2021) into transactions between **EU and non-EU counterparties** reported by the former (to 51% from 43%). The change in the number of transactions was smaller (53% from 58%, respectively, and 47% from 42%). The change in average end-week balances was smaller still (down to 50% from 52% for repos between EU counterparties) or in the opposite direction (to 50% from 47% for repos between EU and non-EU counterparties). These changes in the counterparty locations echoed the changes in the location of trading and central-clearing.

As one would expect, the pattern of change in end-week balances over the year was similar but less volatile than for turnover. The peaks in business in September and November were much less pronounced in terms of end-week balances, indicating significant volumes of short-term transactions on these occasions.

Another key difference was that end-week balances started to decline earlier than new transactions in early April and late November, suggesting a shortening of maturities. The November change shows intermediaries starting to shrink their balance sheets well in advance of the year-end. This chimes with anecdotal evidence.

The average daily transaction size in the EU repo market was EUR 28 million. CCP-cleared repo was smaller (EUR 26 million). The biggest transactions were on non-EU Trading Venues (EUR 44 million), in post-trade registered transactions (EUR 33 million) and between non-EU and EU counterparties reported by the former (EUR 40 million). Can we see the influence of London counterparties here? Repurchase transactions were larger than buy/sell-backs (EUR 28 versus 26 million).

UK

The UK repo market recorded an average daily turnover of GBP 1,520 billion or EUR 1,786 billion in 2022 and an average end-week balance of GBP 7,900 billion or EUR 9,234 billion, down 3% and up 15%, respectively, over 2021.

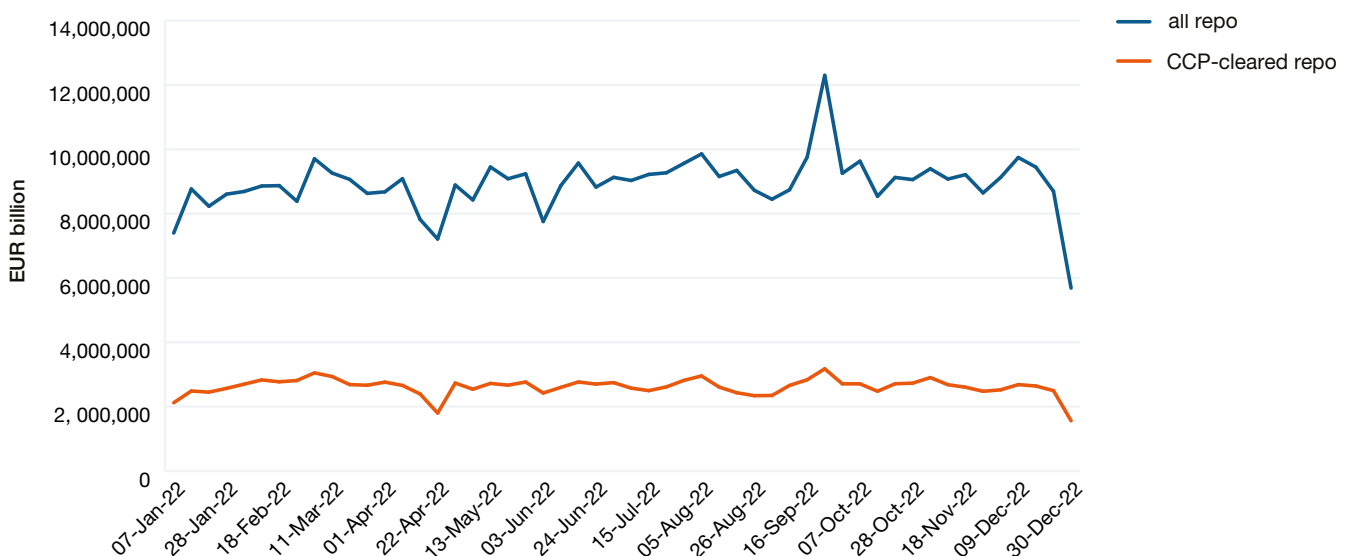
2022 (EUR billion)	average daily turnover	average end-week outstanding
all repo	1,786	9,234
repurchase transactions	97%	95%
CCP-cleared repo	524 (29%)	1,746 (19%)
repo on UK trading venue	244 (14%)	923 (10%)
repo on non-UK trading venue	476 (27%)	2,037 (22%)
OTC registered post-trade on a TV	78 (4%)	715 (8%)
Pure OTC repo	987 (55%)	5,505 (60%)
UK-UK repos	358 (20%)	1,677 (18%)
UK-nonUK trades	1,428 (80%)	7,549 (82%)
Total number of repo transactions	51,436	413,846

Source: DTCC, author's calculations

UK SFTR did not suffer the same post-Christmas reporting volatility seen in the EU. Nor did it see a repeat of the dramatic spike in reported data seen in UK data in June-July 2021.

The dominating event in the UK repo market in 2022 was the financial turmoil triggered by the UK mini-budget on 23 September. Average daily turnover on the UK repo market in that week jumped by 26% over the previous week to GBP 2,200 billion or EUR 2,460 billion per day. Its effect on end-week balances was much less, implying that much of the trading frenzy was in the very short-term repo. And most was OTC.

Total and CCP-cleared new repos reported weekly under UK SFTR



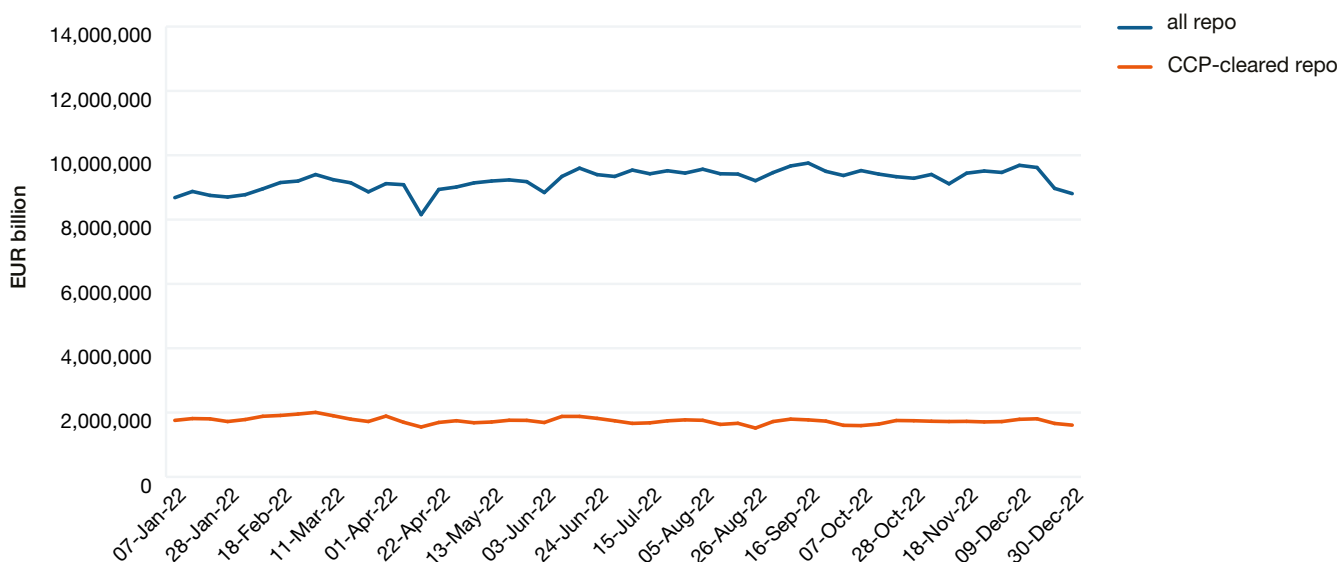
Source: DTCC

It is also apparent from the charts that CCP-cleared repos are much less important in the UK than in the EU (29% of average turnover and 19% of average end-week balances). Moreover, the share of CCP-clearing in the UK market has also been trending down (from 40% of turnover and 24% of average end-week balances), while the average end-week balance of CCP-cleared repo declined by about EUR 220 billion (4.5 percentage points).

It can also be seen from the charts that turnover in the UK repo market did not start winding down for the year-end until the second-half of December, much later than in the EU market. But, as in the EU, end-week balances started to fall from late November, implying a similar early shortening of repo tenors in the approach to end-year.

An interesting feature of the end-year winding-down in the UK repo market was the smaller drop in CCP-cleared repo compared to the market as a whole, a manifestation of the greater resilience of CCP-cleared repo due to the balance sheet benefits of netting.

Total and CCP-cleared outstanding repos reported end-week under UK SFTR

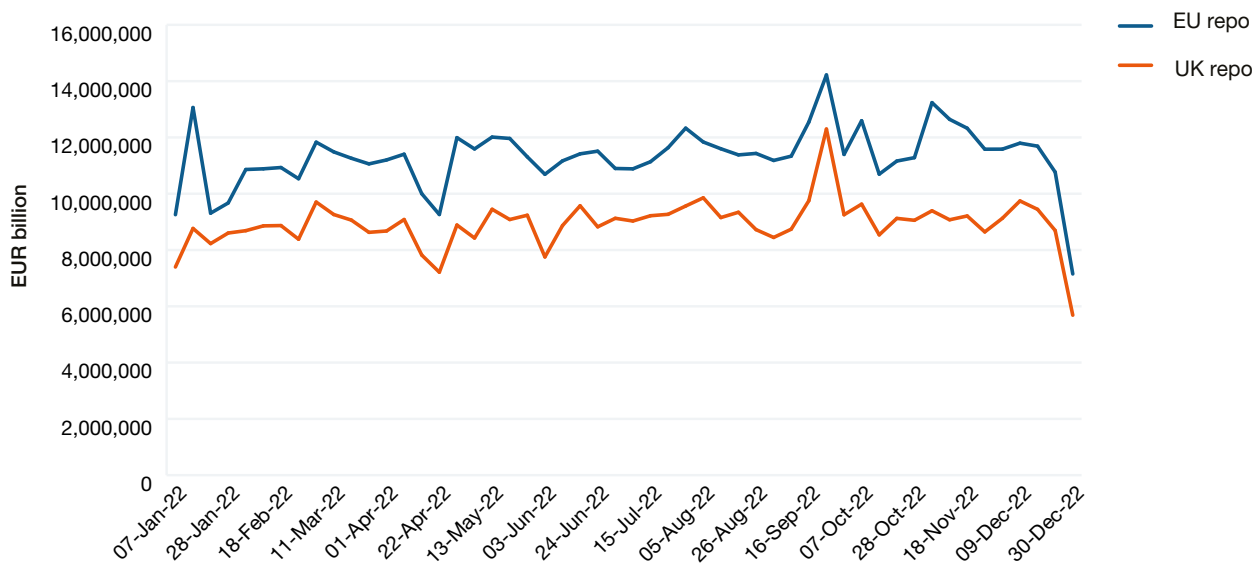


Source: DTCC

The UK accounted for 44% of the turnover measured by both SFTR regimes in 2022 and 44% of average end-week balances. This compares to 45% and 39%, respectively, in 2021.

A strong correlation can be seen between the evolution of reported activity in the UK and EU repo markets. Many events had the same impact or lack of impact in both markets. Thus, the UK market also slowed for Easter but did not register summer vacations or end-quarters. On the other hand, unlike in the EU market, the effect of futures delivery deadlines may be discernible in the UK market but the eight interest rate increases by the Bank of England over 2022 were not.

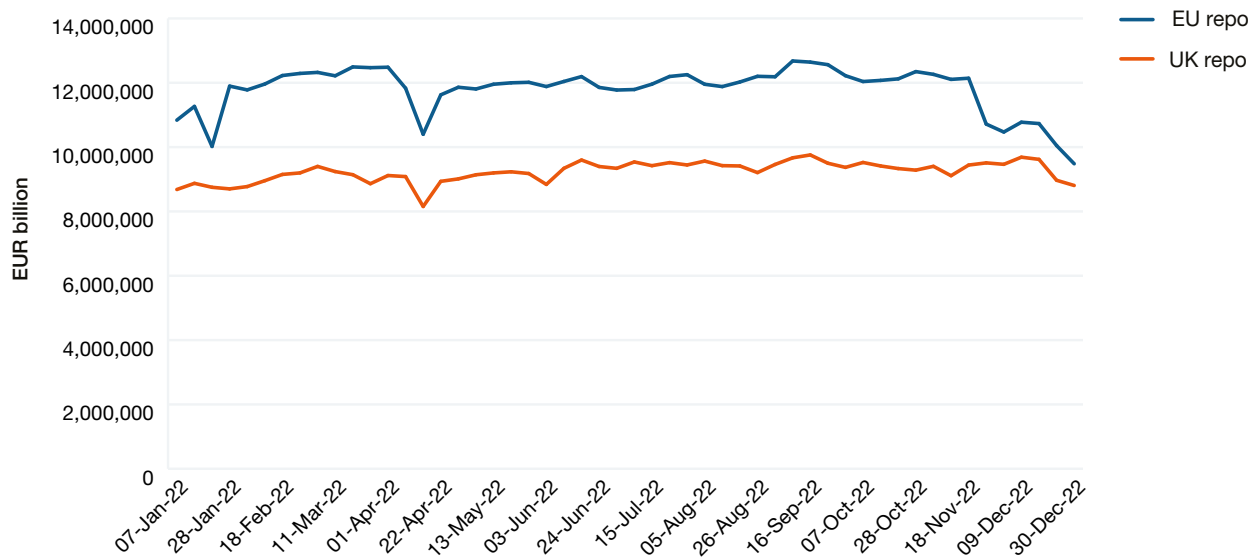
Total and CCP-cleared new repos reported weekly under UK and EU SFTR



Sources: DTCC, RegisTR, KPDW

What is also noticeable from the comparison of UK and EU repo markets is smaller end-year fall in the UK, especially in terms of average end-week balances. Were there more term transactions over year-end?

Total and CCP-cleared outstanding repos reported end-week under UK and EU SFTR



Sources: DTCC, RegisTR, KPDW

As in the EU market, the growth path of the UK repo market was clearly driven by **CCP-cleared repo**.

The share of turnover on **UK-based Trading Venues** grew in 2022 to 14% from 11% in 2021 and **OTC trading** increased its share to 55% from 49%, at the expense of trading on **non-UK Trading Venues**, whose share of turnover fell to 27% from 33% (which seems to be the counterpart to the rise in non-EU Trading Venues in the EU SFTR data). In terms of the average end-week balance, however, the share of UK-based Trading Venues was almost unchanged in 2022, the fall in the share of non-UK Trading Venues and rise in the share of OTC trading were smaller (-3 and +2 percentage points, respectively) and post-trade registration grew by almost 3 percentage points. It could be that trades on UK Trading Venues and in the OTC market became shorter, while those on non-UK Trading Venues became longer.

Turnover between **UK counterparties** jumped to 20% in 2022 from 14% in 2021 and between **UK reporting counterparties and non-UK counterparties** rose to 80% from 72%, while turnover reported by **non-UK counterparties** (whether with UK or non-UK counterparties) all but disappeared (from 13% in 2021). In terms of the average end-week balance, the changes were not too different. UK-UK business grew to 18% from 14%, UK-nonUK increased to 82% from 72% and that reported by non-UK counterparties fell to almost zero from 12%.

The extinction of business reported by non-UK counterparties likely reflects revised reporting by foreign branches in the UK and/or the unwinding of post-Brexit reporting confusion. However, caution needs to be exercised in interpreting this subset of SFTR data as not even ESMA and the FCA seem sure how to report the locations of counterparties (an issue which was highlighted in a recent ESMA consultation).

Finally, transaction sizes were larger in the UK repo market than in the EU. Average daily transaction size was EUR 35 million. Repurchase transactions were larger than buy/sell-backs (EUR 35 versus 28 million). CCP-cleared repo was smaller than other repo (EUR 26 million). The biggest transactions were on UK-based Trading Venues and in the OTC market (EUR 41 million in both) and between UK counterparties (EUR 44 million).

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