



EUROPEAN CENTRAL BANK

EUROSYSTEM

DG MARKET OPERATIONS

DRAFT

20 May 2021

ECB Money Market Contact Group

Wednesday, 16 June 2021, 13:00 – 17:00 CET

Teleconference

AGENDA

Welcome address by Executive Board member Isabel Schnabel. Introduction of new MMCG Chairperson – Thomas Vlassopoulos

1. Review of developments in the money markets since the previous meeting

Group discussion on most recent developments in the euro money markets:

- a) A downward trend in secured segment interest rates. Euro repo rates traded below, but close to, the ECB deposit facility rate (DFR) until mid-2020, when secured rates began to fall. This downward trend continued over the first four months of 2021, while spreads between repo rates of different euro area jurisdictions remained narrow. René Brunner (Erste Group) and Oliver Deutscher (DZ Bank) will elaborate on the main drivers of the observed developments. The discussion will also cover the usefulness of the repo facilities run by several sovereign treasuries, including the recent facility established in Italy in May 2021.
- b) Developments in other segments of the euro money market and monetary policy expectations. Philip Hartley (Bank of Ireland) will elaborate on relevant developments in the foreign exchange (FX) swap, overnight index swap (OIS) and unsecured segments, such as the effect of the discontinuation of the 84-day USD-providing operations, the recent increase in OIS trading volumes linked to the euro short-term rate (€STR) and the decline in the euro interbank offered rates (EURIBOR) (except for 12-month maturity) to levels below the DFR since the autumn of 2020. The discussion will also cover the growing attention on inflation expectations and its potential effects on future monetary policy decisions.

2. TLTRO III assessment and expectations

Frank Beset (Rabobank), Xavier Combis (CaixaBank), Werner Driscart (Belfius) and Harry-David Gauvin (HSBC) will jointly assess different aspects of the third series of targeted longer-term refinancing operations (TLTRO III) affecting bidding behaviour and the use of the funds. Their assessment will evaluate the higher-than-expected take-up of the March 2021 TLTRO and expectations for the final three operations. They will also analyse its impact on the issuance of bank bonds and provide their views on the ability of banks to access market funding sources. The discussion will also consider other aspects of the programme, such as (i) expectations on early repayments and the expected impact on excess liquidity and (ii) the ability of banks to meet their lending benchmarks in both special periods (March 2020 to March 2021 and October 2020 to December 2021) to be entitled to the most favourable TLTRO rate of -1% until June 2022.

3. Changes in the regulatory landscape for the money market funds (MMF) sector

Ileana Pietraru (Société Générale) will present the views of the banking industry on the amendments to the MMF regulatory regime proposed by the European Securities and Markets Authority (ESMA) in the light of the recent public consultation. The group will discuss the possible impact of the proposed amendments on the role of MMFs in the euro money market as well as their impact on banks' liquidity management and funding, also considering lessons learnt during the early stages of the coronavirus (COVID-19) crisis. An ECB representative will present the proposed regulatory changes from the perspective of macroprudential stability.