

EUROPEAN REPO COMMITTEE

Hon. Minister Giulio Tremonti  
Ministero dell'Economia e delle Finanze  
Dipartimento del Tesoro  
Via XX Settembre, 97  
00187 Roma

London, January 28, 2009

By email

Hon. Minister Giulio Tremonti,

Italian Government Bond Specialists - Repo market comments

The European Repo Council (ERC) was established by the International Capital Market Association (ICMA) in December 1999 to represent the EUR 7 trillion repo community in Europe.

The repo market is one of the largest and most active sectors in today's money markets and, as evidenced in the recent market turmoil, plays a critical role in liquidity provision for the financial system.

The European Repo Council has read with interest the Italian Ministry of Economy and Finance document on Italian Government Bonds Specialists and its evaluation criteria for 2009. The share of collateral of Italian government bonds in repo is reaching 12.4% according to the latest ICMA European repo market survey<sup>1</sup> - the third most important collateral in European repo trading. The European Repo Council has a keen interest in the trading of Italian bonds.

The European Repo Council aims at establishing a truly pan-European market for repo trading. In light of the 'Evaluation of Specialists' section of your document, the ERC considers that clear discrepancies appear in secondary market trading. Indeed, in regulated markets a score between 0 and 4 is assigned based on the market share of each Specialist, whereas for non-regulated markets a score

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<sup>1</sup> Published in September 2008 and available at <http://www.icmagroup.org/ICMAGroup/files/87/87522ca3-2f75-4bef-98c6-b8a98e9bf7d8.pdf>

between 0 and 3 is assigned.

The European Repo Committee – the executive body of the European Repo Council - discussed this point at its last meeting held in January 21, 2009. The Committee is of the view that the document and the evaluation criteria lead in fact to discrepancies in the market as regulated and non-regulated platforms are not assessed in the same way. Committee members referred to the requirements of the Markets in Financial Instruments Directive 2004/39/EC EC ('MiFID') which seek to establish a level-playing field between trading venues.

The differences in evaluation criteria applied for regulated and non-regulated markets are at odds with MiFID and do not permit a level playing field for competition between trading venues. The European Repo Committee would suggest that evaluation criteria used by the Italian Department of the Treasury are re-examined in light of these MiFID requirements.

The European Repo Committee remains at your disposal to discuss any of the above points,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'De Vidts', with a long horizontal line extending to the right from the end of the signature.

Godfried De Vidts  
Chairman  
European Repo Council

Cc: Commissioner McCreevy, Nathalie De Basaldua CAB, Commissioner Kroes, Lorena Boix-Alonso CAB.