

Uncleared Bilateral Repo Data

Part 1: What is known about the uncleared bilateral repo market?

Part 2: How would a data collection help the FSOC and others?

Part 3: Outstanding questions

Size and scope:

- Over \$2 trillion in outstanding agreements from primary dealers alone (based on the [Federal Reserve Bank of New York's Primary Dealer Statistics](#)).
- A key source of hedge fund leverage (see [Financial Stability Oversight Council Statement on Nonbank Financial Intermediation released February 4, 2022](#)).
- Has no central counterparty or custodian (see [Kahn and Olson, 2021](#)).
- Likely contains riskier collateral than other segments of the repo markets (see Slide 5).

Part 1: What is known about the uncleared market?



U.S. Repo Markets' Four Segments*

	Tri-Party	Bilateral
Cleared	<p><u>FICC GCF Repo Service</u></p> <ul style="list-style-type: none"> • \$88 billion daily in 2021 • FICC serves as CCP (novates trades) • BONY serves as custodian bank • General collateral (generic CUSIPs) • Interdealer between FICC members • Treasuries, Agency debt, Agency MBS • Data collected from 1 entity (FICC) 	<p><u>FICC DVP Repo Service</u></p> <ul style="list-style-type: none"> • \$907 billion daily in 2021 • FICC serves as CCP (novates trades) • Specific collateral (particular CUSIP) • Interdealer + sponsored members • Treasuries, Agency debt • Data collected from 1 entity (FICC)
Uncleared	<p><u>BNY Mellon Triparty</u></p> <ul style="list-style-type: none"> • \$1,813 billion daily in 2021 • BONY serves as custodian bank • General collateral (generic CUSIPs) • Wide range of participants (just need to sign agreement with BONY) • Wide range of collateral • Data collected from 1 entity (BONY) 	<p><u>Uncleared Bilateral</u></p> <ul style="list-style-type: none"> • ??? billion daily • No CCP or central custodian • Allows specific collateral • Wide range of participants? • Wide range of collateral? • Little visibility; data must be collected from individual market participants

* This figure omits FICC's CCIT Service and Sponsored GC Service. For more details, see [OFIR Brief 21-01](#), "Who Participates in Cleared Repo?" by R. Jay Kahn & Luke M. Olson; see also the OFIR's [Short-term Funding Monitor](#).

Part 1: What is known about the uncleared market?



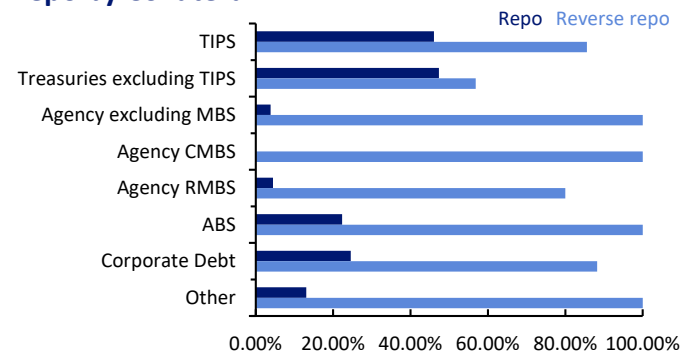
Size Estimates Based on [Primary Dealer Statistics](#) for January 5 2022:

- Uncleared bilateral repo was 38% of total (\$947B).
- Uncleared bilateral reverse-repo was 62% of total (\$1,205B).

For hedge funds this market is especially important:

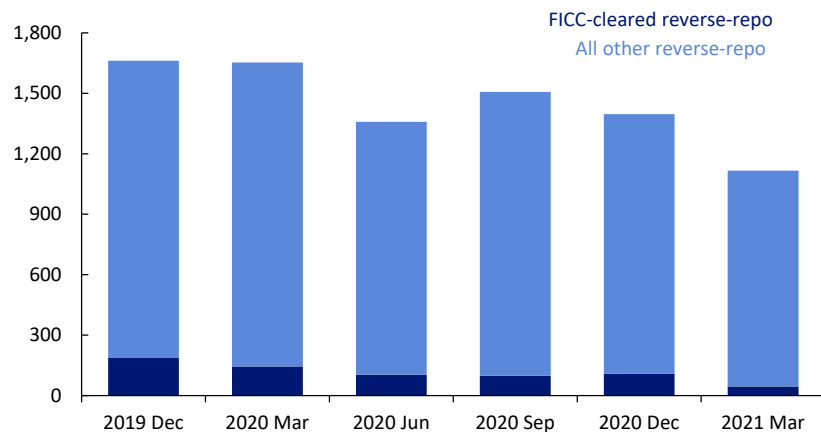
- DVP only made up \$45 billion (4%) of hedge fund repo borrowing in Q1 2021. The remainder is likely mostly uncleared bilateral. (see left figure)

Uncleared Bilateral Share of Total Primary Dealer Repo by Collateral



Sources: Federal Reserve Bank of New York Primary Dealer Statistics, Office of Financial Research

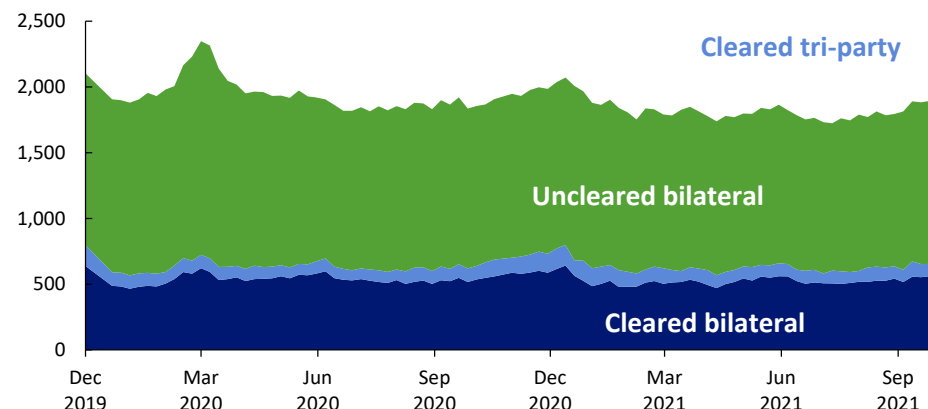
Hedge Fund Repo Borrowing



Note: FICC-cleared repo is total outstanding DVP repo for qualifying hedge funds.

Sources: Securities and Exchange Commission Private Fund Statistics, OFR Cleared Repo Collection

Primary Dealer Reverse-Repo Outstanding by Market (\$ billions)



Uncleared bilateral reverse repo is calculated as a residual using aggregates from the Primary Dealers Statistics less GCF and DVP reverse repo by primary dealers.

Sources: Federal Reserve Bank of New York Primary Dealer Statistics, OFR Cleared Repo Collection, Office of Financial Research

- **Calls for increased transparency *by regulators*.**

Calls for more transparency from [the FSOC](#), [IAWG on Treasury markets](#), and senior members of the [Federal Reserve Bank of New York](#) and [Treasury Department](#).

- **Calls for increased transparency *by the private sector*.**

This need was highlighted in the private sector's comments on our 2018 proposed rule on cleared repo, for example:

“[W]e recommend that the Office proceed with collecting data on uncleared bilateral repos as well, as access to comprehensive data covering the entire repo market is critical to monitoring overall market stability.” – [Citadel](#), Sept. 10, 2018

“...greater transparency into the repo market should help eliminate "blind spots" and facilitate the Council's risk efforts to identify and respond to emerging threats to the stability of U.S. financial markets.” - [Fixed Income Clearing Corporation](#), Sept. 10, 2018

- **OFR’s research shows this blind spot has only become more acute with the 2019 repo spike and March 2020 illiquidity.**

To inform a data collection, the OFR is interested in more information on:

- Setting thresholds for covered reporters.
- Existing data standards for uncleared bilateral repo transactions.
- Life-cycle and mechanics of uncleared bilateral trades.
- Margining practices and collateral valuation.

Outreach Plan

1. Inform in-government stakeholders of the pilot collection.
2. Consult with industry associations, financial institutions, and others.
3. Discussions with market participants.