



EUROPEAN CENTRAL BANK

DG MARKET OPERATIONS

29 November 2006

Money Market Contact Group

WORK PROGRAMME FOR 2007

As a measure to enhance the profile of the Money Market Contact Group (MMCG) a work programme was introduced for the first time in 2006. Given the positive experience with this approach, this document presents the draft work programme for next year. It is based on the ECB's initial suggestions presented in the last meeting of the group and on the input received from members in the meantime.

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 ECB Money Market Study and the evaluation of structural developments of the euro area money markets, which may also be compared to the findings of the ERC/ICMA European Repo Market Survey.

2. Specific items for 2007

– *Further enhancing the co-operation with the Operations Managers Group*

One key aspect of this item is the participation of members of the Money Market Contact Group in the upcoming global operations managers conference (23/24 April 2007). Otherwise the Chairman of the 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. Finally, it is envisaged that the OMG presents to the MMCG its work on contingency planning.

– ***Establishing a close co-operation with the Contact Group on Euro Securities Infrastructures (COGESI)***

The last several meetings of the MMCG have revealed members' strong interest in collateral management issues, which argues for a close working relationship with the COGESI as the ECB contact group that is primarily dealing with these issues. A start has been made with the reciprocal invitations of the Secretaries of the two groups, but a further strengthening of the ties seems to be possible.

– ***Collateral management issues***

As mentioned before, these issues seem to become increasingly important for the members of the MMCG. The group should thus be updated on the ongoing developments as regards Target II Securities and the development of an enhanced Correspondent Central Bank Model (CCBMII), the co-operation of the ECB Directorate General for Payment Systems and Market Infrastructure will be sought in this respect. In addition it will be interesting to have a first assessment of the experience with the single list of collateral, e.g. the use of credit claims.

– ***Liquidity management issues against the background of upcoming regulatory changes***

Basel II and the Markets in Financial Instruments Directive (MIFID) are very big projects of the banking industry in this decade. Although the origins of the projects do not necessarily lie in the money market area, they will also have a significant impact on banks' liquidity management. What changes in business are to be expected? Could these also result in organisational changes?

– ***The impact of the eligibility of lower rated collateral for ECB operations on the development of spreads in short term money markets***

There have been several discussions about this topic in the current year. It might be worthwhile to investigate the relationship, if any, somewhat more in detail, in particular as credit claims are expected to be increasingly used.

– ***Structural market issues***

Caja Madrid has already started to prepare a presentation on the peculiarities of the Spanish repo market. There might be other structural developments coming up during the course of the year that might deserve a deeper analysis.

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

This item was left over from the 2006 work programme. It might be interesting to review the most recent trends in this field. This could also provide some nice background info for the OMG conference, where electronic trading is also one of the topics.

– ***Review of changes in banks' internal organisations***

Following the series of presentations about banks' internal organisations, it might be useful to have another session (probably in H2/2007), providing an opportunity for (some) members of the group to present their most recent organisational changes and, especially, the reasons why they implemented these changes.

It should be mentioned again 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).