EUROPEAN CENTRAL BANK

EUROSYSTEM

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Money Market Contact Group

W O R K P R O G R A M M E F O R 2 0 1 2

Like in previous years, the Money Market Contact Group (MMCG) has established a work programme for the upcoming meetings in 2012.

1. Recurrent items

As has been the case in the past, the ECB will continue to present a ***round-up of the most recent market developments*** in every meeting. As of now, this will be followed by a general discussion, which will also provide members with the opportunity to give direct feedback on the ECB's operations and its liquidity management.

Another recurring issue will continue to be the assessment of the findings of the ***ECB Money Market Survey*** and the evaluation of structural developments of the euro area money markets, also in comparison with the findings of the ***ERC/ICMA European Repo Market Survey***.

2. Specific items for 2012

– ***Collateral issues***

  The group will be updated on the use of collateral in ECB operations and changes to the ECB's collateral framework, in particular the temporary broader acceptance of credit claims at the national level. This item should also include members' feedback on possible changes in the use and availability of collateral in the private repo markets.

– ***Impact of regulatory developments***

  The group will continue to look at the transformation of international liquidity regulations into EU law and its national implementation. A view on other relevant regulatory initiatives, e.g. MiFID II, is also envisaged.

The group will analyse the potential impact of these regulations on banks' participation in Eurosystem operations; on their money market activity; on the development of new money market products and on the overall functioning of the euro money markets.

In addition it could be considered to invite an expert to provide an overview of the various ongoing relevant regulatory initiatives and their likely overall impact on banks' treasury activities.

– ***Review of developments in selected market segments***

It is envisaged to have a deeper look at developments in some specific money market segments. Possible candidates could be the market for short-term paper (including an update on the STEP market), the FX swap market or the repo market, which seems to be characterised by increasing market segmentation.
In addition, there could be scope for an update on product innovations like extendible repo operations or putable CDs.
Moreover, the group might review developments in the covered bond market, which is an important funding market for banks and where the ECB is also active via its CBPP2.

– ***Market functioning issues***

Related to the topic above, the MMCG might also look at certain aspects that may have a bearing on the functioning of the euro money market, e.g. the growing importance of rating agencies and of banks' internal risk management departments.

Regarding the latter it could be envisaged to have an anonymous survey among members that would help identify recent changes in banks' risk management practices.

– ***The development of the ECB's balance sheet***

As a follow-up of earlier presentations it could be envisaged that the ECB provides another update on the development of its most important balance sheet items – including an update on autonomous factors.

– ***Market infrastructure issues***

The group might also be updated on the ongoing developments as regards the TARGET-2 Securities (T2S) project. The co-operation of the ECB Directorate General for Payment Systems and Market Infrastructure would be sought in this respect.

Another focus could be on role of CCPs, including the impact of their margining practices, and the interoperability between them. Here the co-operation with the Contact Group on Euro Securities Infrastructures (COGESI) would be sought.

Yet another aspect could be the growing importance of internet banking services and their possible impact on the liquidity distribution among banking groups.

– ***Provide a forum for discussions on Eonia® / Euribor® issues***

The group fully recognises that Eonia® and Euribor® are sponsored by the European Banking Federation (EBF) and by the Financial Markets Association (ACI), and that decisions on these benchmark rates fall under the authority of the Steering Committee. Several members were nevertheless of the view that the MMCG would be a good forum to discuss issues related to these reference rates in one meeting with the aim to come to some common views that could be shared with the Steering Committee. There could also scope for a further discussion of the project to establish a EUR O/N repo fixing.

– ***Review of the latest developments of electronic trading in money market products***

The group might consider inviting another provider of an electronic money market trading platform after Eurex Repo had the opportunity to present its system in 2008. Alternatively some members of the group might volunteer to compile and provide an overview of the most recent developments in this field.

– ***Continued co-operation with the Operations Managers Group (OMG) and the Contact Group on Euro Securities Infrastructures (COGESI)***

The Chairman and/or the Secretary of the Operations Managers Group OMG will (continue to) be invited to the meetings of the MMCG and keep the group informed about the ongoing work of the OMG. Vice versa, the Secretary of the MMCG will continue to brief the members of the OMG about the most recent developments in the MMCG.

MMCG members' interest in collateral management issues supports a continued close working relationship with the COGESI as the ECB contact group that is primarily dealing with these issues. The reciprocal invitations of the Secretaries of the two groups will be continued.

It should once again be stressed that the main purpose of the work programme is to give some guidance for the forthcoming year – it should, however, not compromise the group's flexibility to react to unforeseen events (e.g. to include new, topical items and to therefore postpone others) like was done in previous years.