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Has European fixed income evolved faster than the infrastructure supporting it?

Yama Darriet, head of OTC and Repo Expansion at Euronext, provides a deep dive into the different facets within the fixed income market and key considerations for firms to attain core benefits

As fixed income businesses evolve, firms need to assess how their current infrastructure supports efficiency, manages risk, and preserves choice. The practical question is then how to allocate activity across available clearing routes while retaining valuable netting benefits.

A fixed income business can change considerably while its clearing arrangements remain much the same. A dealer expands into another sovereign market. Its bond inventory grows, its repo requirements shift, and new clients bring different financing needs, trading strategies, and risk profiles.

At what point should those changes prompt a fresh look at where, and how, the business clears?

The assessment should consider the implications of relying on a single clearing arrangement compared with maintaining two, both today and as the business develops.

Established arrangements may remain appropriate, but that conclusion should reflect the current portfolio, its counterparties, and its dependencies. It is clear that clearing (if you pardon the pun) deserves a place in that wider assessment.

The scale of repo activity reinforces the relevance of that assessment. ICMA's 50th European Repo Market Survey, published in March 2026, recorded €13.65 trillion of outstanding repo and reverse repo across 59 participants in December 2025, up 24.6 per cent year-on-year. These figures reflect outstanding positions within the survey sample, rather than market turnover.

Volumes, however, are only one dimension. As a dealer serves a broader range of participants, the composition of its business can change too. Clients may have different investment horizons, liquidity needs, and directional exposures. Understanding those differences is essential to assessing whether clearing arrangements remain suited to the activity they support.

For cash bonds and repo, the economics are closely connected. Repo finances inventory and can provide securities needed to meet delivery obligations. Reviewing bond transactions and their financing separately risks overlooking costs, efficiencies, and dependencies that become apparent only at portfolio level.

Consider a hypothetical dealer expanding its cash bond activity in another European sovereign market. Serving those clients means holding additional inventory and financing it through repo.

The dealer needs to understand how its clearing arrangements will support both activities, including the risk profile of the business it expects to attract.

The first step is to assess what the existing arrangement already delivers. Concentrating eligible positions can support netting and, where the risk model and account structure permit, margin offsets across related cash bond and repo activities. Familiar settlement processes also have value. These benefits form the benchmark against which an additional clearing relationship should be assessed.

The next step is to examine how risk is managed within each arrangement. Central clearing helps manage bilateral counterparty risk, but the assessment also needs to consider the central counterparty's (CCP's) own exposures, safeguards, and participant structure.

The relevant questions extend beyond which counterparties are available to trade. How do participants access clearing, and where do their

obligations sit? How are exposures controlled? What commitments could fall on the dealer under the applicable default-management arrangements

Participant composition matters here. Different access structures and concentrations of activity can change the risks a CCP must manage. Where participants follow similar strategies or hold directional portfolios, firms should examine whether those exposures create concentrations that could be difficult to manage during stress.

Broader participation alone does not determine the outcome: the resulting exposures and the safeguards applied to them are what count.

Operational dependencies deserve equally direct scrutiny. If a dealer relies on one CCP for a segment of its business, disruption to that route could constrain its ability to clear new activity. An additional relationship may provide another route, provided the necessary products, counterparties, limits, and operational capacity are available.

Reliance on a single CCP creates a dependency that firms should assess as their business grows. Maintaining an additional, operationally-ready clearing relationship can reduce that dependency by providing another route for eligible new activity if the primary route is disrupted. The practical value lies in ensuring that the necessary counterparties, limits, collateral, and operational capacity are in place to use it when needed.

The practical task is therefore to assess how business and risk could be allocated across multiple CCPs while minimising the loss of netting benefits.



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Head of OTC and Repo Expansion
Euronext

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Splitting offsetting positions can increase aggregate margin. Another relationship also brings fees, operational work and, where applicable, default fund commitments. Allocating a coherent segment of cash bond and repo activity may produce a different result from dividing individual transactions.

The dealer should compare the combined costs, liquidity requirements, and concentrations created across both relationships, including the effect on its remaining portfolio.That assessment must be grounded in executable business.

Margin efficiencies only matter if the relevant securities, counterparties and access arrangements are available. Settlement and triparty connectivity also influence whether the proposed allocation fits existing custody and collateral processes.

Resilience should then be tested against specific scenarios. During disruption to one CCP, which new transactions could realistically be directed elsewhere? During market-wide stress, could the dealer meet simultaneous margin and liquidity demands across both arrangements?

Existing positions and their supporting collateral cannot be assumed to move freely between CCPs. A credible assessment must establish which obligations remain at each clearing house, what resources would be required, and which activities could continue through the alternative route.

Better information can support that analysis. In May 2026, CPMI–IOSCO published proposed amendments to CCP resilience guidance and public disclosures addressing areas including margin simulation tools, initial margin responsiveness, and model governance. For participants, a practical use of greater transparency is to compare portfolio allocations under consistent market and stress assumptions.

There is also a longer-term commercial consideration. A credible alternative gives firms greater choice as their requirements evolve. Competition can encourage improvements in service, functionality, and pricing, although those benefits should be evaluated alongside the cost of maintaining another relationship. The value lies in having a usable option and the ability to act on it.

The next step is to test the proposed allocation through suitable activity. A defined segment of business can reveal how projected efficiencies translate into collateral movements, settlement outcomes, and daily operating costs.

Regular use also keeps teams familiar with the processes, providing evidence on which to expand, adjust, or reconsider the relationship.

Adding a new clearing relationship will naturally require justification, but existing arrangements deserve the same scrutiny to ensure they remain fit-for-purpose as business needs evolve.

For a cash bond and repo portfolio, it means understanding which netting benefits remain valuable, how participant composition affects risk, which dependencies matter, and how those factors could change over time.

A deliberate allocation should preserve efficiency while providing the choice and operational capacity the business needs.

If your fixed income business has evolved but your clearing strategy has not, is that a deliberate choice, or a decision still waiting to be made? ■

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