Asian financing markets are working well; there is no indication that for individual market participants, not using repo is causing any difficulty. For the market as a whole however, a lack of repo means that corporate and government bonds are losing an important piece of liquidity that could aid in the development of the region’s capital markets and help local companies raise money at lower cost.

A loss of potential repo activity also hinders a regional goal of moving away from the US dollar towards local currencies. A strong demand for dollars keeps the FX swaps market healthy, but this is partly because there are few other means for some countries to access their local currency for financing in international markets. Repo markets for domestic bonds would enable more business to be conducted in their currencies, leading to a reinforcing cycle of economic development.

For this report, we found $3.116 trillion in outstanding repo activity in the Asia-Pacific region (see Exhibit 1). The majority of this, at 67%, is business conducted on a domestic Central Counterparty (CCP) or Central Securities Depository (CSD). Bilateral transactions stand at 25% of the market while international tri-party providers manage 8%. By country, combining tri-party, domestic CCP/CSD and bilateral business, China hosts the biggest repo market in the region followed by Japan.

This report is an investigation of local currency repo markets in Asia. It provides market segmentation data using a combination of Finadium survey, government and private sector sources. It looks at the root causes of why repo in Asia is still in early stages of adoption and what alternatives may be available for policy makers and market participants to prioritize repo over unsecured loans and FX swaps. It
concludes with a discussion on why a Pan-Asian stablecoin based on collateral may make more sense in Asia than other parts of the world, and the potential impact of Total Return Futures as a cleared alternative to repo.

**Exhibit 1:**
Asian repo business by country
Total = US$3.116 trillion

![Pie chart showing repo business by country](image)

Source: Finadium, November 2019

**About Finadium**
Finadium is a research and consulting firm focused on securities finance, collateral and derivatives. In its research practice, the firm assists plan sponsors, asset managers, brokers, custodians, hedge funds and technology firms with understanding the market and in maximizing the effectiveness of their resources. Finadium research is available on a subscription basis. Finadium also conducts consulting assignments on vendor selection, marketing and product development. Finadium publishes the daily news and opinion site Securities Finance Monitor.

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