



Money Market Contact Group

WORK PROGRAMME FOR 2022

This document sets out the work programme for Money Market Contact Group (MMCG) meetings in 2022. The work programme may be adjusted to address unforeseen events and/or specific topics of interest that may unfold as a result of market developments in the course of the year. The MMCG will hold four regular meetings in 2022. Depending on the evolution of the coronavirus (COVID-19) pandemic, physical meetings may be resumed at some point in 2022. The dates of the MMCG's meetings are published on the [ECB's website](#).

A. Regular items

At each meeting, the MMCG will **discuss the outlook for euro money markets and identify the main drivers for major developments in all segments** (secured, unsecured, short-term securities issuance, foreign exchange swaps, and overnight index swaps). The group will also provide **market views on upcoming ECB policy issues** (i.e. changes to interest rates, asset purchase programmes, refinancing operations, eligible collateral, market infrastructure, central bank reserves remuneration etc) **to the extent that they have a material impact on the euro money market.**

B. Specific items for 2022

- **Expected path of the stock of aggregate reserves and consequences for euro money markets.** The MMCG aims to discuss the impact on money markets and banks' funding decisions emanating from changes in central bank reserves induced by e.g. the expected evolution of (i) TLTROs, (ii) asset purchase programmes, (iii) autonomous factors and (iv) the two-tier system for the remuneration of central bank deposits. The replacement of TLTRO funds by banks issuing short-term securities and its repercussions on unsecured term rates will also be assessed in the context of the (expected) TLTRO early repayments. The Group may also assess the level of excess reserves at which the reduction of central bank money is expected to exert upward pressure on the money market rates.
- **Factors affecting the supply of and demand for repo transactions against government collateral and impact of imbalances on the functioning of the market and the transmission of monetary policy.** The MMCG aims to discuss potential factors expected to affect the availability of government bond securities (and high-quality liquid assets in a broader sense) and the demand for placing cash, e.g. by non-banks, in 2022. The Group will investigate the prospects for regular business days as compared with days around balance sheet reporting dates and levy calculations, such as year and quarter-ends. Members

will also assess the impact of the Central Securities Depositories Regulation (CSDR) coming into force on 1 February 2022.

- **Developments in the ECB framework for the implementation of monetary policy, including possible elements related to climate change.** Acknowledging that changes in the economic environment have implications for the implementation of monetary policy, the MMCG plans to discuss the prospect of a money market that operates in a potentially different framework. This item includes (i) the framework for the efficient and effective steering of money market rates as well as (ii) the potential addition of elements to the framework of monetary policy implementation that are targeted at addressing climate change. On the latter point, the MMCG will also discuss the prospects for issuing sustainable commercial paper and how transparency, standardisation and measurement of such short-term debt securities used to finance ESG projects (i.e. assets compliant with environmental, social, governance principles) could be promoted.
- **Technological innovation in the field of market infrastructures and payments that affects euro money markets and banks' liquidity management.** The MMCG aims to assess the implications for money markets from the progress in (i) innovation in the markets and the role of fintechs in financial services relevant to money markets, (ii) T2/T2S consolidation, (iii) the digital euro project and (iv) instant payments (TIPS) usage.
- **Depth of integration in euro area money markets.** The MMCG plans to analyse the level of dispersion of money market rates across different counterparties and jurisdictions, assessing drivers across time and their expected evolution in 2022. The Group will also consider the implications of potential money market fragmentation for monetary policy implementation and transmission. Furthermore, the Group will assess the distribution of liquidity between banks and identify potential impediments and limits to cross border transactions.
- **The impact of a growing participation of non-bank financial intermediaries (NBFIs) in the euro money market.** In 2022, the MMCG's composition changed to reflect the growing role of NBFIs in the euro money market. This will allow the Group to consider the repercussions of a larger NBFIs footprint on market functioning and monetary policy implementation, from different perspectives. The MMCG aims to evaluate the NBFIs' demand for money market instruments and short-term investments as well as the impact of regulatory changes affecting them.
- **Eurosystem collateral framework.** Given that the financing of the euro area economy remains firmly based on non-marketable debt, the MMCG plans to debate the role of credit claims as eligible collateral. The Group also aims to discuss the incorporation of climate change considerations into the collateral framework as well as the harmonised Eurosystem Collateral Management System (ECMS), scheduled to go live in November 2023.
- **Lessons learned from structural trends in the money market and implications for repo markets.** The MMCG aims to analyse (i) the role of credit risk and regulation in the structural shift from unsecured to secured trading as well as (ii) the possible need for access to central counterparties (CCPs) by some non-banks, either on a permanent basis or in crisis times. On the latter point, the Group will also consider the potential for sponsored repo transactions to substitute less efficient forms of repo.

- **Benchmark reforms and their impact on money markets.** The MMCG will continue assessing the effects of EONIA's cessation and of the transition from LIBOR to risk-free rates on money markets. The Group will also discuss the evolution of €STR-linked issuance.

Cooperation with other ECB contact groups in the domain of market operations: the Operations Managers Group, the Foreign Exchange Contact Group and the Bond Market Contact Group will continue to exchange information with the MMCG and liaise with each other on relevant topics of mutual interest.