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PRESS RELEASE

RESULTS OF THE EURO MONEY MARKET SURVEY 2010

Today the European Central Bank (ECB) is publishing the results of a survey entitled “Euro Money Market Survey 2010”, which highlights the main developments in the euro money market in the second quarter of 2010, in comparison with the second quarter of 2009.

The results from this year’s survey, derived from a constant panel of 105 banks (unless otherwise stated), show the following:

- Aggregate turnover in the euro money market declined for a third consecutive year, albeit at a slower pace, falling this year by 3% from its level in the second quarter of 2009. The most notable declines in activity took place in the overnight index swaps (OISs) segment (-19%) and in the unsecured market (-18%).
- In the unsecured market the decline was most pronounced for unsecured cash borrowing and, within this particular segment, for maturities of more than one year and for maturities ranging from one to three months.
- The secured market remained the largest segment, with its aggregate turnover increasing by 8%. This increase was driven mostly by a 14% increase in activity for maturities between tomorrow next (T/N) and one month. Overnight activity (O/N) in the secured market declined instead by 8%.
- The share of transactions in the secured market that was cleared by central counterparties (CCP), as a subset of the repo market, rose from 41% of total repo transactions in 2009 to 45% in 2010.
- All except one of the derivatives segments covered in the survey experienced a decline in turnover in 2010. The most significant drop took place in the overnight index swaps (OISs) segment, where turnover fell by 19%. Turnover in forward rate agreements (FRAs) decreased by 10% in 2010 following a rise over the previous two years. In other interest rate swaps excluding OISs (“Other IRSs”) and cross-currency swaps (“Xccy swaps”) turnover decreased by 11% and 4% respectively. The only derivatives segment that did not suffer a decline was the foreign exchange swaps segment (“FX Swaps”), where turnover increased by 3%.
- The qualitative part of the survey shows that liquidity conditions and efficiency in the unsecured market continued to deteriorate. In cross-currency swaps, liquidity

conditions were perceived to have worsened significantly. The qualitative input also shows that market liquidity stabilised or even improved in most other segments of the euro money market between the second quarter of 2009 and the second quarter of 2010.

- Looking at concentration among market participants, the unsecured market segment remained the least concentrated one. By contrast, the FRAs segment was the most concentrated while the secured segment lay somewhere in between these two extremes.
- Turnover in outright transactions for short term securities in the secondary market saw a large increase (67%) in the second quarter of 2010, mainly driven by an increase in transactions related to securities issued by credit institutions.
- The share of trading with counterparties outside the euro area increased in the unsecured segment. Data on the geographical breakdown of collateral used in bilateral repos (according to the full panel of 172 banks) showed that the share of 'national' collateral in total repo transactions declined to 32% in 2010 compared with 36% in 2009. In most of the derivatives segments the share of trading with 'national' counterparties increased.
- In the unsecured market and in the FX swaps and FRAs segments the share of direct trading increased while in the secured market, the OIS, other IRSs and cross currency swaps segments, it was the share of electronic trading that increased.

This survey has been conducted since 1999 on an annual basis and always compares data for the second quarter of the current year with data for the second quarter of the previous year. It is conducted by experts from the European System of Central Banks, i.e. the ECB and the national central banks of the European Union. The survey comprises a constant panel of 105 banks whenever longer time-series comparisons are made but also includes data based on a larger panel 'the full panel', which has grown over time to get a fuller picture of the market. This year the full panel is composed of 172 banks and is used for comparing the evolution of the data over the last two years covered by the survey.

As in all even years, the ECB will complement the survey with a complete study. This "Euro Money Market Study 2010", which will include more detailed results and provide an in-depth analysis of the survey data, will be published at the end of 2010.

A summarised version of the aggregate survey data (CSV file) and, when published, the "Euro Money Market Survey 2010" can be downloaded from the ECB's website. The full dataset is available in the ECB's Statistical Data Warehouse.

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