

Explanatory memorandum

Draft ECB Regulation amending Regulation (EU) No 1333/2014 concerning statistics on the money markets¹

The European Central Bank (ECB) has been collecting data on the euro money market since 1 July 2016. In early 2018 the ECB launched preparations for amending Regulation ECB/2014/48 concerning statistics on the money markets (the MMSR Regulation) aiming to clarify and simplify some of the existing reporting requirements and to improve the quality of that data.

On 4 October 2016 the Governing Council decided to increase transparency in developing ECB regulations on European statistics. To this end, the ECB is publishing a summary of the main changes that the new draft Regulation amending the MMSR Regulation will bring.

1 Why is this amending Regulation necessary?

Money market statistical reporting (MMSR) data have been reported on a daily basis since 1 July 2016, covering information on the secured, unsecured, foreign exchange swap and euro overnight index swap money market segments on the basis of Regulation (EU) No 1333/2014 concerning statistics on the money markets (the MMSR Regulation). The MMSR dataset is based on transaction-by-transaction data reported from a sample of euro area reporting agents selected by the ECB pursuant to the criteria set out in the MMSR Regulation.

High frequency statistical information on money market activity is considered necessary to achieve a better understanding of how money markets work and evolve, their changing patterns and, in particular, banks' funding in different segments; to provide more relevant and timely information on the monetary policy transmission mechanism, as well as better information on market expectations about the future trajectory of policy rates; and to provide more information to market participants on the functioning of the money markets.

Experience gained since reporting began shows that there is a need to clarify and simplify some of the existing reporting requirements and to improve the quality of that data.

¹ Regulation (EU) No 1333/2014 of the European Central Bank of 26 November 2014 concerning statistics on the money markets (ECB/2014/48) (OJ L 359, 16.12.2014, p. 97-116): <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R1333>; amended by Regulation (EU) 2015/1599 of the European Central Bank of 10 September 2015 amending Regulation (EU) No 1333/2014 concerning statistics on the money markets (ECB/2015/30), OJ L 248, 24.9.2015, p. 45-52: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015R1599>.

2 What changes are proposed by the amending Regulation?

To improve the quality of the statistics on the euro money market, it is necessary to amend certain provisions of the MMSR Regulation. In this regard, the following issues would be addressed by the proposed changes:

- **Counterparty scope classification:** the amending Regulation clarifies that transactions with all financial counterparties (except central banks where the transaction is not for investment purposes) and non-financial wholesale counterparties under Basel III LCR are to be reported. This means that under the amending Regulation the reporting obligations would also cover money market transactions by reporting agents with non-money market funds, investment funds, financial auxiliaries and captive financial institutions and money lenders.
- **Counterparty identification:** the amending Regulation further supports the reporting of the Legal Entity Identifier (LEI) of all counterparties that have been assigned an LEI. This requirement will benefit from the extended mandatory use of the LEI in reporting in the Union, and should reduce the reporting burden as reporting agents will no longer need to derive and report the sector and location of the counterparty when an LEI is available.
- **Timeliness:** the amending Regulation amends Article 4 to align the reporting deadlines of new reporting agents in case it is decided to expand the MMSR reporting population at a later stage. This amendment has no impact on the current reporting population, which will continue reporting by 7.00 a.m. on T+1.
- **Data integrity:** specific changes to Articles 3, 4 and Annex IV have been implemented in order to conform to the general principles contained in the Public Commitment on European Statistics by the ESCB² and to take precautions to ensure that statistical information is compiled and transmitted by reporting agents in a manner which protects the integrity of the information.
- **Concept definition:** in order to enhance the definition of certain concepts included in the reporting requirements, amendments to the Annexes of the MMSR Regulation have been made.

3 When will this amending Regulation enter into force?

The amending Regulation will enter into force 20 days after its publication in the Official Journal of the European Union. The amending Regulation will be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

² Available on the ECB's website at http://www.ecb.europa.eu/stats/ecb_statistics/governance_and_quality_framework