



NEWS RELEASE

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Canada's Repo Market Functioning Well but Steps Can be taken to Support Further Efficiencies: IIAC Study

Toronto, ON, December 11, 2018 – The Investment Industry Association of Canada (IIAC) released today the results of its [study](#) of the current state of Canada's market for repurchase agreements (repo). The study finds a generally healthy Canadian repo market yet identifies structural adjustments stemming from the financial crisis that influence both cost and access to repo market liquidity.

“New global regulations, prolonged ultra-low rates, compressed margins and renewed risk management at banks and dealers have all contributed to re-shaping repo markets and repo as a line of business,” said Ian Russell, President and CEO, Investment Industry Association of Canada. “The efficient flow of cash and collateral, which the repo markets provide, is at the centre of a well-functioning financial system. These changes to repo market structure jeopardize the ability of market participants to obtain predictable short-term funding at an effective price, particularly in markets under stress.”

Participants in the study note that global regulatory reforms have had the most significant impact on Canadian repo markets by contributing to higher costs and restricting the use of certain collateral thereby making it a more difficult business proposition for banks and dealers and a more expensive funding alternative for end-users. Repo market participants, therefore, have been forced to innovate or consider alternatives for meeting their short-term financing, investing or liquidity needs.

The study notes several steps that can be taken to support repo market functioning, including:

- Canada's adoption of international regulations should be calibrated to consider the uniqueness of the Canadian market.
- Canadian repo market infrastructure must continue to evolve. This includes continued enhancements to existing services and exploring the introduction of new service offerings.
- Opportunities to expand participation in domestic repo markets must be pursued. Increased participation would help support market fundamentals in both the centrally cleared and bi-lateral repo markets. The development of a tri-party repo market could provide a means for new participants to utilize repo or bring further efficiencies to existing participants.

The study consisted of an industry survey and series of structured interviews with market participants.

The IIAC – Representing Canada’s Investment Dealer Firms

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our 121 IIROC-regulated investment dealer Member firms in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets. For more information, please visit www.iiac.ca.

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