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ECB MMCG: The role of non-bank financial intermediaries in euro repo markets

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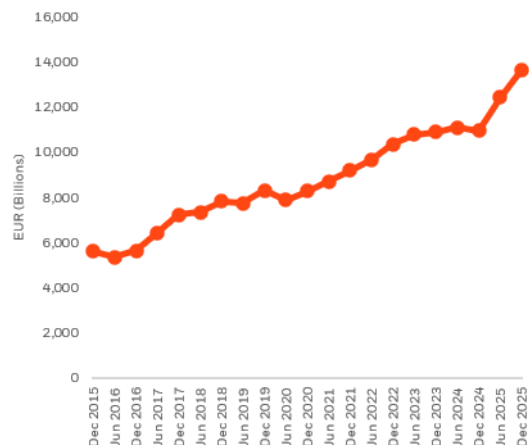
European repo market growth: rise of non-banks

A larger repo market and increasing non-bank activity are changing where liquidity is supplied, how collateral circulates and where intermediation capacity is required.

EUROPEAN REPO MARKET

€13.65tn

European repo market outstanding
(as of December 2025)



Source: ICMA European Repo Market Survey

NON-CLEARED COUNTERPARTY FLOWS

Banks remain central, while non-bank counterparties are prominent on both sides of the market



Source: ECB EMMS Portal

WHY NON-BANK PARTICIPATION MATTERS

They influence both sides of the market: the supply of cash and the circulation of collateral

01 Liquidity

Non-banks have become an increasingly important source of cash and collateral in repo markets.

02 Pricing & Tenor

A more diverse participant base creates differentiated funding demand and pricing outcomes.

03 Intermediation

Banks remain the critical transmission channel connecting cash, collateral and financing demand.

Non-banks increasingly shape liquidity and collateral flows, enhancing market depth and resilience, while bank intermediation remains a key channel connecting cash, collateral and financing demand

**NORMAL
MARKETS**

Broader liquidity and collateral circulation

STRESS

Leverage, collateral and capacity can bind together

Sources: user-provided taxonomy; ECB, ESRB, FSB and ICMA reference materials. Roles are typical, not universal.

Non-banks: a growth driver in repo markets

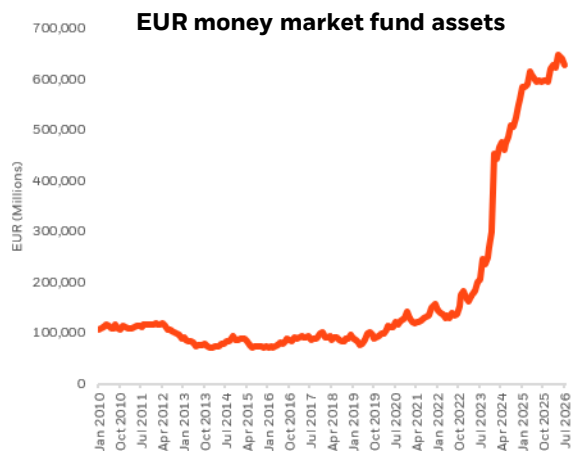
Larger liquidity pools, greater private-sector absorption of bond supply and evolving market access models have increased both demand and participation in repo.

01 LIQUIDITY POOLS & ADDITIONAL STRATEGIES

More non-bank liquidity is seeking secured investment and financing.

- Money market fund growth has increased cash seeking secured short-term collateral.
- Systematic and relative-value strategies have increased financing and collateral demand.
- Strong hedge-fund asset growth, performance and investment activity have supported increased repo use.

EUR MMF assets have risen sharply

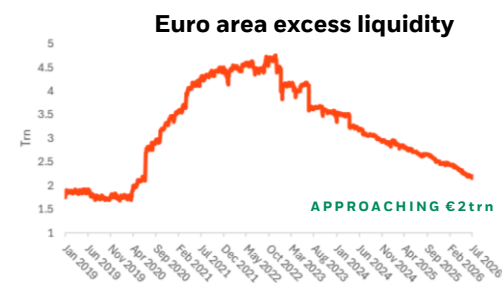
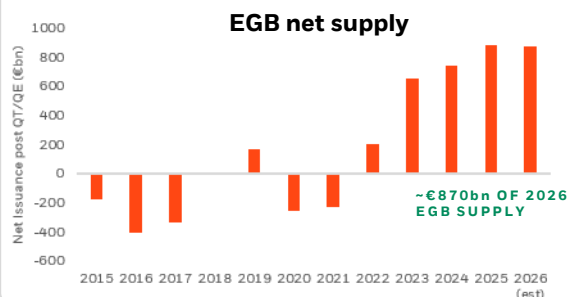


Source: iMoneyNet

02 COLLATERAL SUPPLY & PRIVATE FINANCING NEEDS

More government-bond supply is being absorbed and financed by private investors as central-bank intermediation recedes.

- Higher sovereign issuance has increased the stock of collateral requiring financing.
- QT and TLTRO repayments have reduced central-bank liquidity and intermediation.
- Private investors increasingly absorb, warehouse and finance government-bond supply.



03 ACCESS & MARKET STRUCTURE

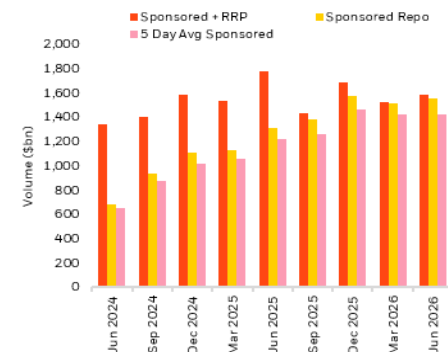
New access models can broaden participation, while dealer capacity remains the critical link.

- Sponsored clearing and electronic access can broaden participation routes.
- European adoption depends on viable economics, liquidity and operational access.

GLOBAL DEVELOPMENTS

US regulatory and sponsored clearing developments may influence future global capacity.

Quarter-end change in FICC repo



Who are the non-bank participants?

Non-bank participants are not homogeneous; their use of repo reflects distinct liquidity, financing and collateral requirements.

PARTICIPANT	TYPICAL POSITION	PRIMARY REPO ROLE	TENOR / ACCESS DRIVER
Money market funds / cash investors	Cash-rich	Reverse repo; secured cash deployment; liquidity and yield	O/N and short-dated; WAM/WAL limits, collateral eligibility and liquidity rules
Traditional asset managers / fixed income & credit funds	Both sides	Portfolio liquidity; cash management; financing; collateral sourcing	Portfolio horizon, redemptions, settlement needs and eligible collateral
Pension funds / insurers / LDI	Liquidity and collateral focused	Liquidity management; margin financing; collateral transformation; portfolio financing	Liability profile, margin calls, term certainty and operational access
Hedge funds	Both sides	Finance positions; basis and relative-value trades; securities sourcing	Strategy horizon, leverage, haircut, roll risk and demand for term financing
Securities lenders / custodians	Collateral-rich	Collateral supply; cash reinvestment; agency and client access	Inventory, client mandate, settlement route and collateral mobility
Other NBFIs / asset owners	Strategy dependent	Cash placement, liquidity management or financing depending on mandate	Institutional mandate, product eligibility, access model and liquidity needs

Roles are dynamic: participants can shift between providing cash, supplying collateral and raising financing as market conditions change and needs evolve.

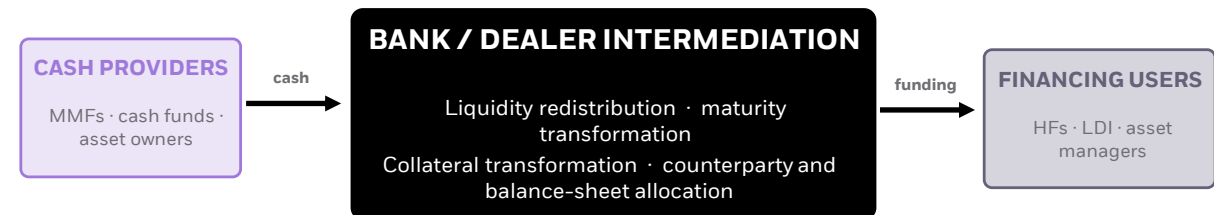
KEY MESSAGE

Repo supports cash deployment, portfolio liquidity, collateral mobilisation and financing – not simply leverage.

Bank intermediation remains key

As the repo market grows, bank intermediation capacity will be key to preserving access, liquidity and resilience.

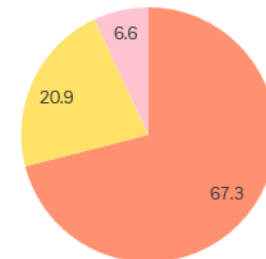
BANKS' ROLE IN INTERMEDIATION



Primary dealers form the central nodes of the non-cleared market, channelling liquidity from cash-rich participants to those requiring funding.

BANK CONCENTRATION

A growing market remains reliant on a concentrated group of intermediaries



Concentration of the top 10 banks has grown over the last 10 years from ~55% to ~70%

01 WHY THE BANK ROLE GROWS

More volume creates more transformation needs

- More short-dated cash must be matched to financing demand.
- More sovereign and cross-asset collateral must be financed and mobilized.
- Different counterparties, tenors and settlement routes must be connected.

02 WHAT CONSTRAINS CAPACITY

Capacity is balance-sheet dependent

- Leverage, capital, liquidity and internal client limits.
- Reporting dates, haircuts, margin and collateral eligibility.
- Netting value, clearing economics and settlement efficiency.

03 CONCERNTRATION & MARKET ACCESS

Bank capacity shapes executable liquidity

- Volume, tenor and marginal pricing available to clients.
- Access to secured funding when positions or margin needs rise.
- The market's ability to absorb one-sided flows during periods of stress.

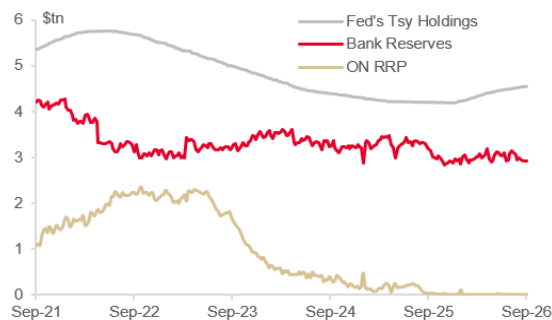
KEY MESSAGE

As repo activity grows, bank intermediation is critical. Reliance on a concentrated group of bank balance sheets reinforces the importance of preserving and diversifying access, liquidity and resilience.

Impact of NBFIs and banks on euro area excess liquidity: US case study

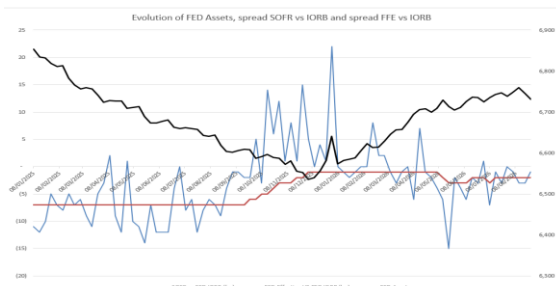
The US experience shows how quantitative tightening, non-bank cash pools and administered facilities can affect different parts of the secured-funding ecosystem.

01 ON RRP absorbed much of the initial QT adjustment



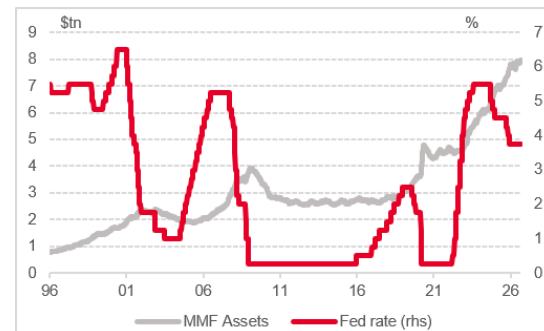
ON RRP balances declined sharply while bank reserves were comparatively stable for much of the period, cushioning the reserve impact of balance-sheet runoff.

02 Secured and unsecured rates respond differently



SOFR showed greater short-term variability than the effective federal funds rate around administered rates, illustrating that secured and unsecured markets need not transmit balance-sheet changes identically.

03 Higher policy rates have coincided with MMF growth



Historical rate-hiking cycles have coincided with growth in MMF assets, expanding the pool of non-bank cash available for secured investment.

EURO-AREA IMPLICATION

As excess liquidity declines, market capacity depends not only on reserves, but also on where non-bank cash is invested, whether that cash can reach financing users and how much dealer balance-sheet is available to intermediate it.

KEY QUESTION

Can non-bank cash pools and dealer capacity absorb the debt that must move into private hands as central-bank liquidity declines?

Sponsored clearing can broaden capacity, but adoption remains conditional

In Europe, sponsored clearing is best viewed as a voluntary, complementary tool to bilateral repo, rather than a substitute for dealer intermediation.

WHAT CLEARING CAN ADD

Central clearing can, in some cases, provide more reliable access to liquid markets during periods of stress.

WHY ADOPTION REMAINS CONDITIONAL

Clearing introduces legal, operational and implementation costs; benefits, costs and practical challenges are not distributed evenly across non-bank participants.

CLIENT CLEARING IN EUROPE REMAINS NASCENT

Progress has been made to evolve the model, but key challenges remain.

01 LIQUIDITY AT THE CCP

- CCP liquidity is concentrated at shorter maturities.
- Banks have stronger incentives to clear where there are meaningful netting opportunities; existing maturity mismatches across their client base can limit the overall netting benefit.

02 ECONOMICS

- Additional margin requirements increase liquidity demand during periods of volatility.
- Client participation depends on bilateral versus cleared economics, transparency and manageable margin requirements.

03 ACCESS

- Access models are evolving to support a broader range of client types (hedge funds, pension funds and cash-provider-only funds).
- Eligibility criteria and restrictions under UCITS and MMF frameworks can still create barriers to entry.

04 PRACTICAL MARKET-STRUCTURE DEVELOPMENT

- Progress requires scalable workflows, broader custodian and prime-broker access, appropriate collateral eligibility, improved visibility into cleared liquidity and greater standardisation.

KEY MESSAGE

Sponsored clearing can add resilience and capacity where the economics and operating model work, while bilateral markets and dealer intermediation remain essential.

AI in an already expanding financing ecosystem

AI investment is expanding corporate financing activity, resulting in growth in credit and equity financing needs and greater reliance on dealer balance sheets and intermediation

AI EXPOSURE => FINANCING MARKETS

01 AI / data-centre investment

High and sustained capital expenditure



02 External capital formation

Corporate bonds · equity · leases · private capital



03 Credit and equity exposures

Larger issuance · benchmark weight · investor positions



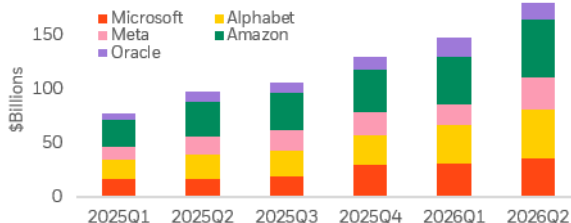
04 Securities-financing ecosystem

Repo · securities lending · PB · collateral swaps

Dealer intermediation

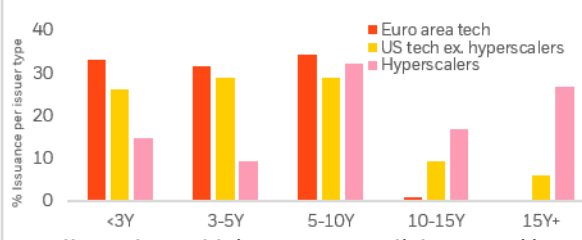
MARKET IMPACT

01 EXTERNAL FINANCING REQUIREMENT



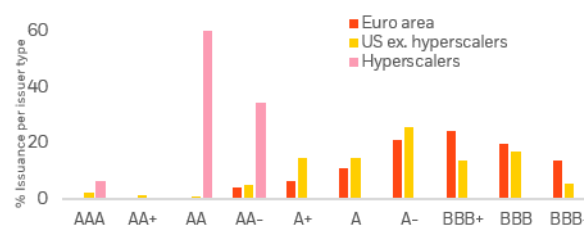
Hyperscaler financing requirements increase as AI investment rises.

02 LONGER MATURITY PROFILE



Hyperscaler euro debt is more concentrated in longer maturities.

03 HIGHER-RATED CREDIT MIX



Hyperscaler issuance adds higher-rated technology credit to euro markets.

WHAT IS CHANGING?

AI investment is increasing financing needs

RAPID INVESTMENT GROWTH

Big-five hyperscaler capex is forecast to exceed **\$600bn in 2026**, ~75% linked to AI infrastructure.

MORE EXTERNAL FINANCING

Growing investment is driving greater use of **corporate debt and other capital markets**.

FINANCING MARKET IMPACT

More debt and equity exposures can feed into **repo, securities lending and PB activity**.

BALANCE-SHEET COMPETITION

AI-related financing may compete with **sovereign and credit markets for dealer capacity**.

KEY MESSAGE

AI is best viewed as a growing source of underlying financing demand. The repo impact comes through additional supply, equity financing and competition for intermediation capacity.

Sources: MUFG, "Financing the AI Supercycle" (Dec 2025); FactSet, "Hyperscalers Tap External Financing as AI Capex Outruns Cash Flow" (23 Jul 2026). Market-structure statements are framing for MMCG discussion; deck does not evidence a quantitative share of AI-related collateral in EUR repo.

Key takeaways

for MMCG discussion

Non-banks are increasingly structural participants in the euro repo market — resilience depends on how diverse liquidity, financing and collateral needs interact with market capacity.

PRESENTERS

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KEY TAKEAWAYS

- 1 NBFI are structural participants** Non-banks increasingly support cash deployment, financing, collateral mobilisation and portfolio construction — not simply leverage.
- 2 Role in the market matters more than participant type** NBFI roles are dynamic — participants shift between providing cash, seeking financing and supplying collateral as needs evolve.
- 3 Tenor reflects underlying behaviour** Liquidity needs, strategy horizon, leverage, rules and balance-sheet dates shape demand across overnight and term repo.
- 4 Capacity remains conditional** Liquidity is not determined by cash availability alone — dealer balance sheet, regulatory requirements, netting, clearing, collateral eligibility and settlement shape the capacity to intermediate cash and collateral.
- 5 Resilience requires a whole-market view** Understanding resilience requires visibility across both NBFI demand and the dealer intermediation capacity supporting it.

MMCG QUESTION

As NBFI participation grows and markets evolve, can intermediation capacity scale while preserving access, liquidity and resilience during periods of stress?

WHO IS GROWING? | WHAT IS FINANCED? | DOES COLLATERAL MOVE? | WHERE DOES CAPACITY TIGHTEN FIRST?

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