

Canadian Repo Market Fact Sheet



Le marché canadien des pensions : fiche d'information

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This report provides statistics on trading activity in the Canadian repo market to bring transparency to a core Canadian funding market. This publication is geared towards financial market practitioners who are familiar with the basics of the repo market. Statistics are calculated using transaction-level regulatory data from the Market Trade Reporting System (MTRS) submitted by Canadian investment dealers to the Canadian Investment Regulatory Organization (CIRO). MTRS data is the most comprehensive dataset for the Canadian repo market and is representative of the market structure.

Data and sample period

All data, unless otherwise indicated, represents Canadian dollar repos transacted by Canadian repo dealers and Government Securities Distributors (www.bankofcanada.ca/markets/government-securities-auctions) during the period from May 1, 2023 to May 1, 2024. We have excluded repos between affiliated counterparties belonging to the same group of companies such as between a bank’s treasury and the group’s capital markets or asset management entities. The data is missing minor segments of the market such as “peer-to-peer” client trading and trades that do not involve a Government Securities Distributor and may therefore underestimate certain volume and outstanding amounts. For more detailed background about the about the Canadian repo market, see: www.bankofcanada.ca/2016/03/staff-discussion-paper-2016-8/.

Section 1: The Canadian repo market at a glance

Table 1 provides high-level measures of the size and composition of the market. Panel A presents a breakdown by trading volume while Panel B presents a breakdown by amount outstanding. Both panels are broken down by dealer repo where a dealer obtains cash by selling a security and dealer reverse repo where a dealer provides cash by buying a security. Table 1 also breaks down the market into the *interdealer market* where dealers and banks trade among themselves, and the *dealer-to-client* market where dealers transact repos with clients such as pension and hedge funds, asset managers, etc. These two segments have a somewhat different market structure and are covered separately in sections 2 and 3.

Table 1: Breakdown of total volume and outstanding

Panel A: Trading volume			
May 1, 2023 – May 1, 2024		Dealer reverse repo	Dealer repo
Average daily trading volume		\$61 billion per day	\$79 billion per day ¹
Median trade size		\$30 million	\$43 million
Interdealer vs. Dealer-to-client market	Interdealer	58%	53%
	Dealer-to-client	42%	47%

¹ For dealer volume, repo is greater than reverse repo (Panel A), however, the opposite is true for dealer outstanding (Panel B). This is because most of dealers’ reverse repo outstanding is from term repos (shown in Panel B) which contribute substantially less to trading volume.

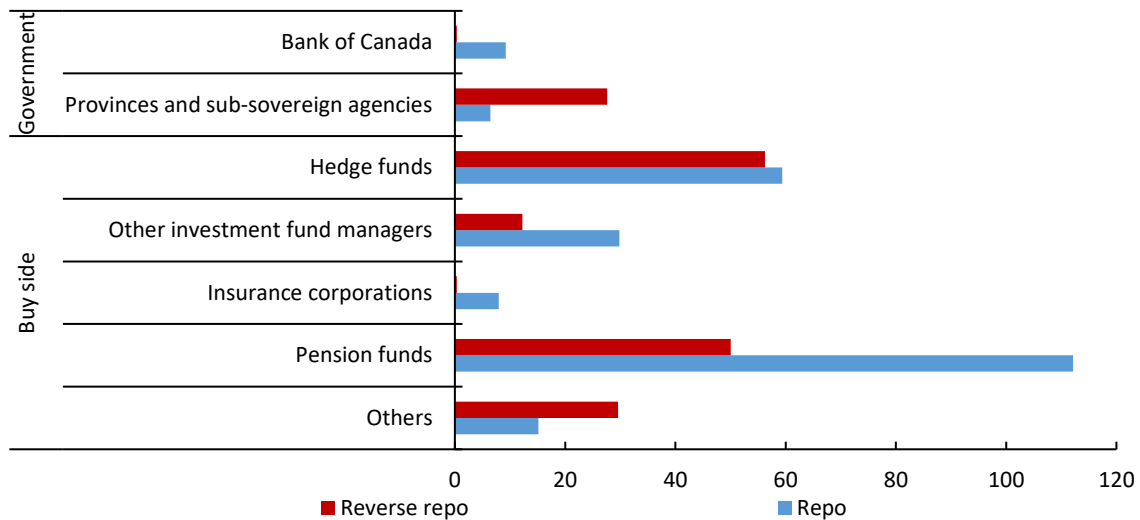
Collateral ²	Government of Canada	79%	66%
	Federal crown corporation	4%	8%
	Provincial	9%	16%
	Other	8%	10%
Panel B: Amount outstanding			
May 1, 2023 – May 1, 2024		Dealer reverse repo	Dealer repo
Average amount outstanding		\$298 billion	\$243 billion
Interdealer vs. Dealer-to-client market	Interdealer	23%	27%
	Dealer-to-client	77%	72%
Remaining maturity	Less than a week	40%	60%
	One week – one month	24%	22%
	One month – one quarter	15%	5%
	Longer than one quarter	8%	1%
	Open repo	13%	12%

Section 2: The dealer-to-client market

The dealer-to-client market segment is where dealers transact with non-bank and non-dealer counterparties.

Figure 1 – Client repo and reverse repo average outstanding (Can \$ billions)

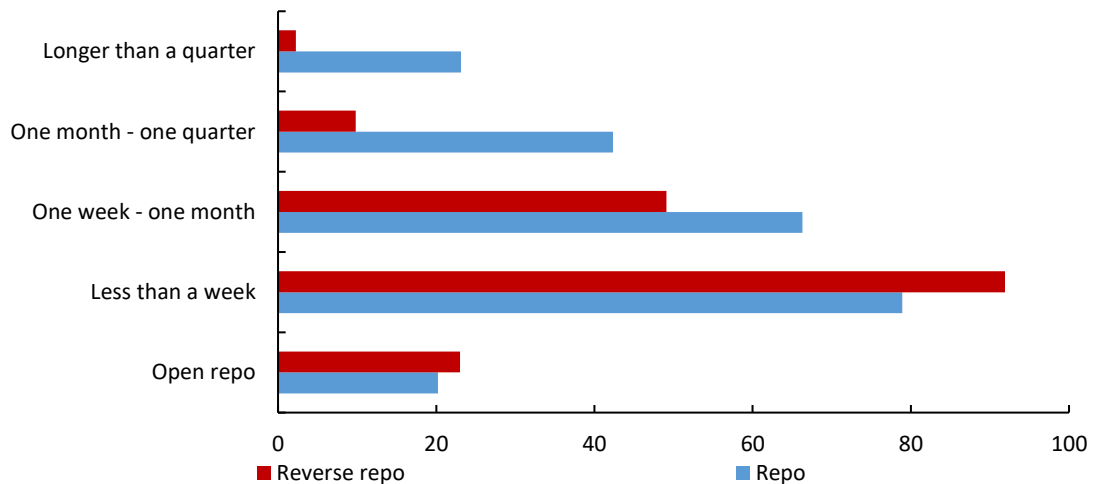
² Federal Crown corporation securities are primarily those issued by the Canada Mortgage and Housing Corporation; Other securities are primarily those issues by Canadian corporations.



Note: "Others" includes foreign central banks, credit unions, mortgage finance companies, non-financial corporations, trusts, sovereign wealth funds, and transactions with missing counterparty LEI information.

Some market participants (e.g., hedge funds) actively use other types of securities financing transactions such as prime brokage and securities lending markets, so the figures do not represent a complete view of their securities financing in Canada.

Figure 2 – Client average remaining time to maturity of outstanding repos (Can \$ billions)³



³ Open repos that remain active longer than one year have been dropped. This is to correct for open term repos whose closing legs are erroneously not reported, potentially leading otherwise to overestimates of outstanding amounts.

Figure 3 - Client repo and reverse repo maturity at trade date (volume share, percent)

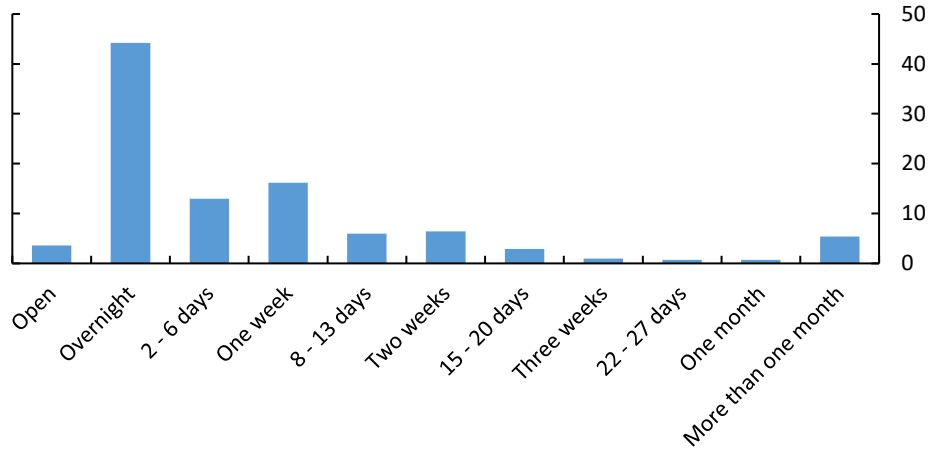
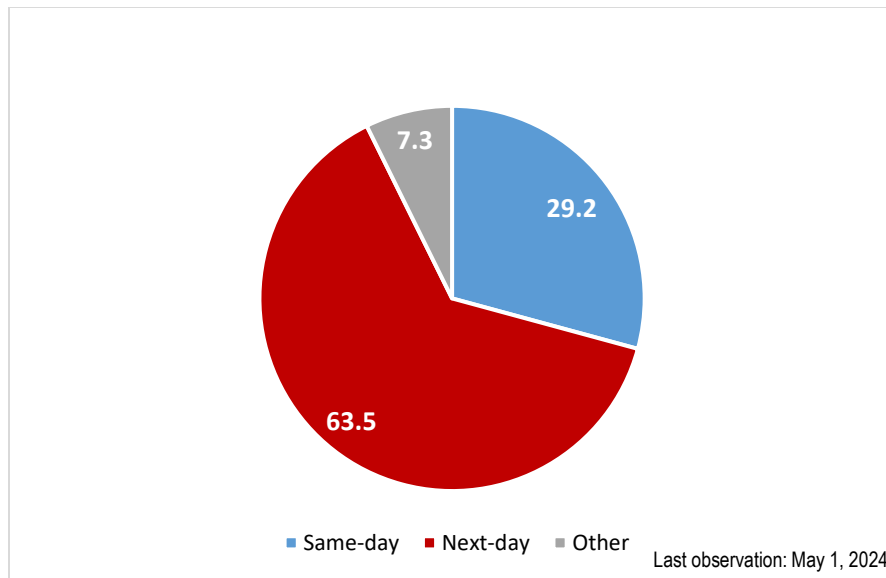


Figure 4 – Client settlement conventions: same day vs forward repos (volume share, percent)



The proportion of forward-settled repos has likely declined since May 27, 2024 as a result of the shift in the cash bond settlement convention from T+2 to T+1.

Figure 5 – Client collateral type (volume share, percent)

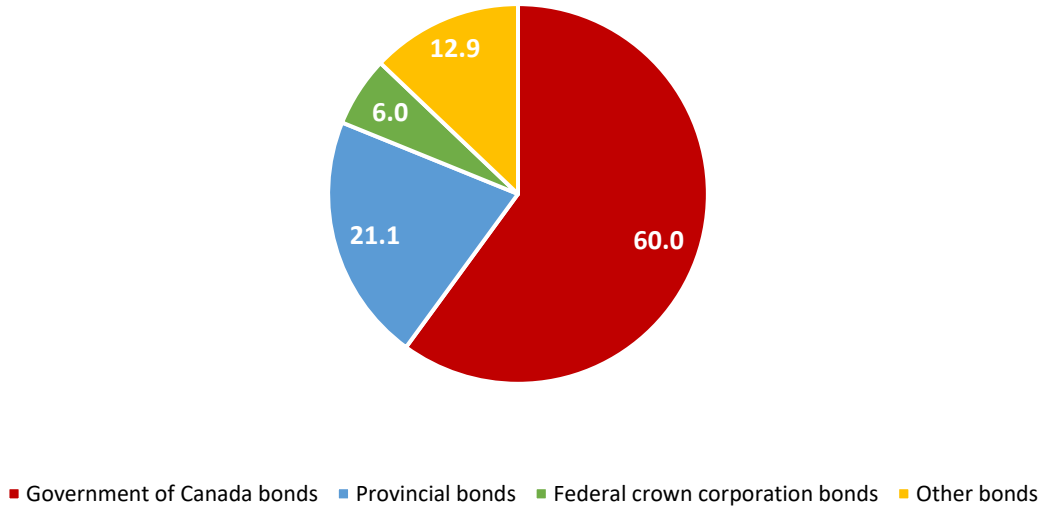
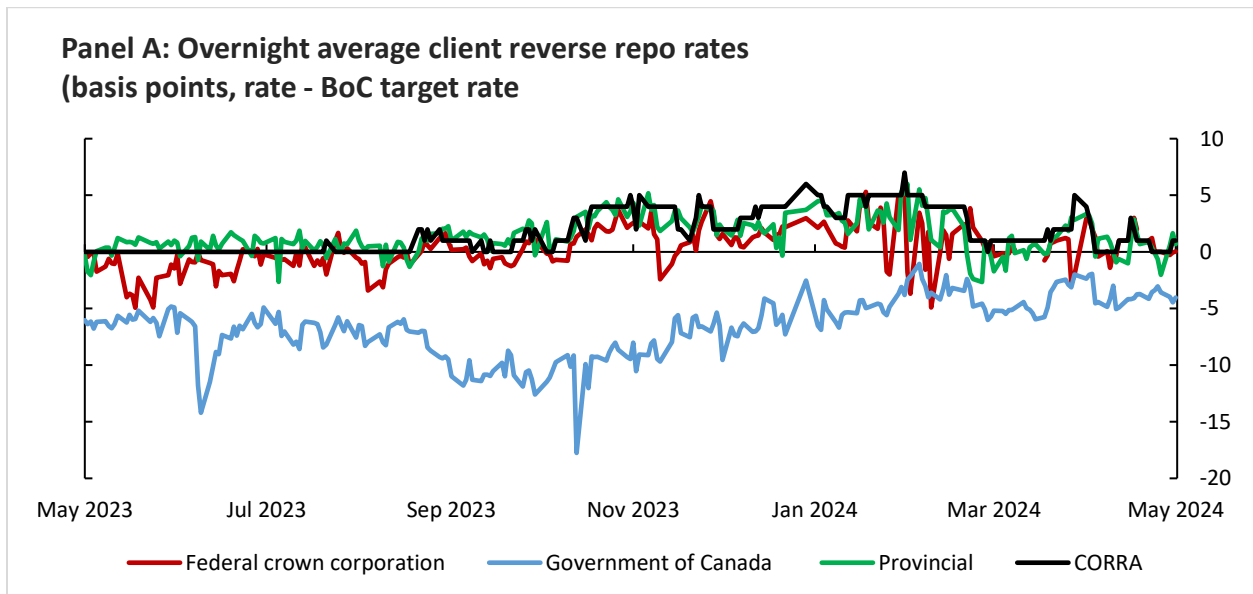
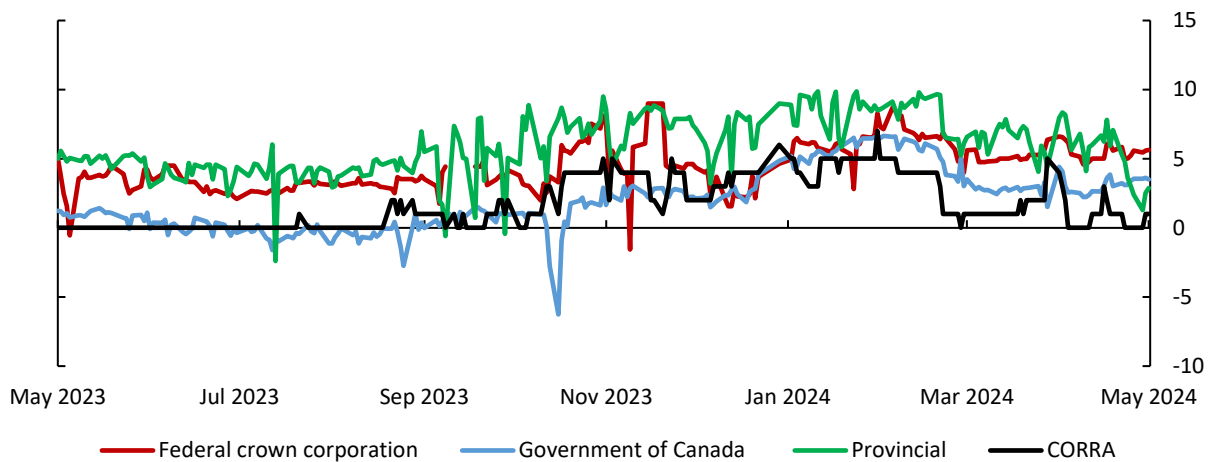


Figure 6 – Relative client repo and reverse repo rates for overnight transactions



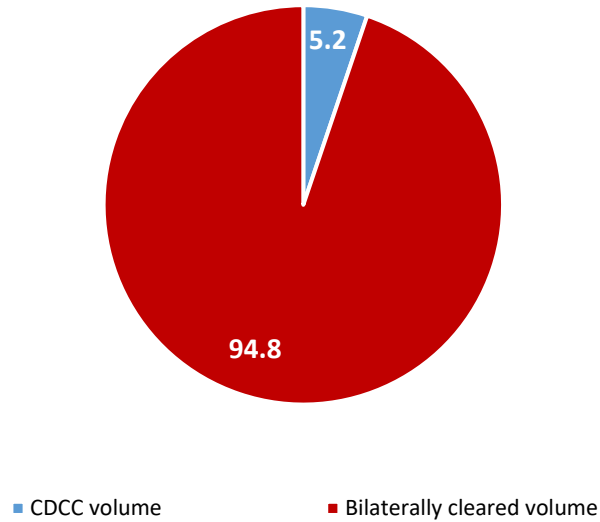
**Panel B: Overnight average client repo rates
(basis points, rate - BoC target rate)**



Outlier repo and reverse repo rates for a given security were dropped if they were three standard deviations or more away from the weekly mean of a given collateral type. The figure highlights that clients typically pay a higher interest rate when receiving cash via repo than they earn when they are providing cash via reverse repo, by around five basis points. Client reverse repo rates for Government of Canada securities tend to be lower because some of these trades are initiated to source specific collateral that is in high demand. Such securities attract a lower “special” repo rate to compensate cash receiver for lending scarce collateral and therefore the spread between reverse repo and repo rates is generally wider than the five basis points mentioned above. Note that the calculated CORRA rate is much less affected by this repo specialness as it excludes a certain percentage of securities trading on special at lower repo rates.

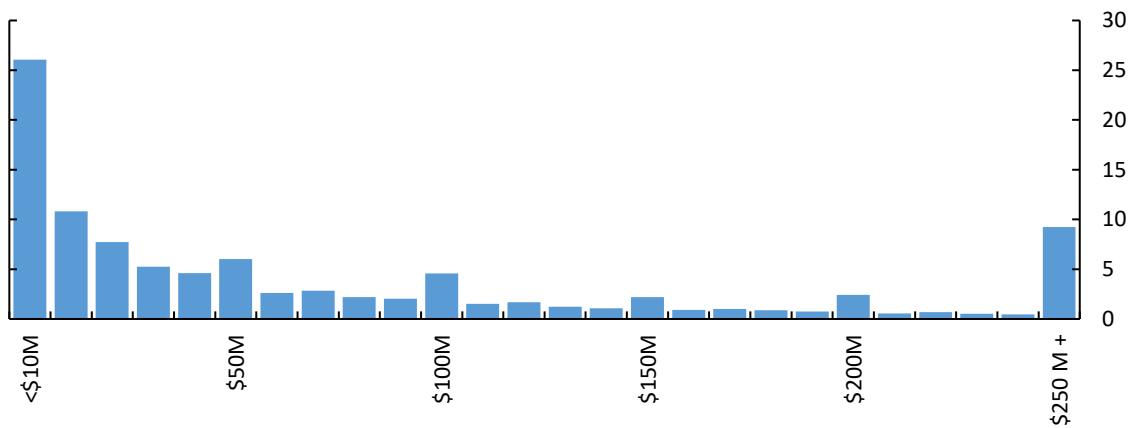
<https://www.bankofcanada.ca/rates/interest-rates/corra/methodology-calculating-corra/#calculation-methodology>.

Figure 7 – Client central clearing (volume share, percent)



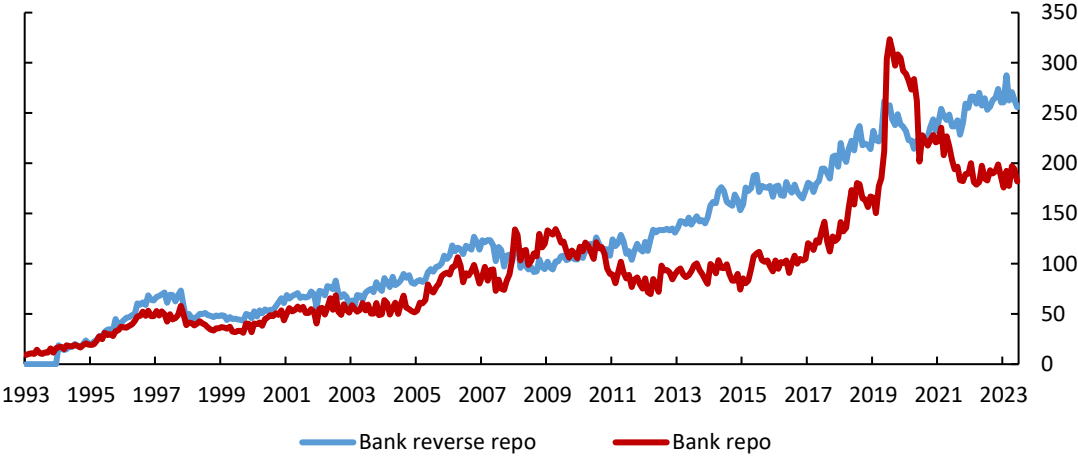
The Canadian Derivatives Clearing Corporation serves as a central counterparty for repo; for more information, see: www.cdcc.ca/en/exchange-traded/fixed-income. Dealer-to-client repos are centrally cleared less often than interdealer repos because only a small subset of Canadian buy-side clients are members of CDCC whereas all major dealers are members.

Figure 8 – Client trade size (percent)



The interdealer market includes repos done by CIRO-registered dealers and banks who conduct repos and reverse repos for their own funding, securities sourcing and cash management needs. Repos in the interdealer market tend to be short term, with overnight repos being most prominent maturity whether conducted on a same-day or tomorrow-next basis, and GoC bonds being the most prominent collateral.

Figure 9 - Total Canadian bank repo outstanding reported on balance sheet (Can\$ billions)

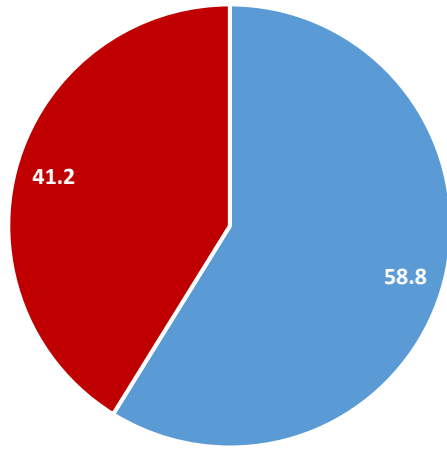


Source: Office of the Superintendent of Financial Institutions

This chart’s data is sourced from the financial statements filed by Canadian deposit-taking banks to the Canadian banking regulator. This data shows that Canadian banks are typically net cash lenders outside crisis times in 2008 and 2020 when banks received cash from the Bank of Canada through its repo operations. The outstanding amounts underestimate the total gross repo and reverse repo outstanding of Canadian banks due to balance sheet netting. In 2023, this netting amounted to around 18% of gross repo outstanding. Banks can decrease reverse repo assets and repo liabilities reported on their balance sheets when filing financial statements for offsetting repo and reverse repo amounts with the same maturity date, counterparty and settlement mechanism and where there is a legal framework to settle on a net basis; balance-sheet netting is a common practice for centrally cleared repos but can also be done for bilaterally cleared repos.

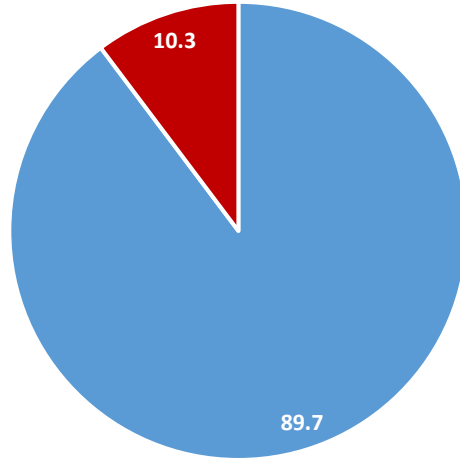
Figure 10 – Interdealer trading and clearing

Panel A: Interdealer volume traded through an inter dealer broker (percent of total)



■ Over-the-counter ■ Interdealer broker

Panel B: Interdealer volume centrally cleared (percent of total)



■ CDCC volume ■ Bilaterally cleared volume