# Presentation of survey results

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

13 March 2025

**ECB Money 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.

**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.

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



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.

# 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)

100-80-60- $\diamond$ 40 20 0 -20--40 --60 --80-Over the past year Over the next year -100-Repo Trading Repo(e) Trading(e) Increased Decreased (-)  $\diamondsuit$  Net percentage **Q)** Evolution in your capacity to provide intermediation over the past year / next year (expected)

Percentage of respondents



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".

Percentage of respondents

#### 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.

Note: Number of dealers with constrained capacity: N=2 for EGB repo; N=2 for EGB trading. Number of dealers with unconstrained capacity: N=12 for EGB repo; N=2 for EGB trading.

#### How to support intermediation capacity?

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

Availability of capital Bilateral netting ability Willingness to take risk Business profitability Cross selling opportunities

Availability of capital Risk environment in EGB Willingness to take risk Business profitability Cross selling opportunities



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

Lack of cross-product netting Established bilat. clearing network Fragmentation in clearing venues Clients unable to centrally clear Clients unwilling to centrally clear Unclear economic incentives Other: see details below.



Interguartile range (grey) - Median (yellow)

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

Note: Nobs is 16 respondents for repo markets and 14 respondents for EGB trading.