

BMCG – Intermediation Capacity

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Intermediation

Main Constraints for Intermediation

Balance sheet limitation

- Bond issuance volumes increasing vs balance sheet
- Intermediation costs

Leverage allocation

- Leverage intensive activity
- Internal allocation for return optimisation

Liquidity risk

- Liquidity function of velocity
- Velocity decreasing with market risk
- Less liquid segments of market

Evolution of Dealer Intermediation

- Progress in Technology
- Emergence of new Non-Traditional Participants
- Cross selling

Funding and Liquidity.

Trading Desks Sources of Funding and Securities

- Asset Managers
- Supranational & Agencies
- Public Sector - Central Banks - DMO
- Sec Lenders
- Internal Treasury desk

MRO and Liquidity

- MRO level vs repo market level
- Not main tool but a backstop option

Balance Sheet Recycling

- Balance sheet turnaround cycle

Absorption of New Bond Issuance

Regulation

- Potential negative impact of phasing out dispensation treatment of reverse repos impacting NSFR. Mitigated by current EU call for evidence on estimated impact.
- Example of SLR in the US

Alignment to International Standards

- ESMA - Legislation Proposal to shorten settlement cycle in the Eurozone for Transferable securities in the CSDR. Moving from Settlement Date in T+2 to T+1 from October 2027
- Global Competitiveness and Alignment with other key jurisdictions such as the US, India, Switzerland and the UK
- Operational capacity
- Friction

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