

Discussion of 'Repo and FX Swap: A Tale of Two Markets'

by Wenxin Du, Georg Strasser, Adrien Verdelhan

Bank of England 2026 BEAR Conference

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The views expressed here do not necessarily reflect the position of the Bank of England.

Paper asks: What do global banks do?

- ▶ Unique data on EU global banks' market-making operations in FX swap and Repo markets
 - See prices, quantities and counterparties at high-frequency based on actual transactions

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 - CIP spikes at quarter-ends are driven to large extent by repo balance-sheet costs increasing

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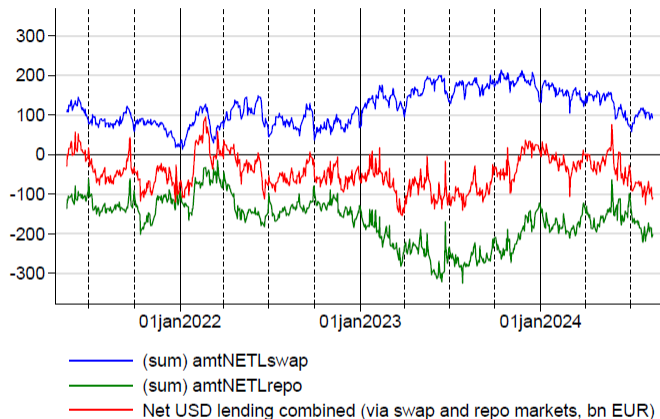
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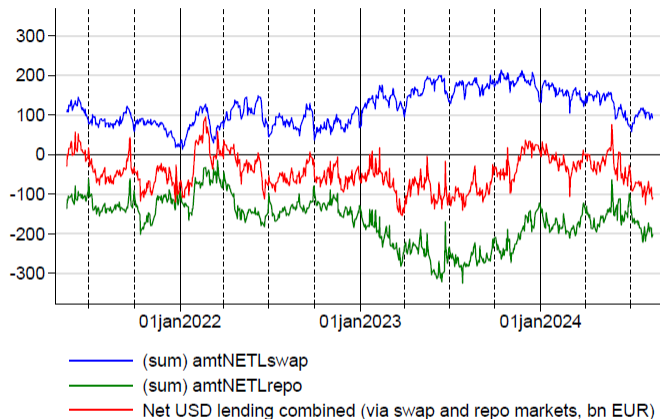
[Very convincing!](#) and got me thinking...

A Key Chart and Some Open Questions



Source: Du, Strasser, Verdelhan (2025)

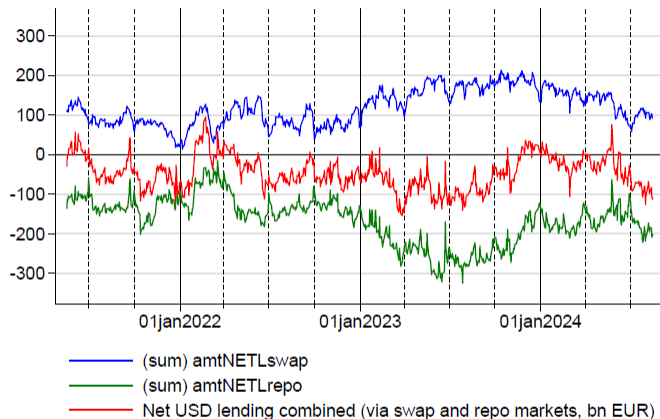
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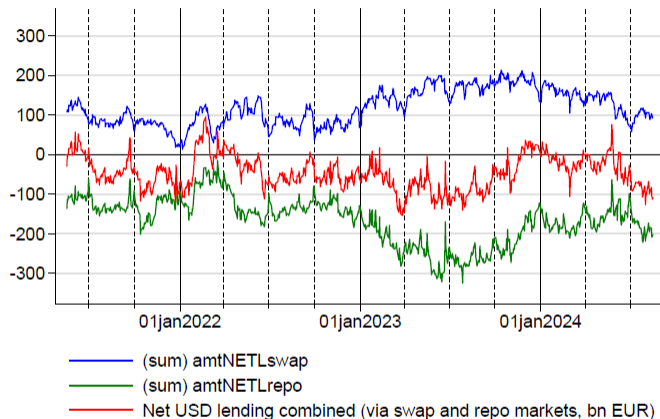
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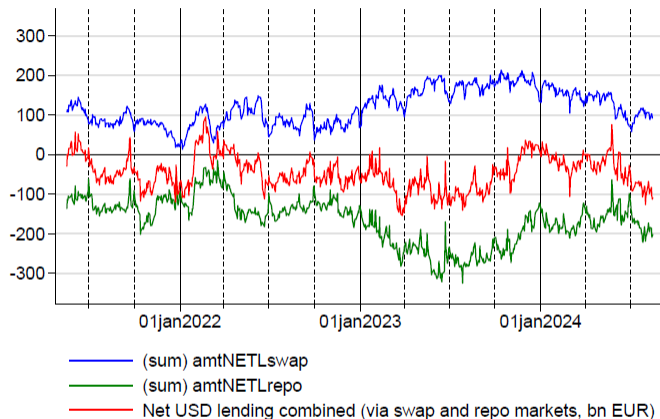
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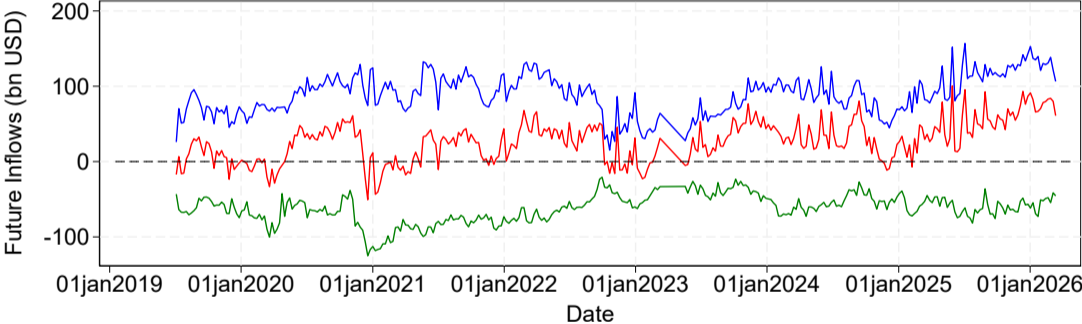
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1. Is red line noise? Are banks market makers or risk takers?
2. How similar are swap (blue) and repo (green)? What about their maturity profile?

Are banks simply market makers or do they demand compensation for risk?

USD Safe-Asset Secured & USD/GBP FX Swap Net Lending

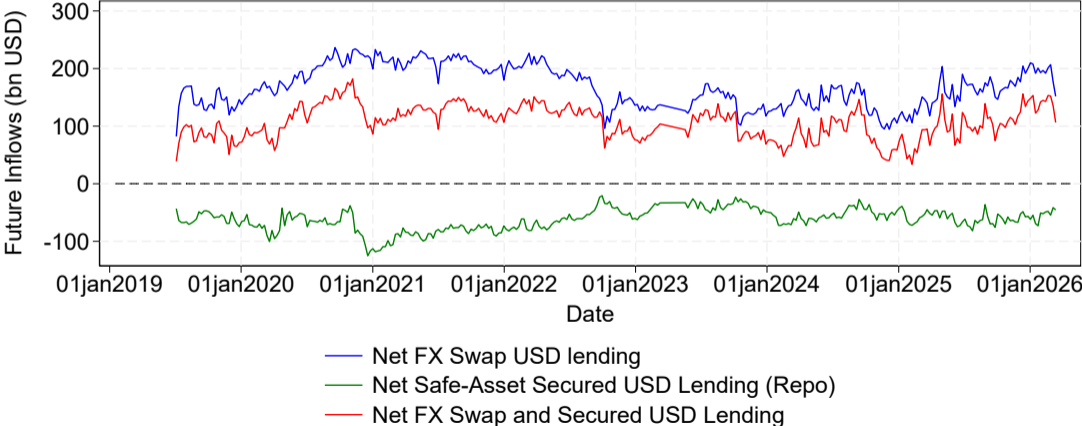
Figure: UK Banks without major USD wholesale deposit base



- Net FX Swap USD lending vis-a-vis GBP
- Net Safe-Asset Secured USD Lending (Repo)
- Net FX Swap (vs GBP) and Secured USD Lending

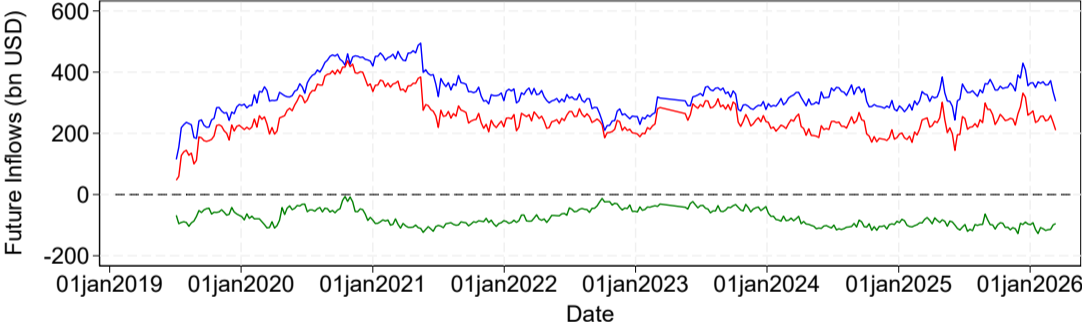
USD Safe-Asset Secured & USD FX Swap Net Lending

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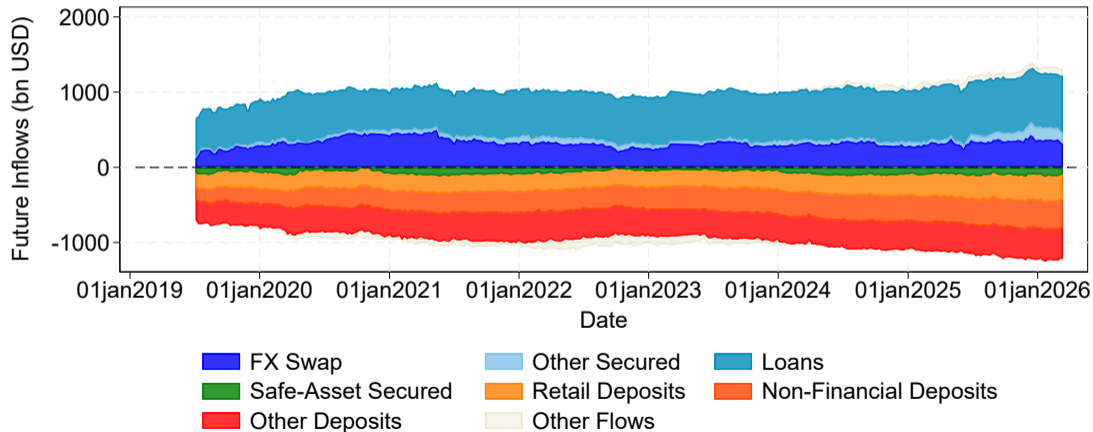
Figure: All UK Banks



- Net FX Swap USD lending
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- Net FX Swap and Secured USD Lending

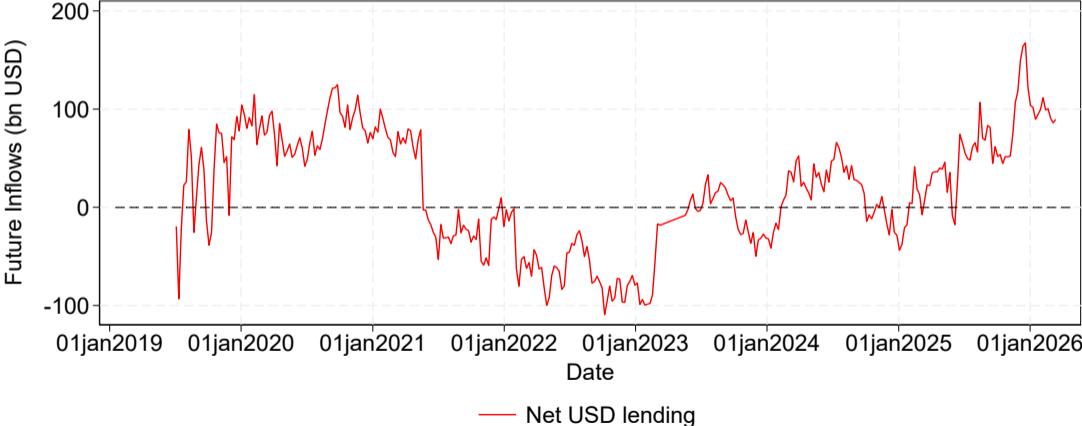
UK Banks' On- and Off-Balance Sheet Net USD Lending and Borrowing

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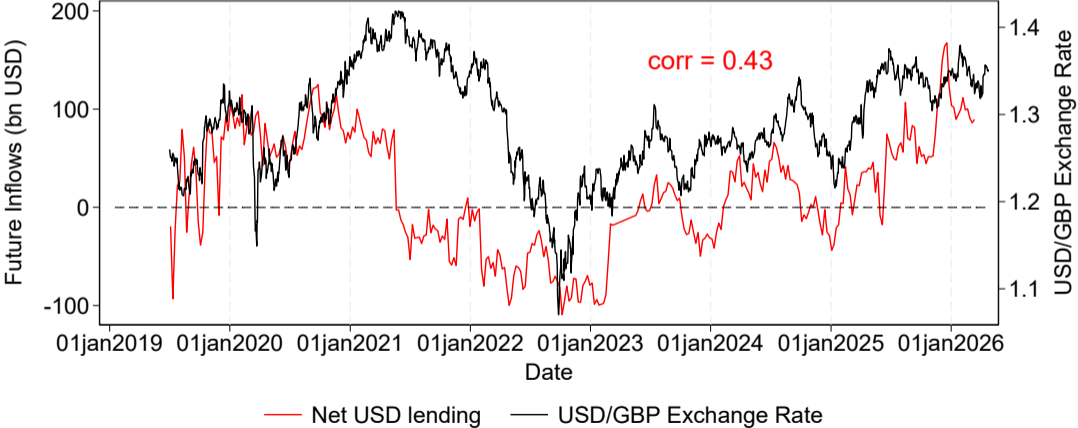
UK Banks' Net USD Lending Across All Instruments

Figure: All UK Banks



UK Banks' Net USD Lending and USD/GBP Exchange Rate

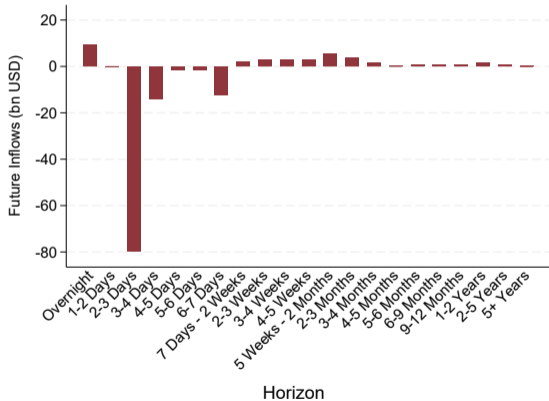
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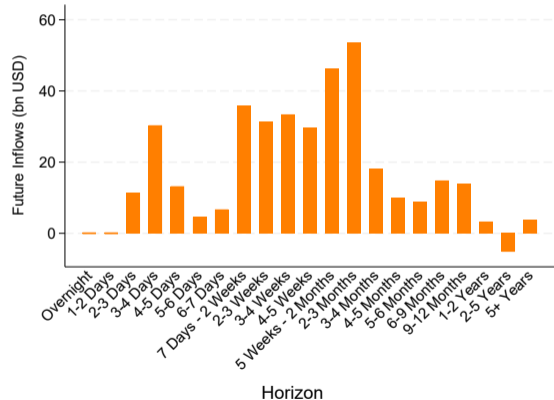
How substitutable are FX Swap and Repo?

Safe-Asset Secured & FX Swap Net USD Lending by Maturity

Safe-Asset Secured



FX Swap



Conclusion

- ▶ Fantastic paper! Traces EU banks' USD intermediation across markets, geographies and counterparties.

Open questions to consider:

- ▶ In which markets are global banks pure market makers vs. risk takers?
- ▶ Which constraints on banks matter most: capital vs. liquidity; gross vs. net exposures?
- ▶ Which prices adjust to compensate banks: exchange rates, bond yields, arbitrage spreads?