



EUROPEAN CENTRAL BANK

EUROSYSTEM

DG MARKET OPERATIONS

20 February 2014

Money Market Contact Group

Frankfurt am Main, Tuesday, 18 February 2014, 1 p.m. – 4.30 p.m. CET

Summary of the discussion

1. Results of the joint study carried out by the ECB and the Euribor-EBF based on an ad hoc money market transaction data collection exercise.

The aim of the ad hoc MMCG meeting was to discuss the preliminary results of a study that was jointly conducted by the ECB and the Euribor-EBF, the administrator of Euribor, based on a set of EUR money market transaction data. At the end of 2012, the two institutions agreed to ascertain the feasibility of a transaction-based Euribor and, if indeed feasible, analyse options for the design of a possible reference rate. Almost 60 financial institutions, including all MMCG members, contributed to the transaction data collection exercise.

The Chairman noted that, while the ECB and the MMCG are not responsible for deciding whether and how to change Euribor, the MMCG would be a useful forum in which to discuss the initial results and provide feedback to the administrator, as input for identifying adequate specifications of transaction-based money market benchmarks.

Holger Neuhaus (ECB) presented the results of the study based on the transaction data collection exercise. He first discussed the scope of the exercise and subsequently outlined some of the characteristics of the dataset. Afterwards, Anthony Murphy (Promontory) presented on behalf of Euribor-EBF the considerations for constructing a transaction-based index. He discussed the design criteria of a new benchmark based on panel selection and business coverage, data sufficiency, as well as various calculation methodologies. He concluded that the construction of a sufficiently robust and representative transaction-based benchmark for the unsecured money market appears feasible, in principle, and presented two design variants: one involving a more homogeneous panel of reporting institutions; the other encompassing a wider and more diverse reporting population. He also highlighted that the study provides evidence of data sufficiency for the one-week, one-month, three-month, six-month and, probably, 12-month tenors.

In the subsequent tour de table, MMCG members gave their preliminary feedback on the outcome of the exercise, indicating that they would need more time to make a more thorough assessment of the options:

- MMCG members considered the data collection exercise very useful in order to be able to thoroughly assess the possibility of transaction-based money market benchmarks.

- The majority of the members expressed a preference for keeping a wide panel of contributors that would be representative of the entire euro area.
- MMCG members did not question in principle the inclusion of all wholesale funding transactions in the calculation of a possible transaction-based benchmark. Members (i) noted the somewhat different nature of such a reference rate, relative to the current Euribor; (ii) noted the possible role of data gap-filling techniques, and their pros and cons; (iii) expressed concerns about their ability to collect and provide the required transaction data on a daily basis; (iv) stressed the importance of a long transition period if such a transaction-based benchmark were to be introduced.
- Several members argued in favour of including floating rate transactions as they represent a large share of unsecured transactions.
- Members from some countries highlighted the importance of including the 12-month tenor, since a substantial amount of outstanding mortgages would be indexed to this tenor.
- Members asked for more detailed statistics and additional indicators to be able to interpret even better the data that have been collected, and to be able to draw the right conclusions regarding the best specification of a transaction-based money market benchmark.

2. Other business

The next MMCG meeting will take place in Frankfurt am Main on Tuesday, 18 March, from 1 p.m. to 5 p.m.