



EUROPEAN CENTRAL BANK

EUROSYSTEM

DG MARKET OPERATIONS

23 March 2022

ECB Money Market Contact Group (MMCG)

Monday, 28 February 2022, 10:30-11:15 CET

Ad hoc teleconference

Summary of the discussion

Current market conditions

MMCG members examined how current geopolitical developments related to the Russian invasion of Ukraine and the associated sanctions were affecting money markets.

MMCG members reported that euro funding in money markets remained liquid, with the risk-off sentiment mainly reflected in the shortening of maturities. According to MMCG members, funding in euro remained stable, with the overall liquidity in maturities below one year not being compromised. Liquidity in the secured segment was reported to be particularly resilient. Still, trading volumes in shorter maturities increased, as market participants increasingly avoided committing liquidity or collateral for longer maturities. In the unsecured segment, several MMCG members reported higher prices of commercial paper, both in the primary and in the secondary market. Money market funds (MMFs) also witnessed a trend towards shortening of the maturities of assets under management given a focus on increasing liquidity buffers. However, this was reportedly a preventive measure rather than a reaction to real funding stress, as flows remained two-way with no significant outflows of MMFs shares/units. Despite the overall good conditions in the euro money market during the week of 21-28 February 2022, a few MMCG members commented that wider bid/ask spreads in the commercial paper market could spill over to EURIBOR rates, potentially tightening financing conditions for businesses and households in the forthcoming days or weeks.

MMCG members reported volatile market conditions for United States dollar (USD) funding, affected by the uncertainty about the implications of the sanctions. Volatility in the FX swap segment increased significantly with the escalation of political events, especially after the announcement over the weekend of 26-27 February of a gradual implementation of financial sanctions and the eventual disconnection of a group of – at that time as yet unnamed – Russian banks from SWIFT. On Monday 28 February 2022, the Russian rouble depreciated by 30% against the US dollar, while any new rouble-denominated transactions and any transactions with sanctioned Russian counterparties were no longer possible. Liquidity conditions for USD funding also worsened as the provision of the US dollar to the FX swap market was curbed at the opening of the session, with short maturities being particularly affected. The fear of a cascade of missed payments, due to the implementation of sanctions, could potentially create incentives for banks to hold back their own payments. Several MMCG members expressed a lack of clarity as to how their subsidiaries in Russia should deal with the sanctions. Some MMCG members advocated that the ECB could already consider an increase in the frequency of USD funding operations to backstop the FX swap market, while others were of the view that such action would only be warranted if and when the situation aggravated further. Some members appreciated the Bank of Japan's willingness to facilitate access to Japanese yen collateral for the regular 7-day USD providing operations. Other members warned of possible unintended consequences that the economic and financial sanctions might bring down the road, highlighting their repercussions beyond sanctioned Russian banks.

List of participants

Money Market Contact Group meeting

Name of participant	Participant's organisation
Ms Cécile Mouton	Amundi Asset Management
Mr David Tilson	Bank of Ireland
Mr Bineet Shah	Barclays
Mr Harald Endres	Deutsche Kreditbank/BayernLB group
Mr Miguel Ángel Monzón	BBVA
Mr Werner Driscart	Belfius Bank
Mr Patrick Chauvet	BNP Paribas
Mr Olivier Hubert	BPCE/Natixis
Mr Xavier Combis	CaixaBank
Mr Andreas Biewald	Commerzbank
Mr Eric Scotto di Rinaldi	Coöperatieve Rabobank
Mr Pierre Le Veziel	Crédit Agricole/CACIB & CASA
Mr Jürgen Sklarczyk	Deutsche Bank
Mr Michael Schneider	DZ Bank
Mr René Brunner	Erste Bank
Mr Frank Odendall	EUREX
Mr Harry-David Gauvin	HSBC Continental Europe
Mr Jaap Kes	ING Bank
Ms Maria Cristina Lege	Intesa Sanpaolo
Ms Olivia Maguire	JP Morgan Asset Management
Ms Corentine Poilvet-Clediere	LCH SA
Ms Ileana Pietraru	Société Générale
Mr Harald Bänsch	UniCredit
Mr Thomas Vlassopoulos (Chairperson)	European Central Bank
Mr Helmut Wacket (Member)	European Central Bank
Ms Maria Encío (Secretary)	European Central Bank