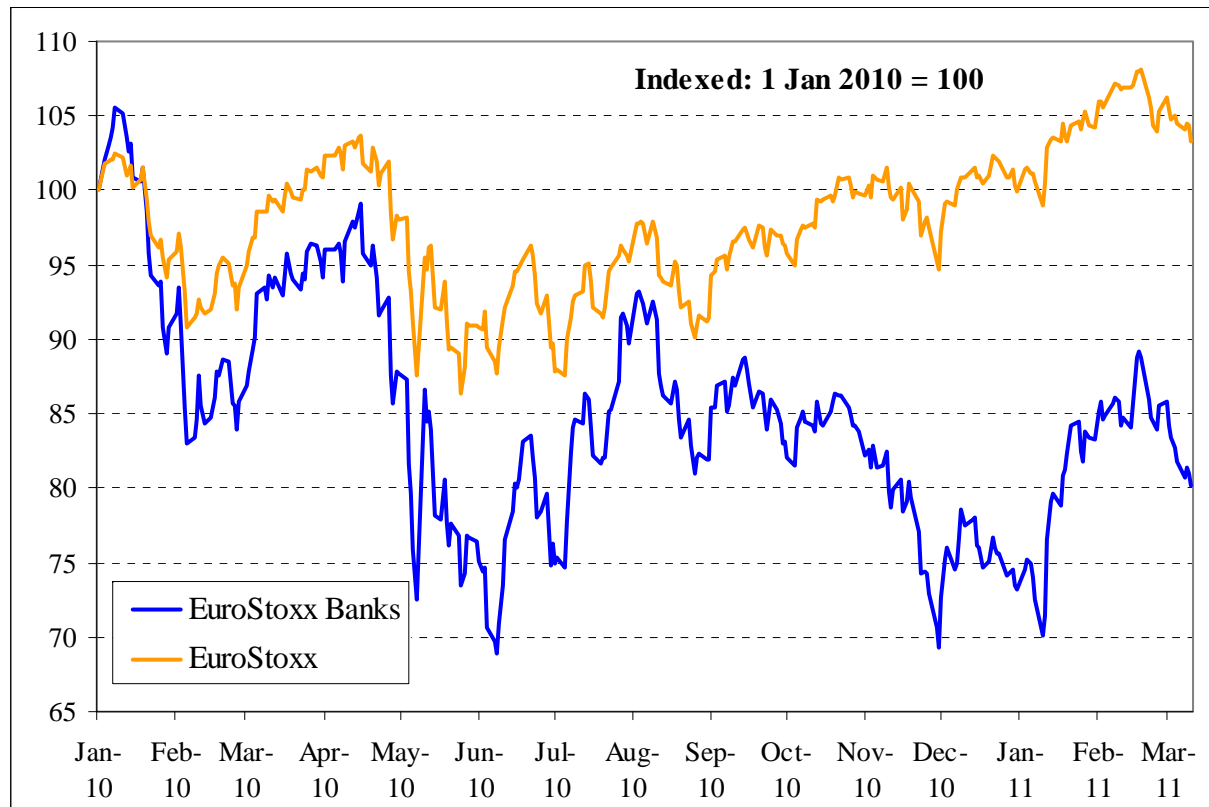


Recent developments in the euro money market

Money Market Contact Group
Frankfurt, 14 March 2011

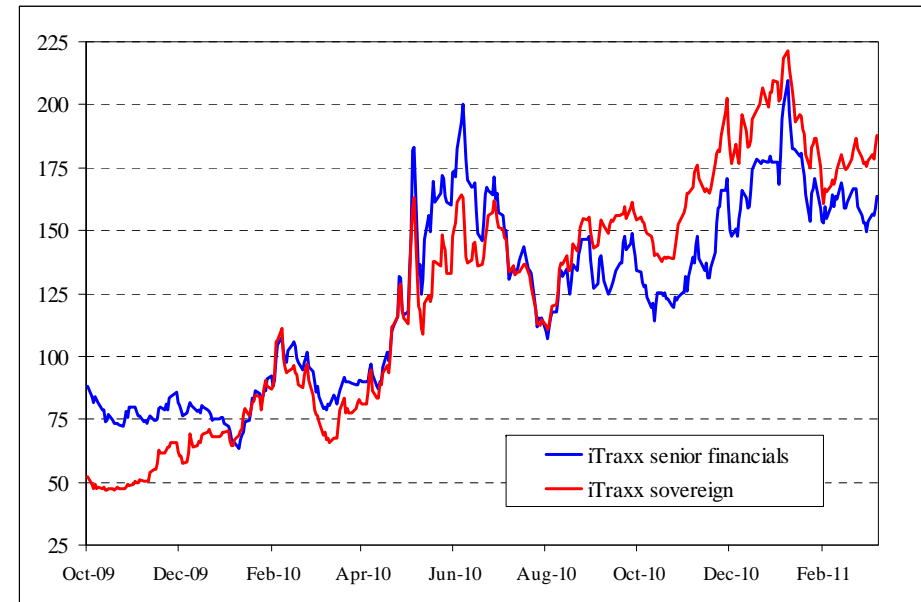
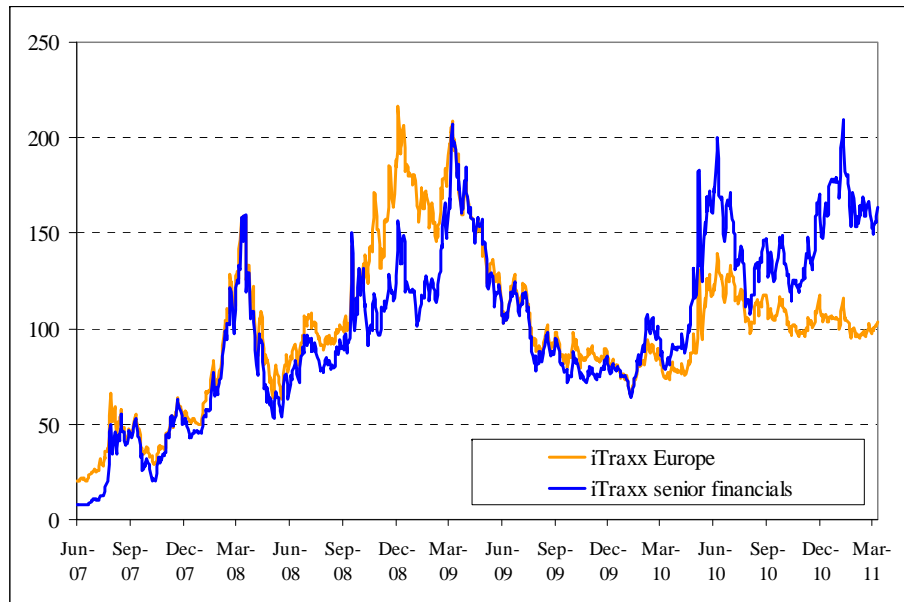
Overall financial market background

1) Bank stocks continue to underperform



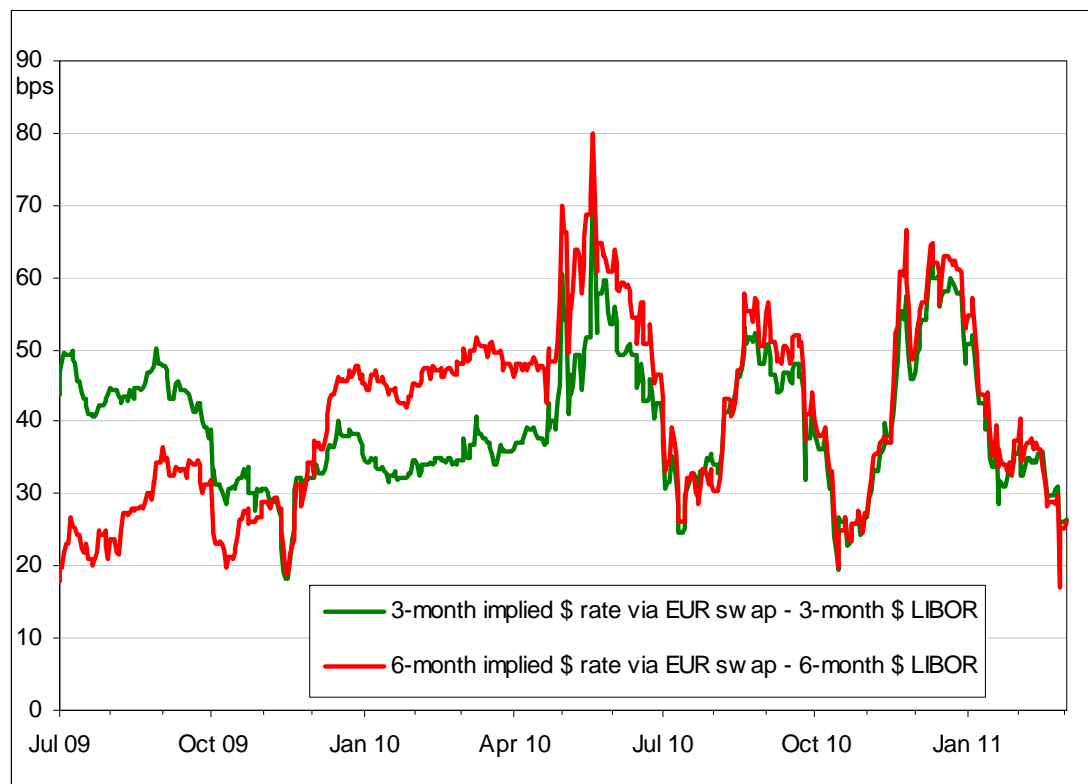
Overall financial market background

II) Similar underperformance of financials in the credit market – continued high correlation with perceived sovereign risk



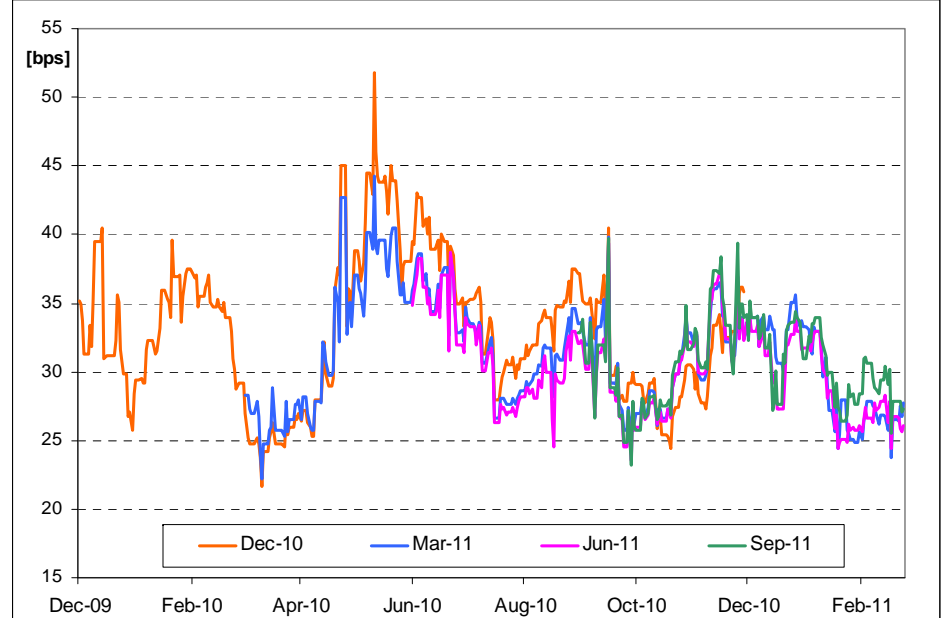
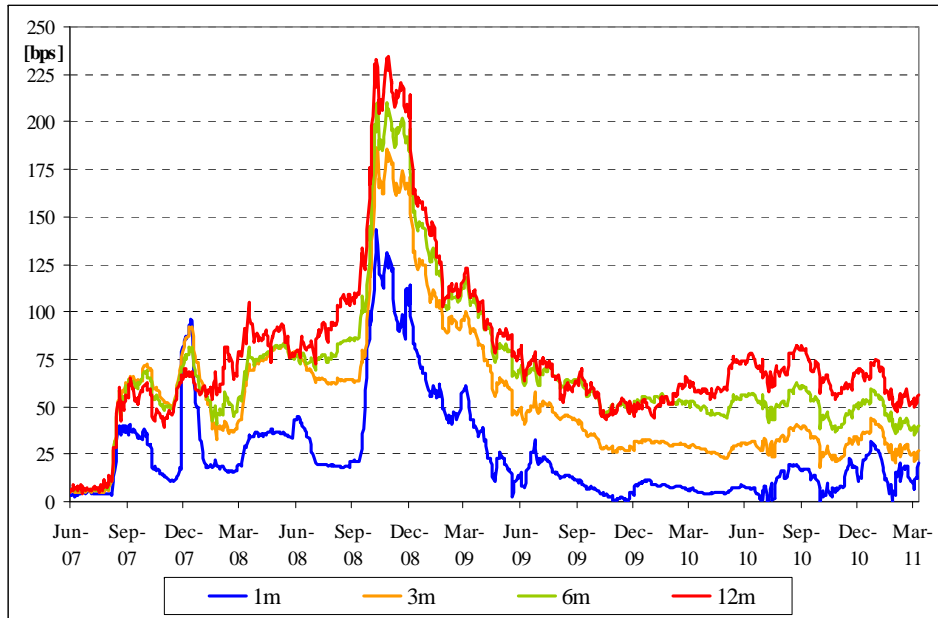
FX swap premia (implied USD borrowing costs - USD LIBOR)

USD funding pressures seem to ease somewhat

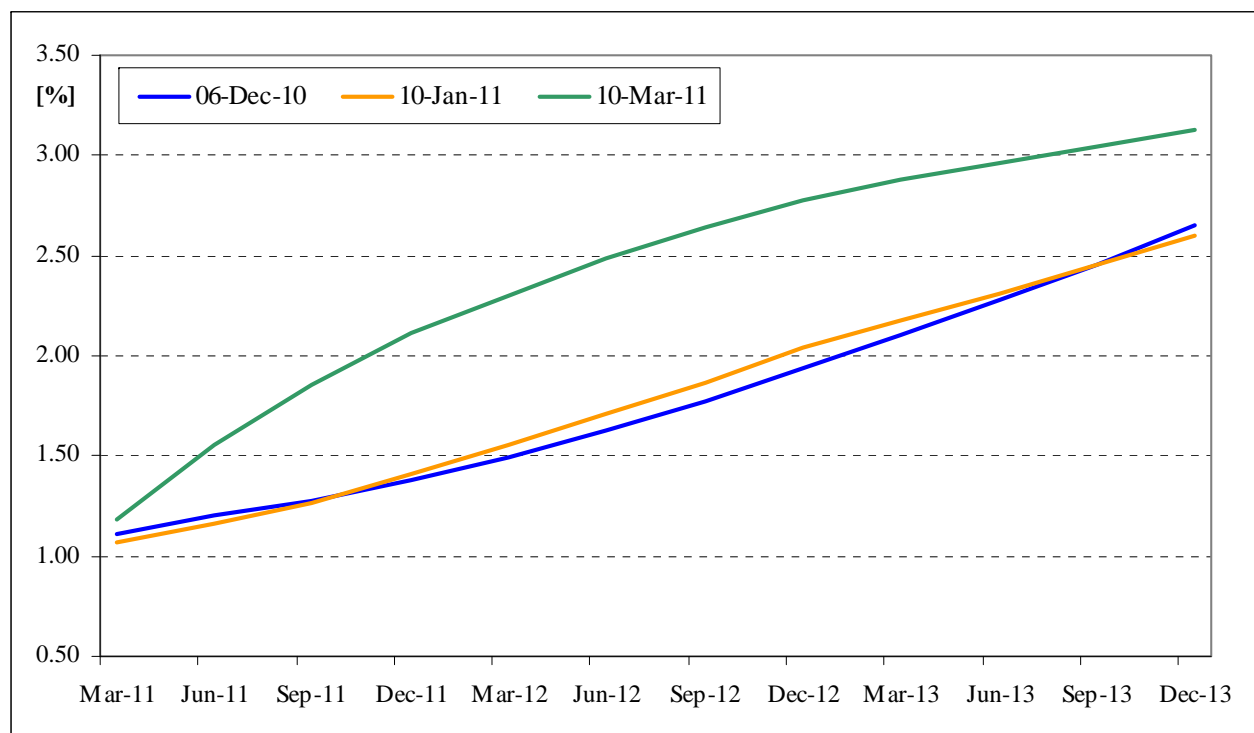


EURIBOR - OIS spreads

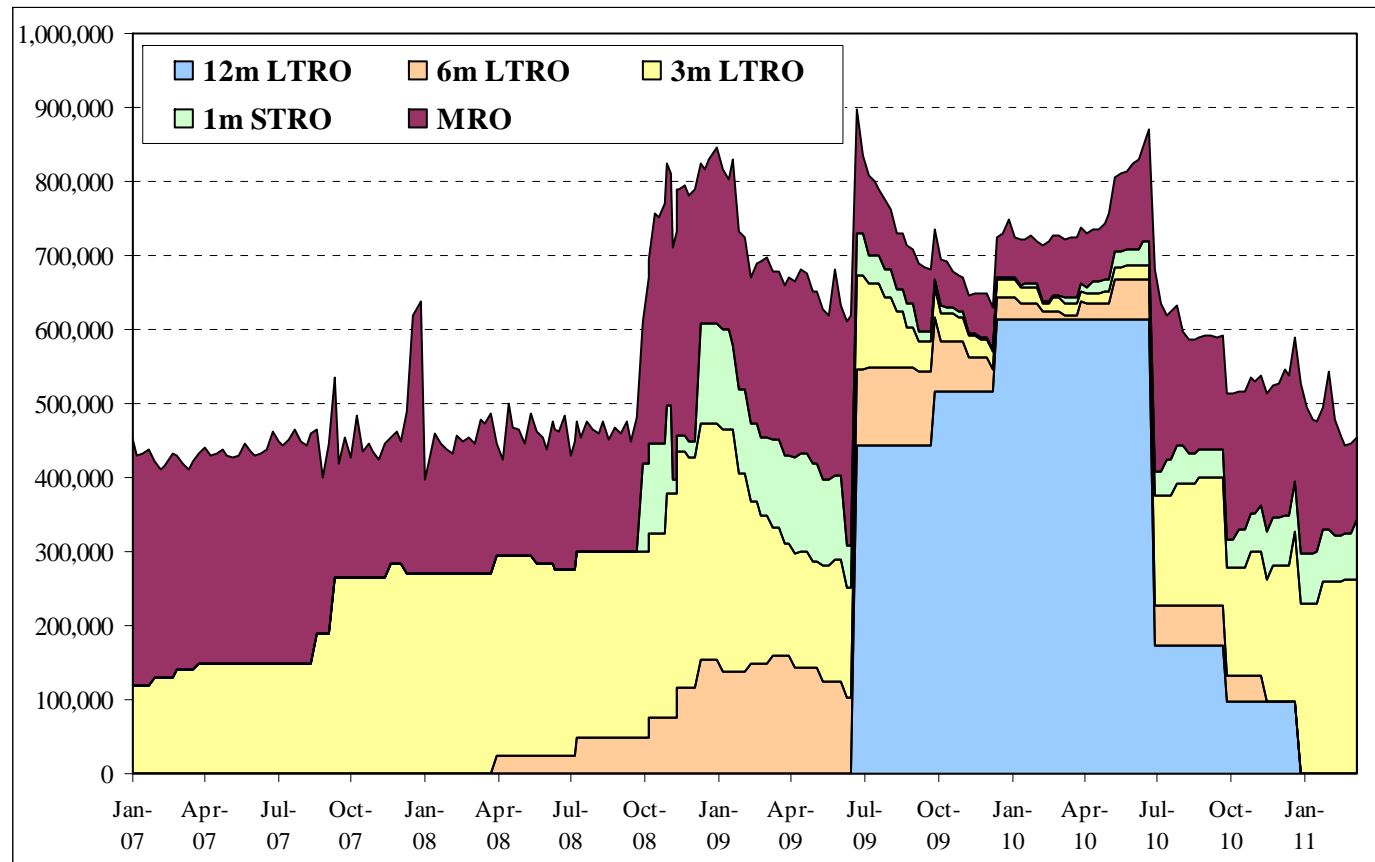
Cash spreads volatile, little changed; forward spreads close to recent lows



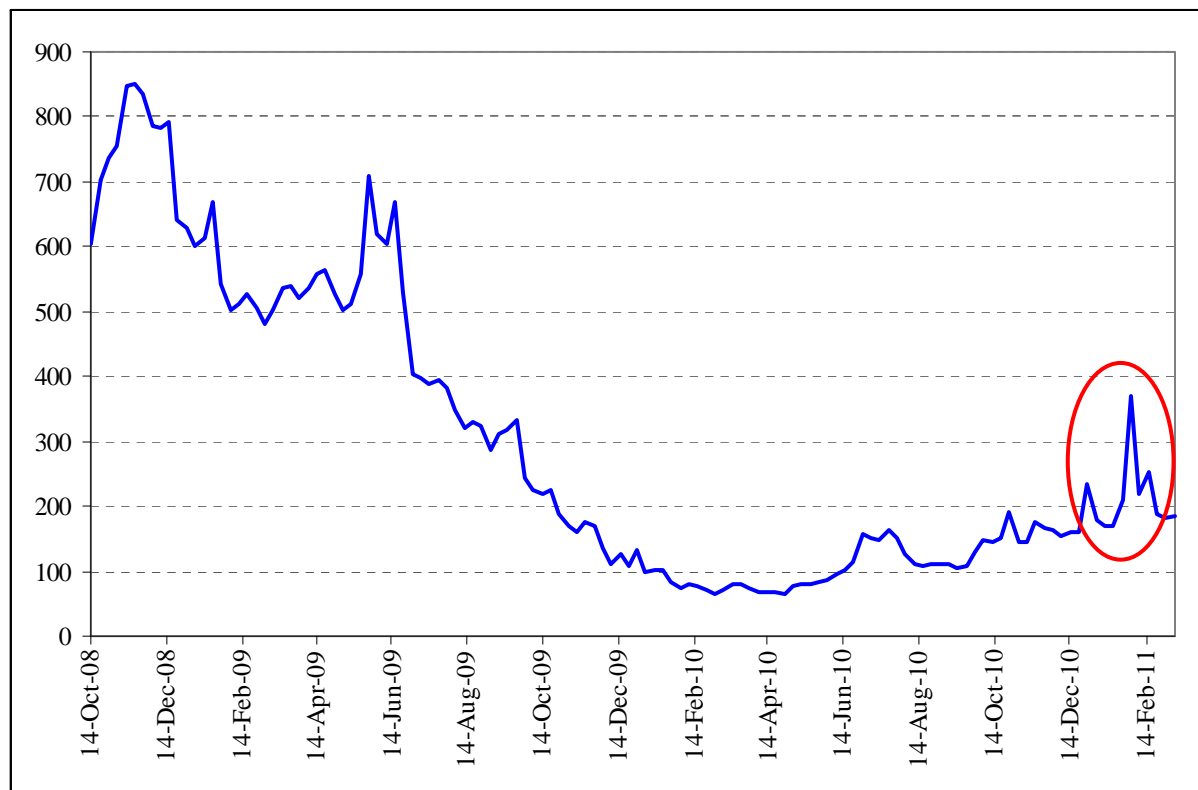
Development of the Euribor futures curve



Maturity breakdown of the ECB's liquidity providing operations



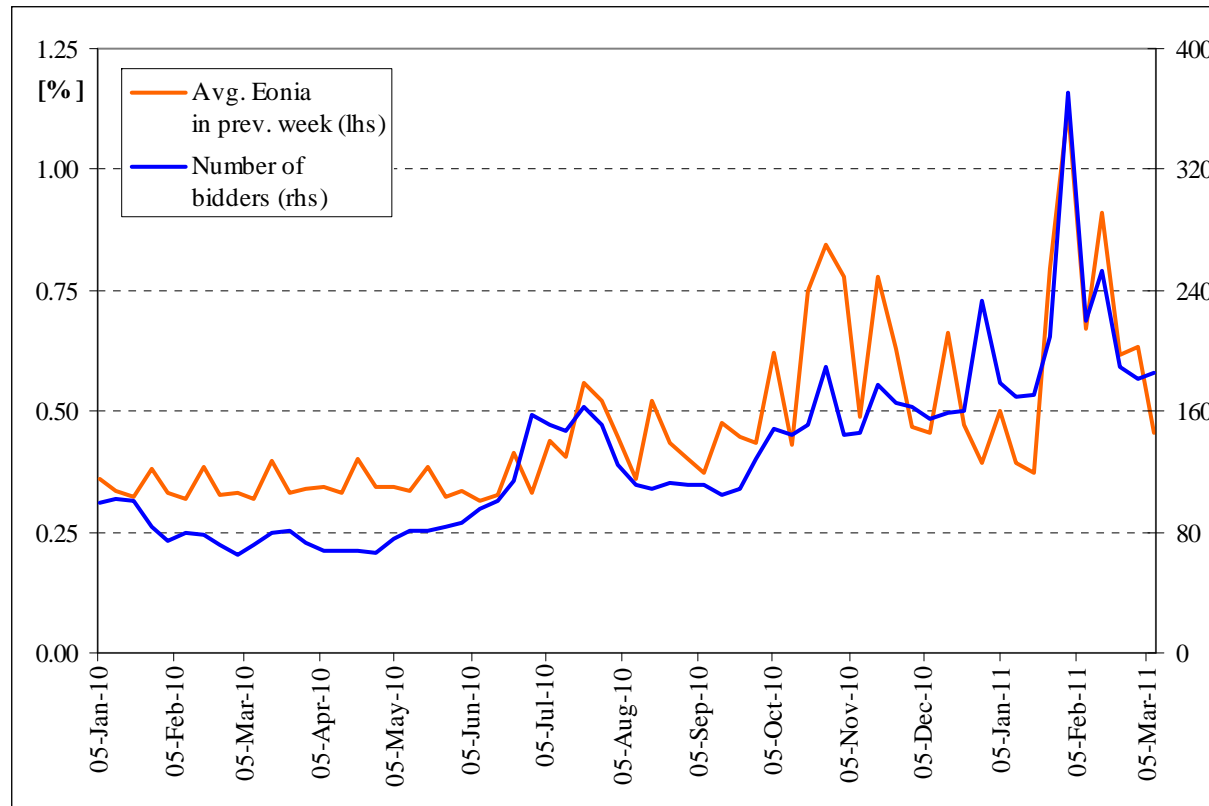
Number of bidders in MROs [since the introduction of FRFA]



-Declining trend in MRO participation until H1/2010 - stabilisation and gradual increase thereafter.

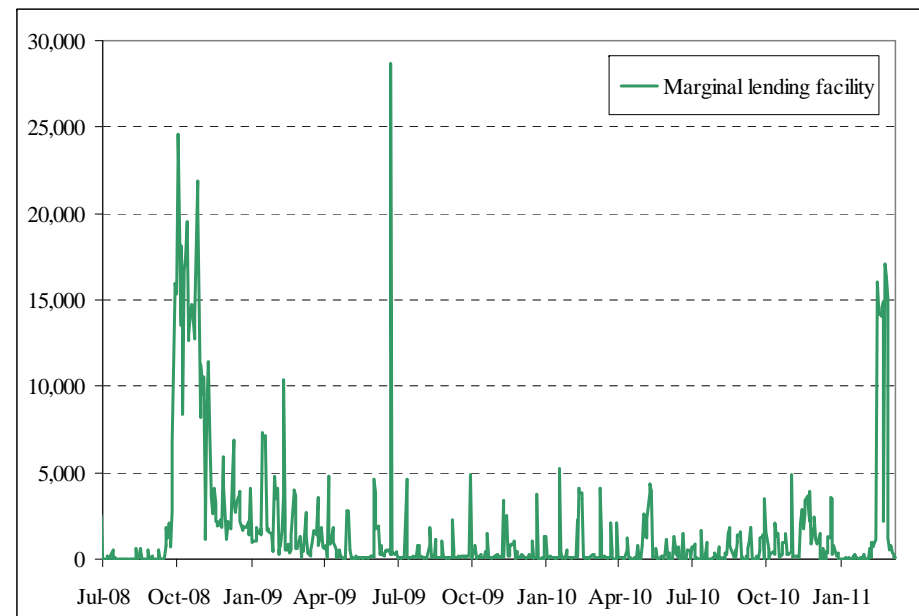
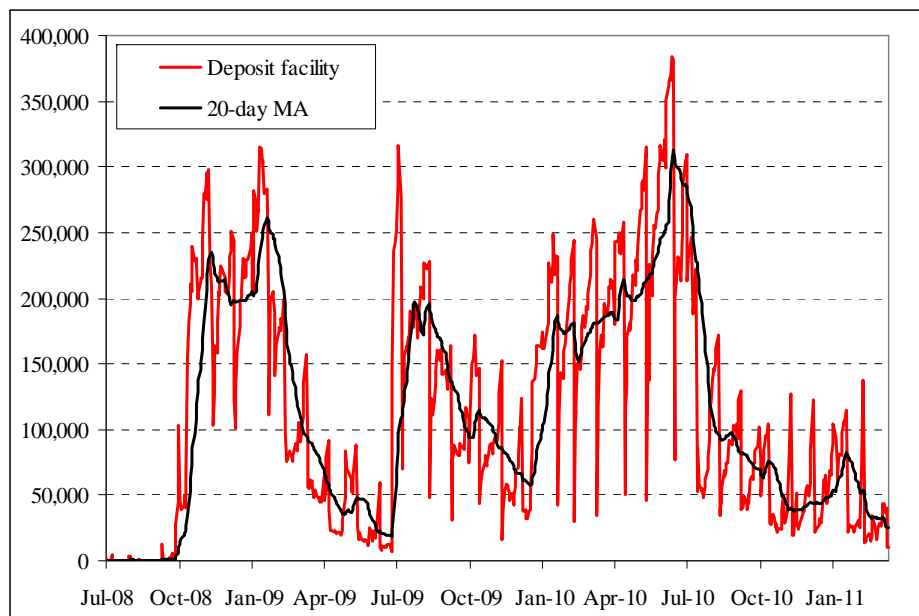
- Some volatility more recently.

Number of bidders vs. average Eonia rate in the week preceding the respective MRO

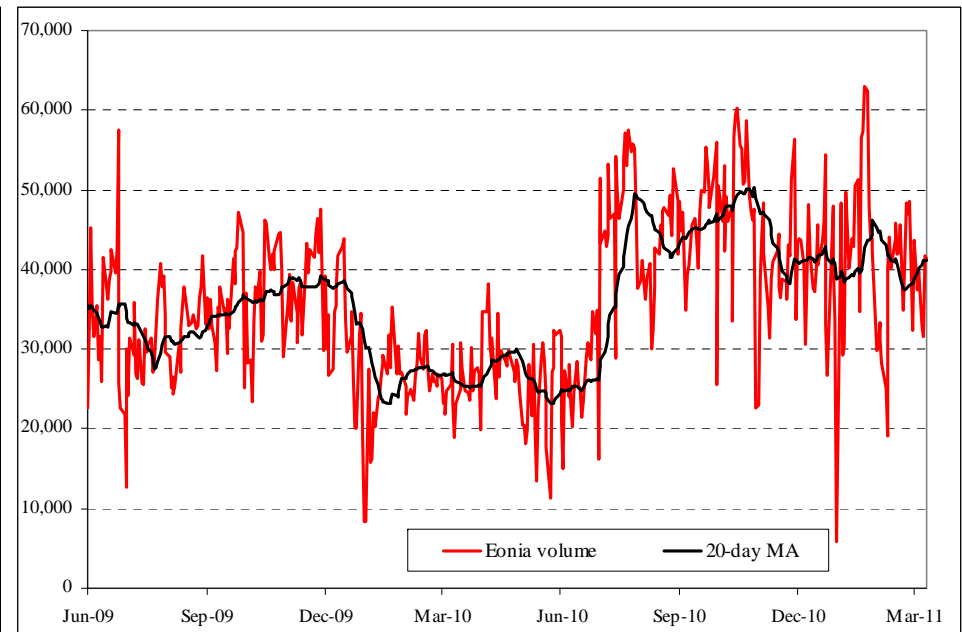
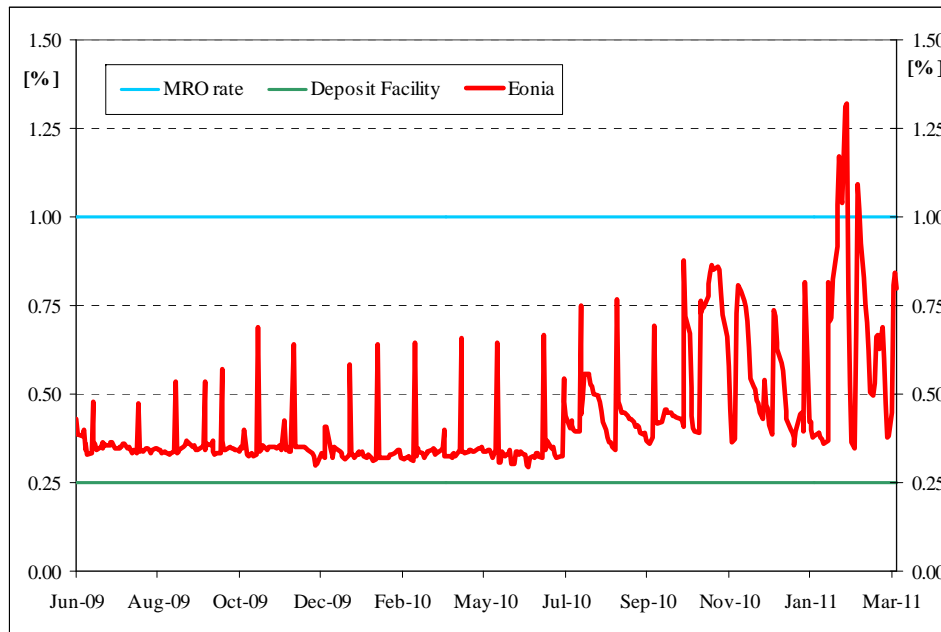


- **Higher avg. Eonia in the week preceding the MRO leads to higher MRO participation.**
- **Consecutive O/N market funding and MRO participation seem to be closely related funding alternatives for many (smaller) banks.**

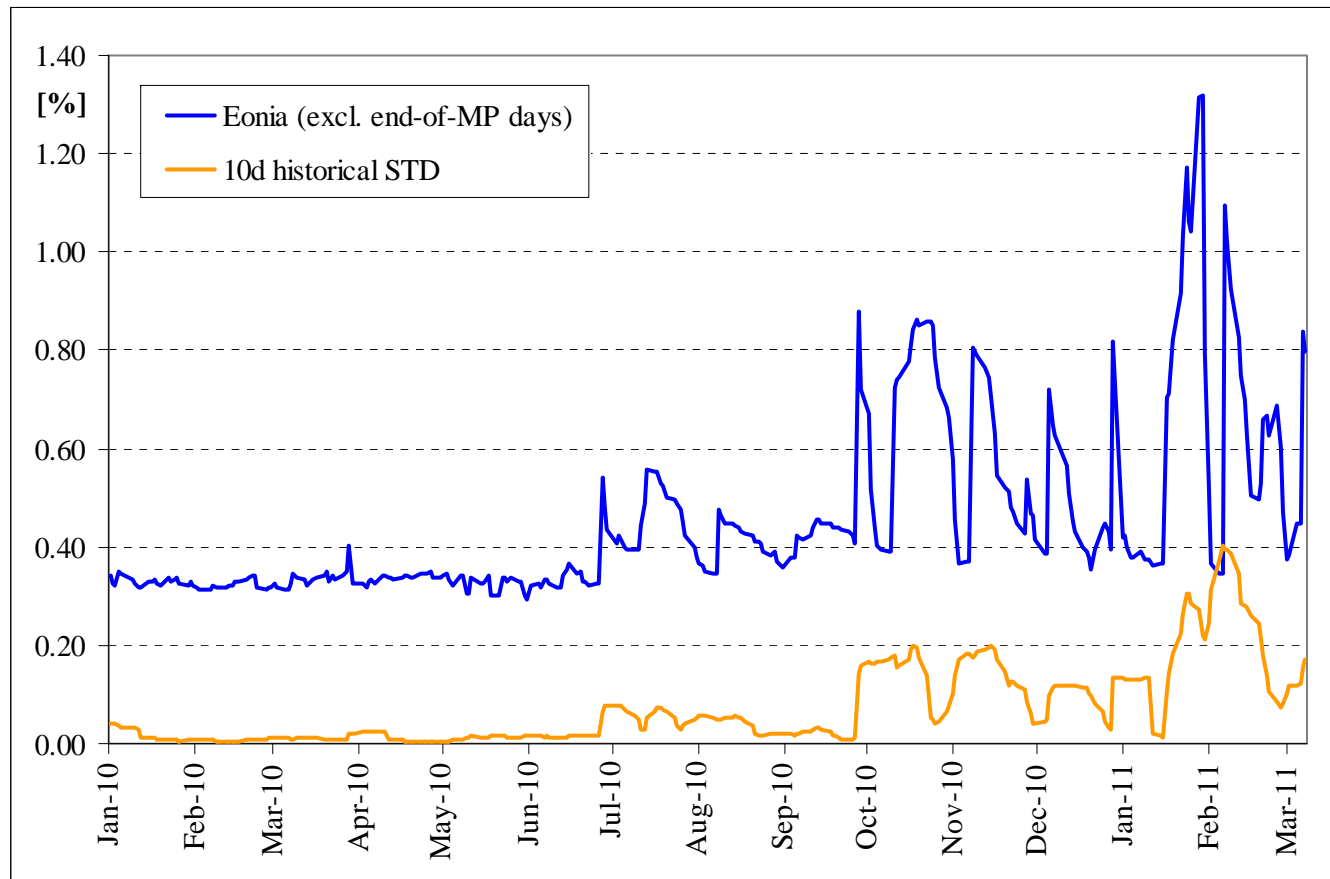
Use of the ECB's standing facilities



ECB rates and Eonia developments

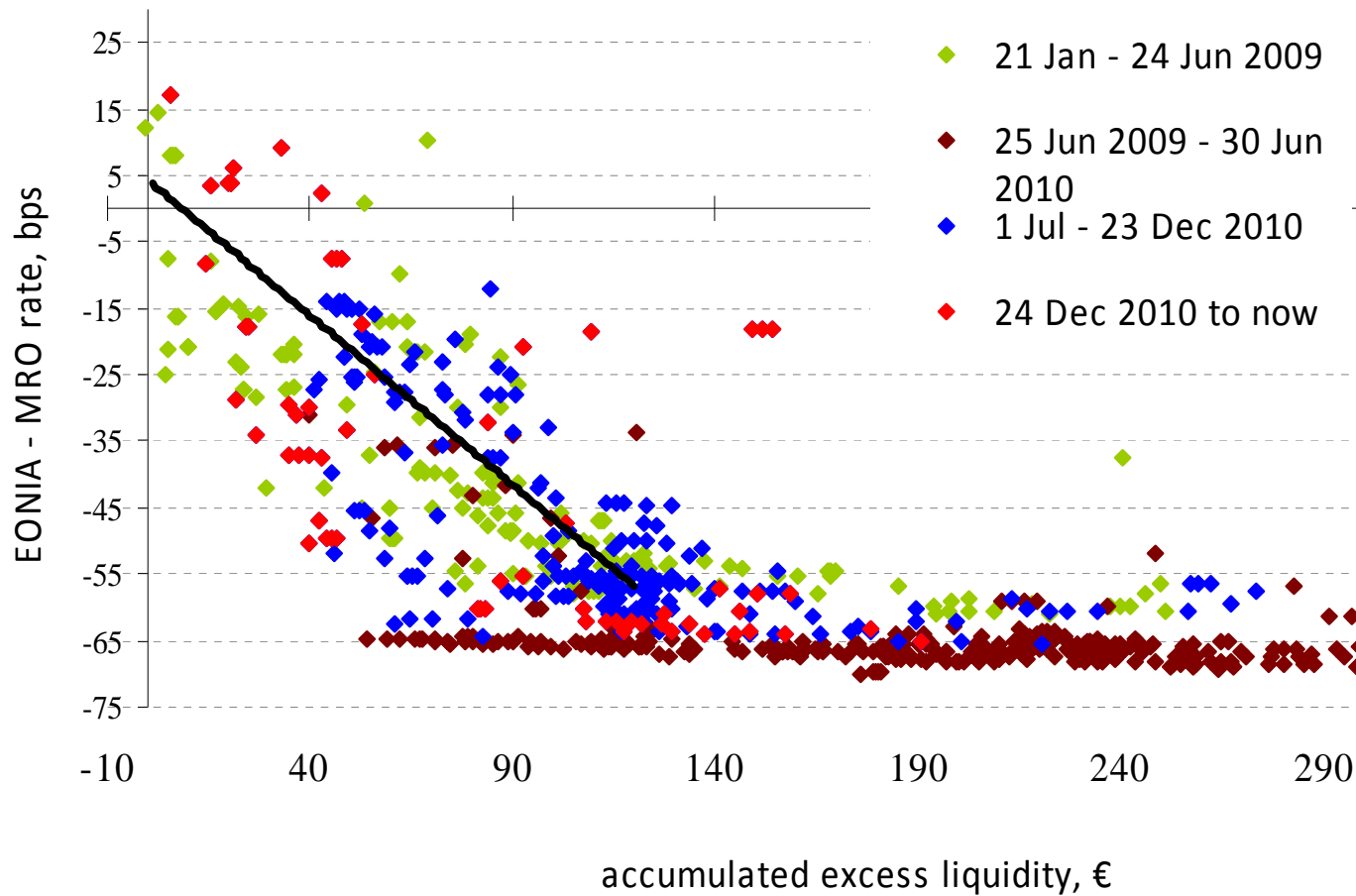


Eonia rate and historical Eonia volatility

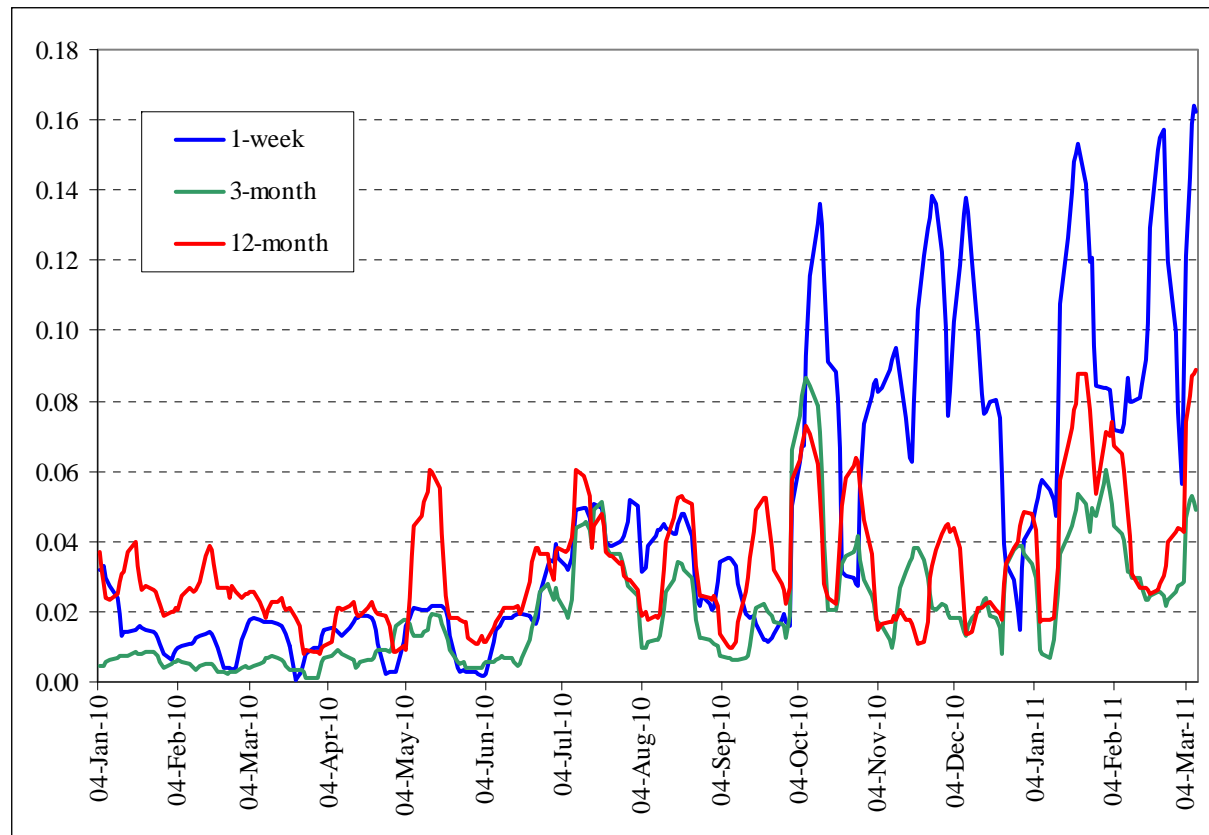


Relation between Eonia spread and excess liquidity

Relation EONIA spread vs excess liquidity

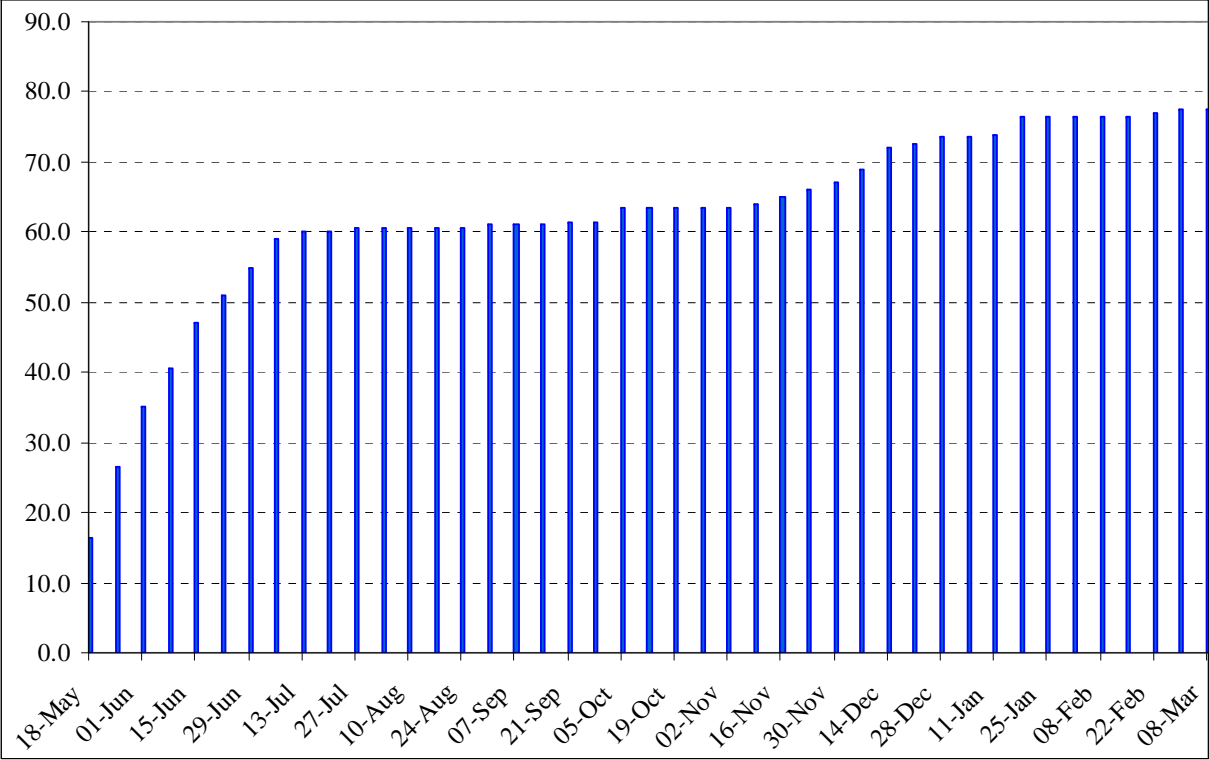


Historical volatility of selected Eonia swap indices



Securities Markets Programme

- Evolution of settled Eurosystem purchases



ECB developments and announcements

1 January 2011

- *Expiry of temporary eligibility of (i) marketable debt instruments denominated in USD, GBP and JPY; and (ii) debt instruments issued by credit institutions and traded on accepted non-regulated markets.*
- *Entry into force of a new haircut schedule, which graduates those according to maturities, liquidity categories and credit quality.*

1 March 2011

- *Requirement to have at least two ratings and second-best rating rule are applied to all ABSs, regardless of their date of issue.*

3 March 2011

- *Fixed rate / full allotment for MROs, MPOs and 3m LTROs to be continued in Q2/2011 (with LTROs indexed to MRO rate).*

Potential issues for discussion

- *How do members assess the increased volatility of very short term rates and their impact on market liquidity?*
- *Has the modest tightening of the collateral framework had any noticeable effect on market functioning?*
- *What could be the reasons for the continued high use of the deposit facility – also in times with rather low excess liquidity?*
- *The MP operations are the last ones with a non-standard maturity. How do members assess their usefulness? What could be a desirable share of 3m operations in the overall liquidity provision?*