



EUROPEAN CENTRAL BANK

EUROSYSTEM

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Item IV.2 **Money Market Statistics & the new euro overnight interest rate**

Statistics Committee

Dialogue meeting with the banking industry on ESCB
statistics

Frankfurt am Main, 16 March 2018

Overview

- 1 Money Market Statistics in a nutshell
- 2 Publication of Money Market Statistics
- 3 New unsecured overnight interest rate

- The euro money market changed following the most recent financial turmoil

Lack of information to interpret on a timely basis money market developments affecting monetary policy transmission



Statistical information on euro money market

Analysis of transmission mechanism of monetary policy decisions

Support ECB's tasks in the field of financial stability

- Why transaction-by-transaction data on the euro money market?
- Micro data may help to understand
 - the impact of monetary policy decisions on the functioning of money markets
 - changes in market structure and practices
 - funding choices in different money market segments
 - rates applied to different types of counterparties and sectors

- Coverage and scope of the data collection
 - Transaction-by-transaction data on four euro money market segments
 - Secured
 - Unsecured
 - Foreign Exchange Swaps
 - Overnight Index Swaps
 - Daily frequency
 - Reporting by 7 a.m. on the day following the trade date and covering all money market trades conducted during the previous day
 - Timeline
 - Reporting as of 1 July 2016, following 3 months interim period

- Reporting population

- Largest 52 euro area Monetary and Financial Institutions (MFIs)
 - in terms of balance sheet, a balance sheet larger than 0.35 % of the total balance sheet of all euro area MFIs
- The high correlation between the bank balance sheet and the money market activity ensured achieving an **estimated coverage of ca. 80% of the euro money market**
 - reporting agents are spread across 10 euro area countries: Belgium, Germany, Ireland, Greece, Spain, France, Italy, Netherlands, Austria, Finland
 - comprising more than 90% of the euro area population

- Counterparty coverage

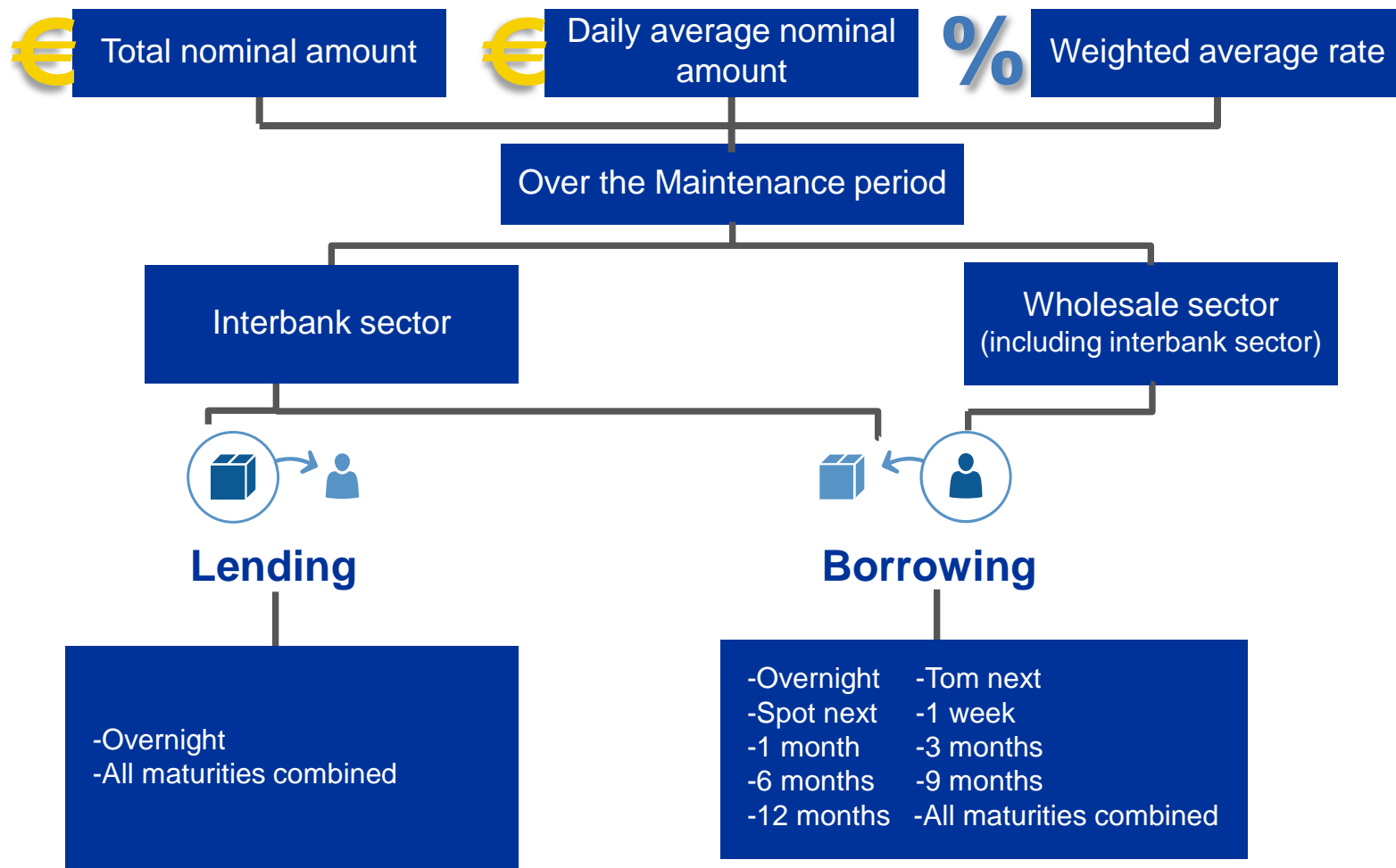
- Transactions carried out by the reporting agents vis-à-vis

- MFIs (interbank market)
 - Other financial institutions
 - Central Banks and General Government
 - Monetary Policy Operations are excluded
 - “Wholesale” Non-Financial Corporations
 - As defined in Basel III Liquidity Coverage Ratio

- Excluding intra-group’s transactions

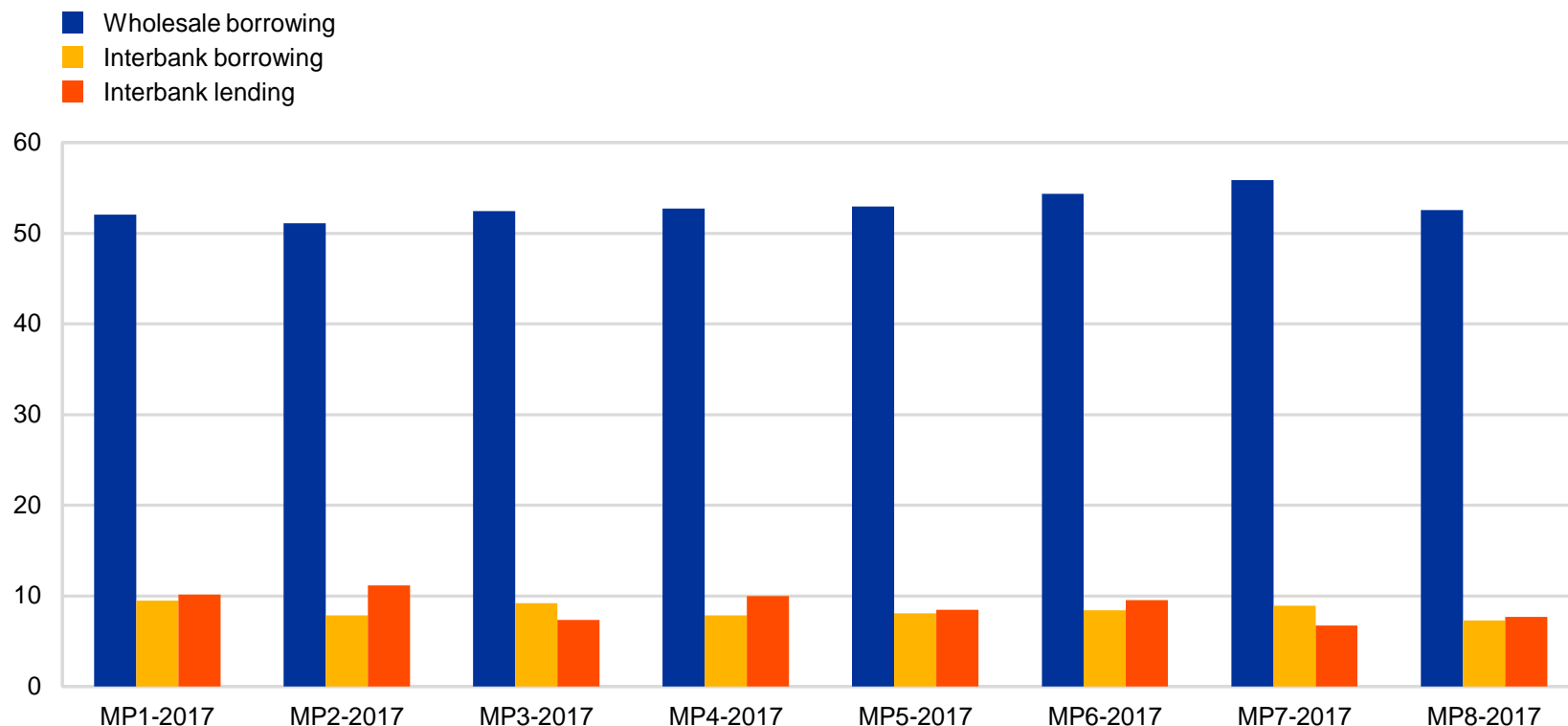
2. Publication of Money Market Statistics (1/3)

- ECB statistics on unsecured euro money market derived from individual transactions



2. Publication of Money Market Statistics (2/3)

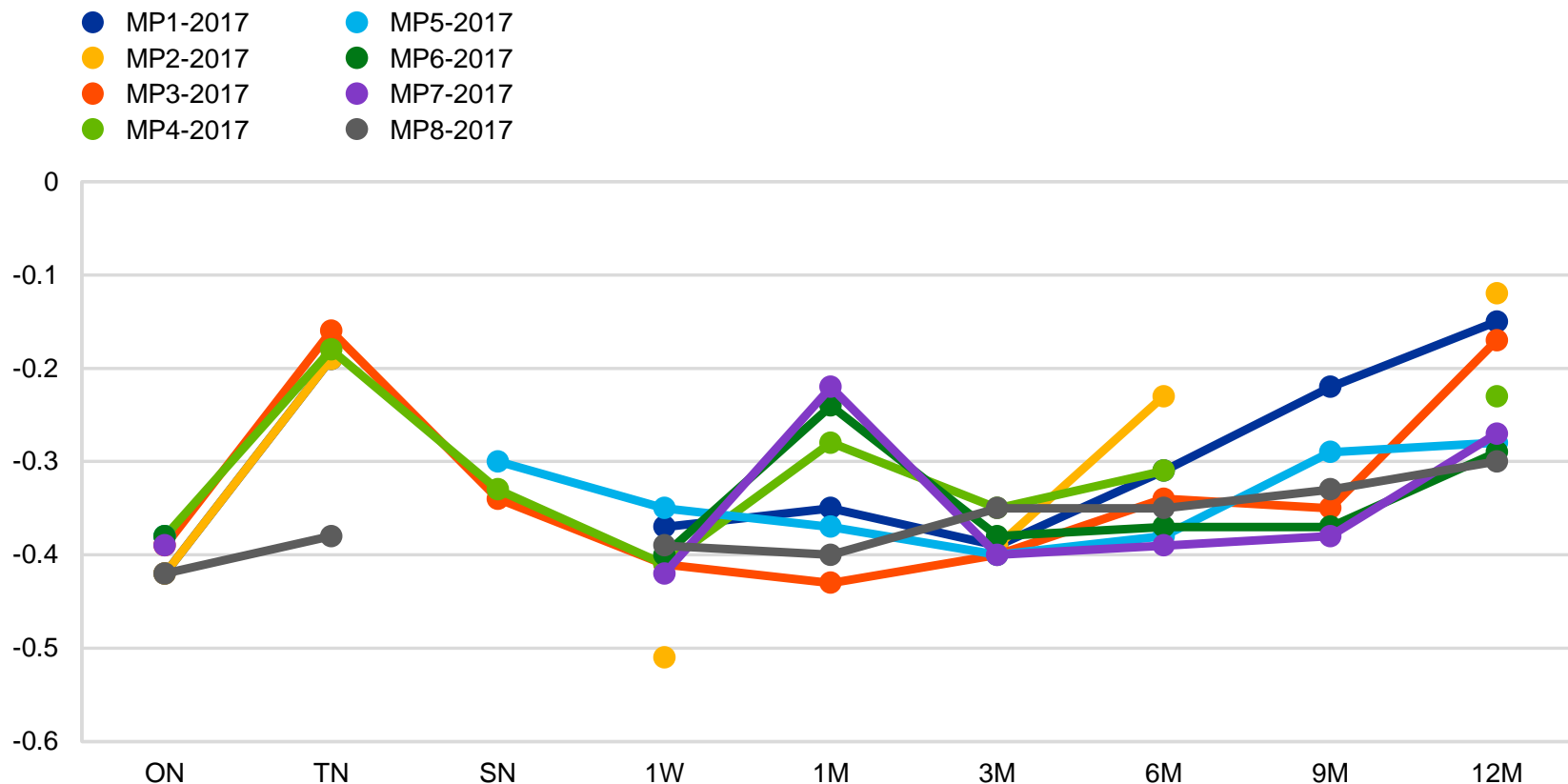
- Overnight maturity: daily average turnover by reserve maintenance period (EUR billion)



Overnight daily wholesale borrowing shows a slightly growing trend in the latest maintenance periods

2. Publication of Money Market Statistics (3/3)

- Weighted average rate for the borrowing interbank sector by tenor (percentage)



Rate structure shows consistency across the different maintenance periods

3. New unsecured overnight interest rate (1/4)

- Press release on 21 September 2017
 - ECB decided to develop a euro unsecured overnight interest rate based on data already available to the Eurosystem
 - Benchmark rates have an important anchoring role for contracts in financial markets and in the transmission of monetary policy
 - The interest rate will be based entirely on transactions in euro reported in MMSR data and produced before 2020
 - The rate will complement existing benchmark rates by the private sector and serve as a backstop to private sector benchmark rates

- Methodology

- The methodology of the new rate is being designed involving **two public consultations**
- **First public consultation** run from 28 November 2017 to 12 January 2018 on high level features of the new rate
 - The feedback provided is being published in a summarised format
- **Second public consultation** will likely be run as from March 2018 and will cover further details on methodology
- **High level features** of the new overnight interest rate will be communicated to market participants in the course of 2018

- **First public consultation outcome - selected issues**
 - The borrowing costs of banks in their transactions with financial institutions provide a good basis for the computation
 - Agreed to base the new rate solely on money market deposits
 - Admitted that a change in the publication time is necessary if the new rate is to be based on real transactions
 - from 18:45 CET on day T (as with current EONIA)
 - to 09:00 on day T+1 (proposal in the consultation document)
 - Importance of a well-planned documented and communicated development and implementation process.
 - Largely expected that the new rate will replace the EONIA

- Reporting requirements would remain generally stable
 - Deadline for submission of report for unsecured segment might be brought forward
 - Data quality checking will be further enhanced
 - direct interaction with reporting banks will require that knowledgeable bank staff needs to be available early in the morning
 - additional data quality checks will be performed on the unsecured segment
 - Criticality for the unsecured segment reporting systems will increase
 - Potential additional changes may i.a. refer to the
 - expansion in the use of LEI
 - full coverage of financial subsectors
 - strengthening the statistical reporting compliance framework

- Participant's views would in particular be welcome on the following issues
 - Would you have any question or comment on the **MMSR** reporting framework and **MMSR** publication?
 - Would you like to raise any question or comment regarding the **new euro unsecured overnight rate**?