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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
1. Money Market Statistics in a nutshell (1/5)

• 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
1. Money Market Statistics in a nutshell (2/5)

- 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
1. Money Market Statistics in a nutshell (4/5)

• 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

<table>
<thead>
<tr>
<th>Total nominal amount</th>
<th>Daily average nominal amount</th>
<th>Weighted average rate</th>
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<tr>
<td>€</td>
<td>€</td>
<td>%</td>
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Over the Maintenance period

Interbank sector

- Lending
  - Overnight
  - All maturities combined

Wholesale sector (including interbank sector)

- Borrowing
  - Overnight
  - Spot next
  - 1 month
  - 6 months
  - 12 months
  - Tom next
  - 1 week
  - 3 months
  - 9 months
  - All maturities combined
• 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
4. Impact on reporting requirements (4/4)

• 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?