

Press release

29 April 2021

ECB publishes Euro money market study 2020

- Money market activity dominated by secured and foreign exchange swap segments
- Secured interest rates backed by collateral issued in different euro area countries converged, facilitating monetary policy transmission
- Monetary policy measures helped to alleviate temporary turbulences in some parts of euro money market

The Euro money market study 2020 finds that activity in the euro money market is still concentrated in the secured and foreign exchange swap segments, with the former accounting for about half of the total outstanding amounts. Secured interest rates backed by collateral issued in different euro area countries converged, facilitating a smooth transmission of monetary policy.

The study also reveals the contrast between the resilience of the secured segment and the bouts of turbulence experienced in the foreign exchange swap, short-term securities and unsecured term segments observed during the coronavirus (COVID-19) pandemic. It outlines how the Eurosystem monetary policy measures implemented since March 2020 in reaction to the COVID-19-related market tensions were successful in alleviating the rate disruptions of the three most affected money market segments, which returned to normal functioning in the course of the second half of 2020 and have remained stable ever since. The study also analyses the introduction of the new euro short-term rate (€STR), the ECB deposit facility interest rate cut in September 2019, the implementation of a two-tier system for remunerating credit institutions' excess reserve holdings and the impact of the United Kingdom's departure from the European Union on the euro money market activity.

The European Central Bank's Euro money market study 2020 provides a detailed overview of the euro money markets. It focuses on key developments and dynamics in five market segments: secured, unsecured, short-term securities, foreign exchange swaps and overnight index swaps. The study is

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based on daily transactions in the euro money market collected from the largest euro area banks under the Money Market Statistical Regulation¹ (MMSR).

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¹ Regulation (EU) No 1333/2014 of the European Central Bank of 26 November 2014 concerning statistics on the money markets (ECB/2014/48).

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