



EUROPEAN CENTRAL BANK

EUROSYSTEM

Central Banks Operational Framework – Putting Monetary Policy into Practice

29th Financial Markets

Conference, Federal Reserve

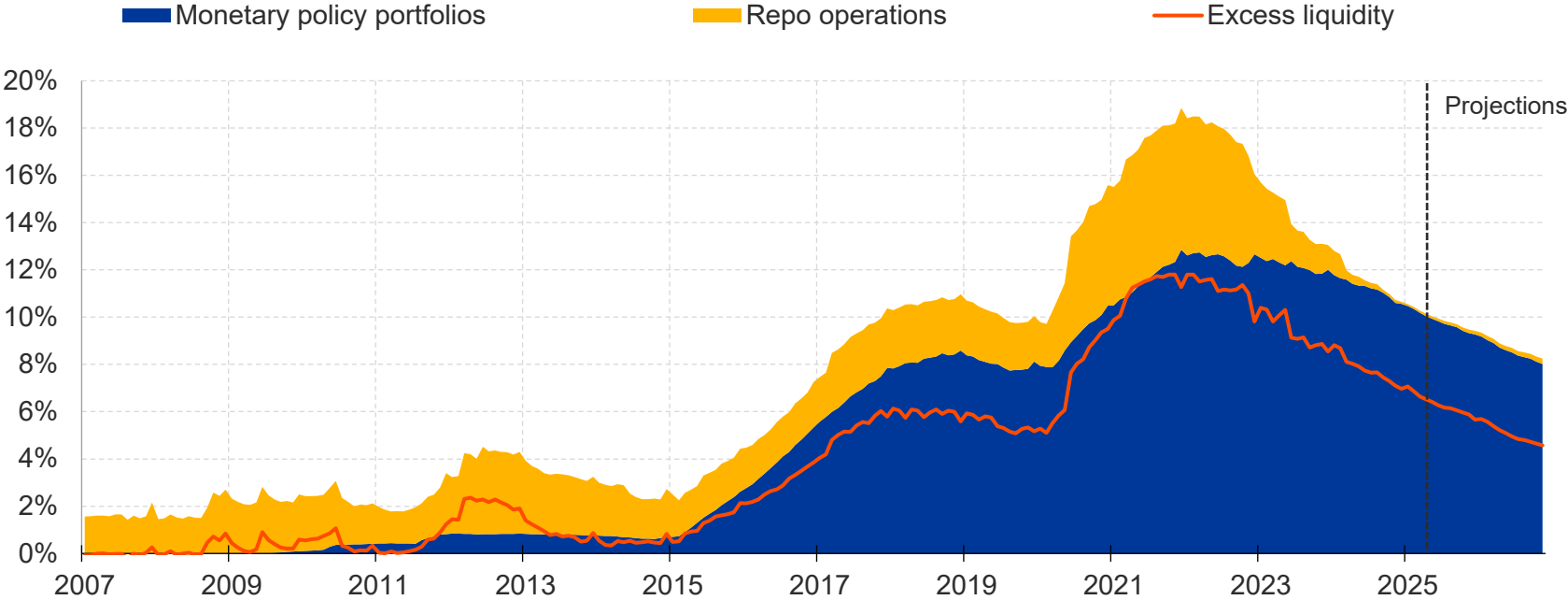
Bank of Atlanta

20/05/2025



Imène Rahmouni-Rousseau
Director General Market Operations

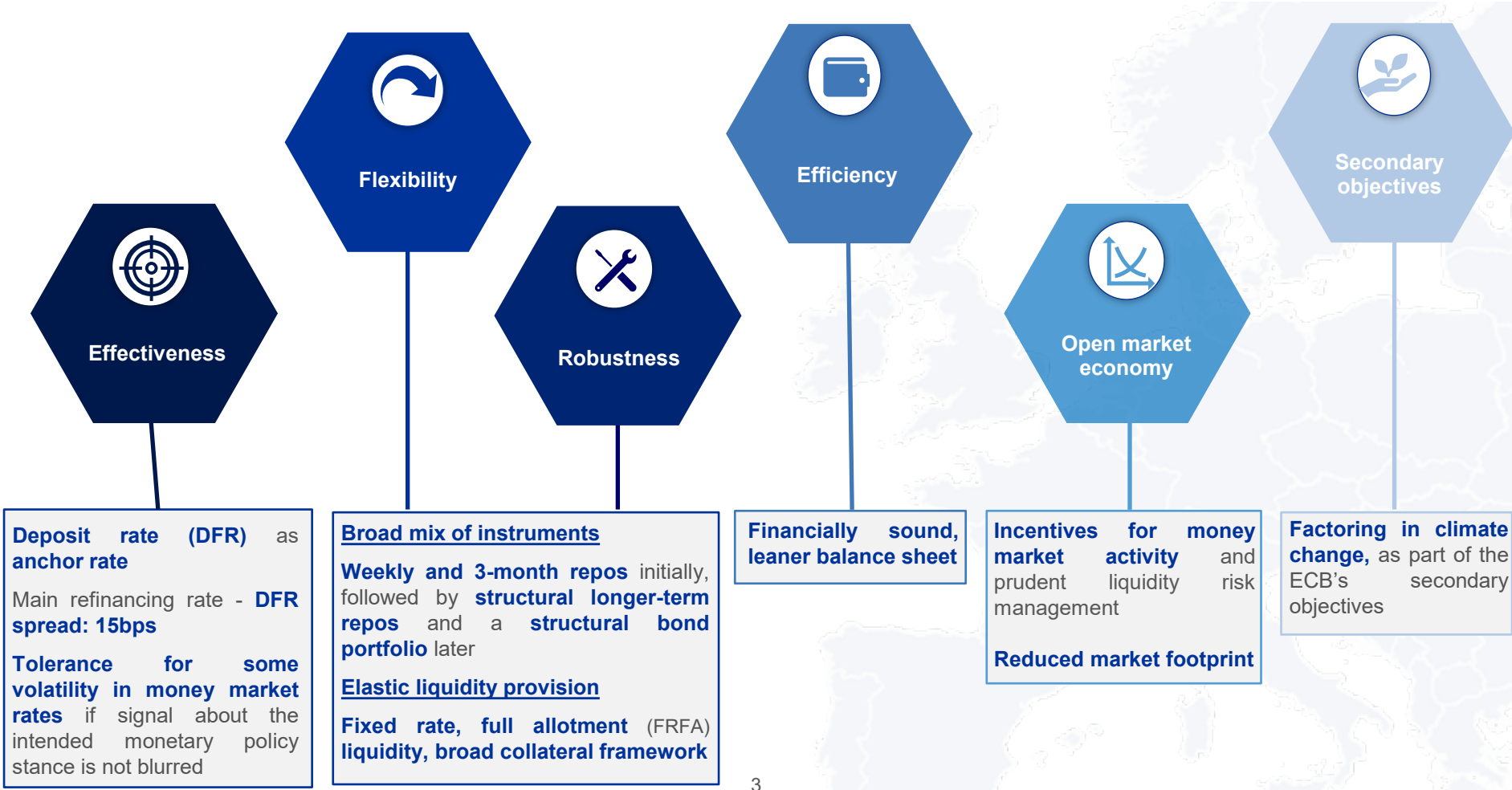
Excess liquidity evolution and its liquidity providing components
(% Total Assets of EA banking system)



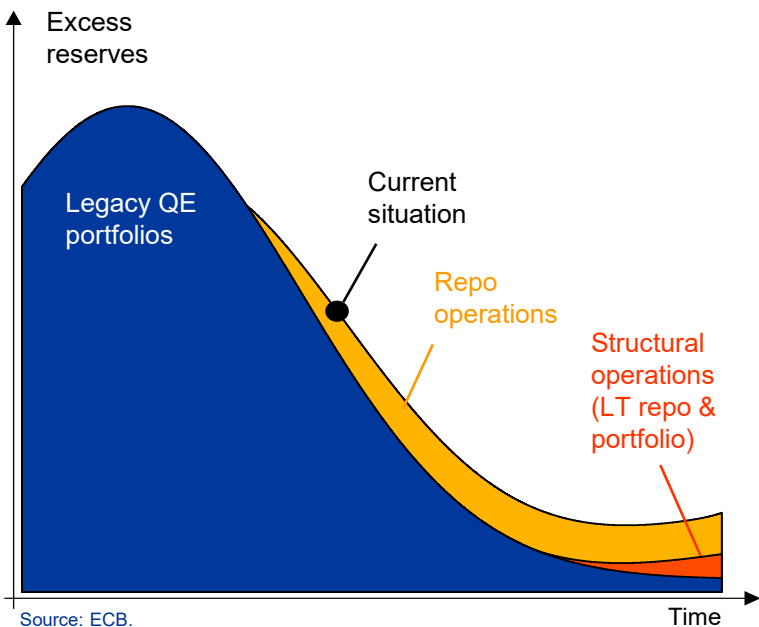
Sources: ECB, ECB calculations.

Notes: The future paths of monetary policy portfolios and credit operations are based on the median expectations by analysts as reported in the latest Survey of Monetary Analysts (SMA) conducted by the ECB. The projection of excess liquidity is based on these projections subtracting the projections of autonomous factors and minimum reserve requirements, based on ECB internal assumptions and models. Estimates for the components are scaled by the total assets of the EA banking system. For the projection it is assumed that total assets remain unchanged from the last realised value onwards. To facilitate comparability of different monetary policy frameworks Eurosystem credit operations are referred to as repo operations in this presentation.

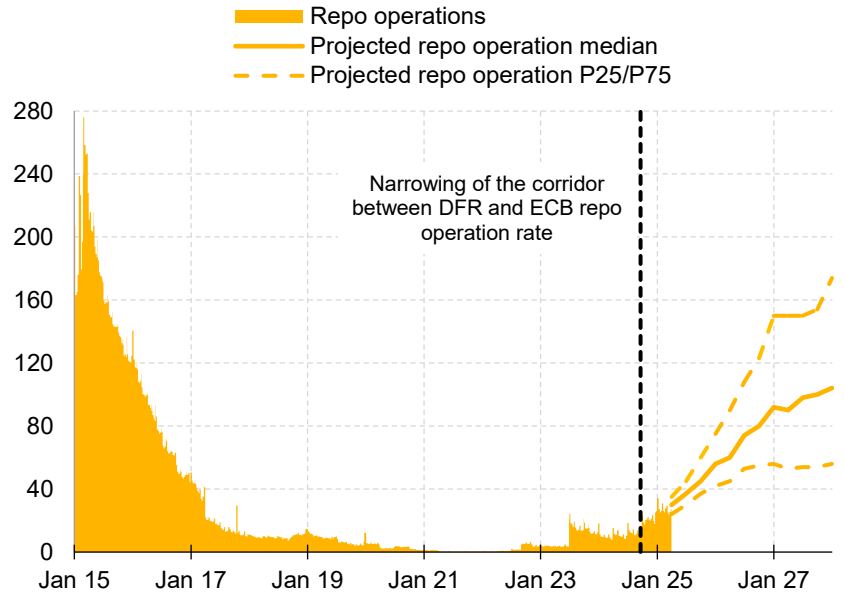
Main design features of operational framework effective as of 18 September 2024



Stylised breakdown of reserve supply over time



Expectations for outstanding amounts of ECB repo operations (EUR billion)



Sources: ECB, ECB calculations.
Notes: Repo operations cover ECB Standard Refinancing Operations (SROs), i.e. the main refinancing operations (MROs) with a one-week tenor, and the long-term refinancing operations (3m LTRO) with a three months tenor. The projection of the recourse to the operation going forward is based on the March 2025 Survey of Monetary Analysts.



Banking system, on aggregate, will need to participate in ECB repos to cover reserve demand



Banking supervisors publicly acknowledge this need, and “expect that banks [...] consider these operations as an integral part of their day-to-day liquidity management.” *



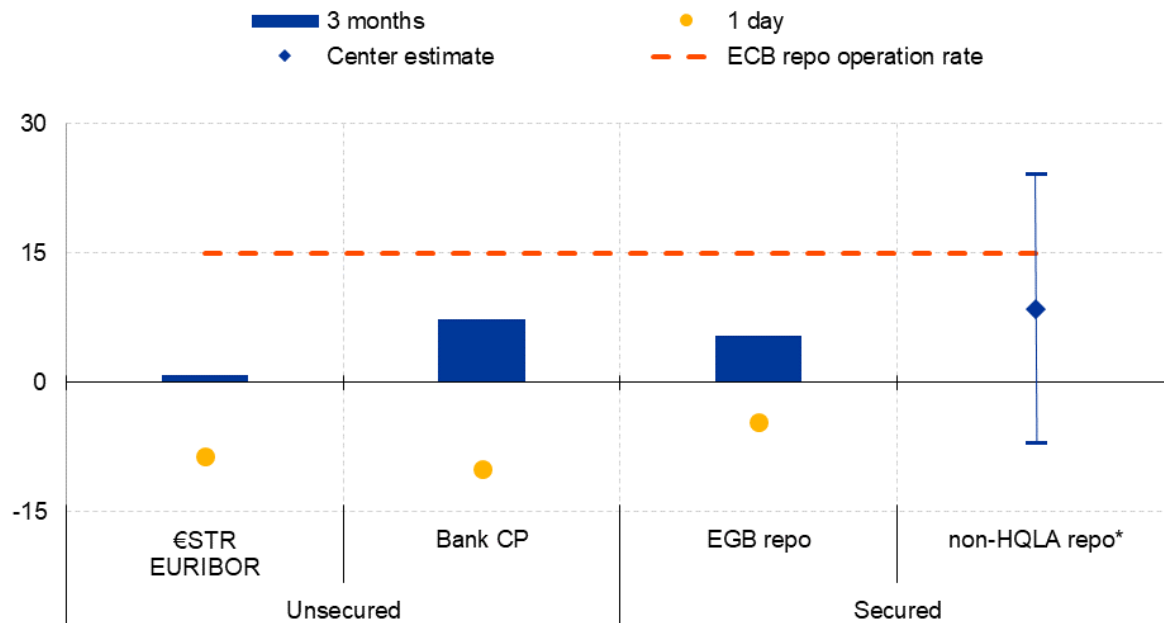
Large scale recourse to central bank repos is nothing new for euro area banks. It was a standard feature pre-2008, and an important component of the Eurosystem crisis reaction function.



Banks should be **operationally ready** to participate in Eurosystem repo operations, this includes e.g. collateral mobilisation

* Source: Claudia Buch (Chair of the Supervisory Board of the ECB), Isabel Schnabel (ECB Executive Board Member) (2025), [Managing liquidity in a changing environment](#), ECB Blog, March 2025

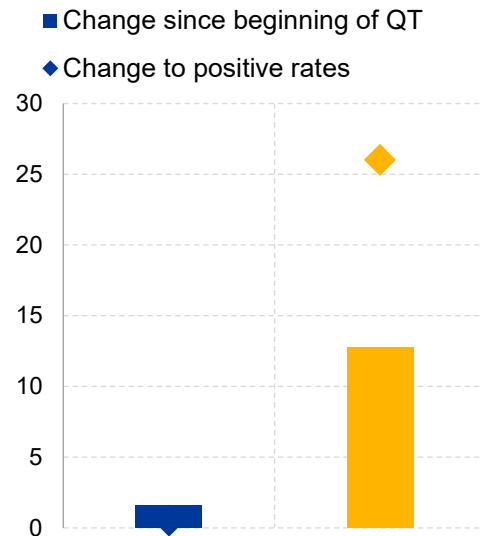
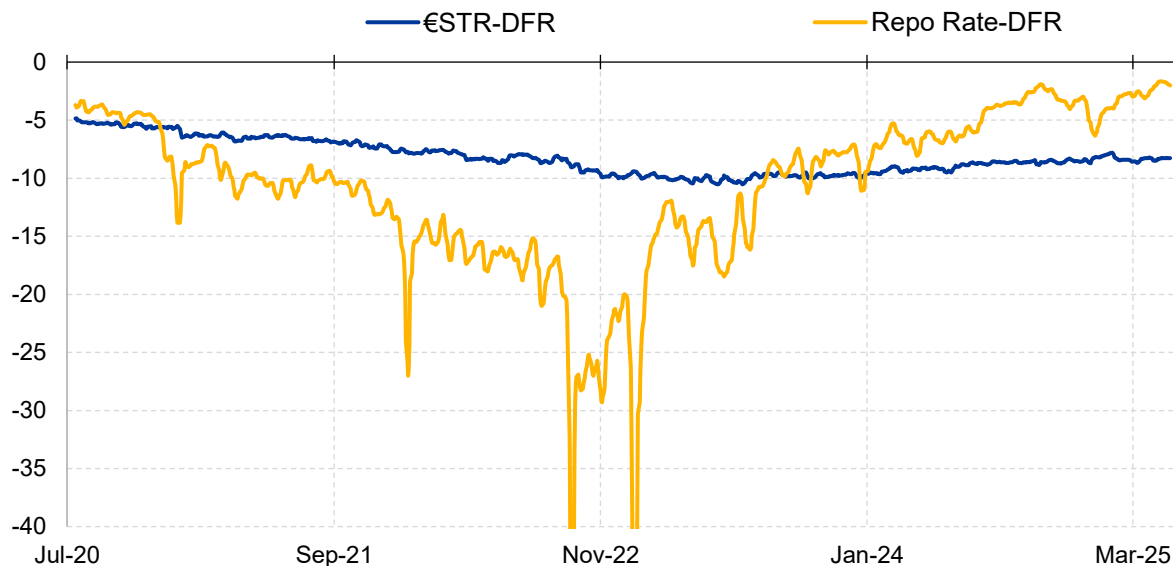
Relative market pricing of money market instruments to deposit rate (DFR) (basis points)



Source: ECB, Bloomberg.

Notes: In the chart the one-day rates spread to DFR is captured by the yellow dots. The three-month (3M) rates are cleaned for the 3M €STR OIS and the €STR-DFR spread to show the relative yield over the market-implied DFR over the next three months. The “non-HQLA repo” category is based on an estimation which includes all trades with maturity of one to three months similarly corrected for the market implied DFR. The central estimate is captured by the blue diamond with 90% confidence intervals depicted by the whiskers. Remaining rates show outliers and adjusted averages since 1 Jul 2024-13 Mai 2025.

Spread of overnight money market rates (unsecured vs. secured) to DFR (basis points)

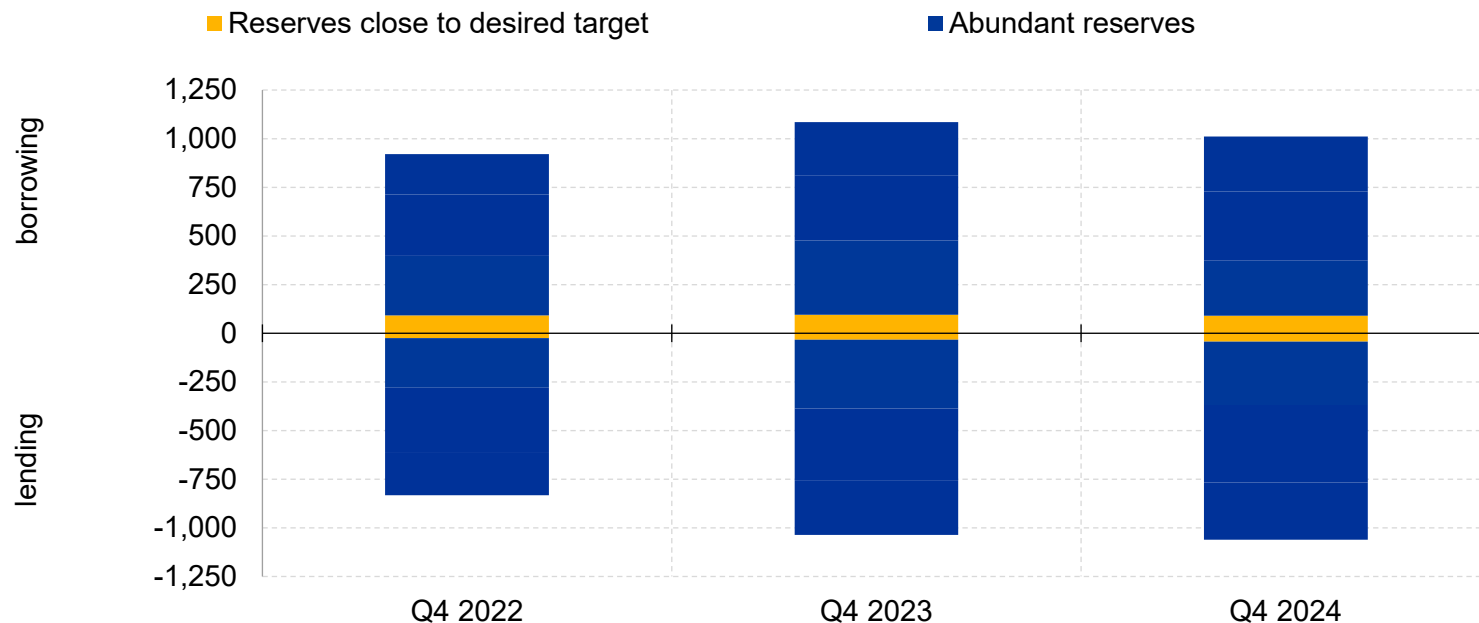


Source: MMSR, Bloomberg, ECB calculations.

Notes: Smoothed 5-day moving averages excluding the month-ends. Repo Rate (repo short-term rate) is an internal composite rate to evaluate aggregate euro area trends in secured market. The rate is calculated based on secured borrowing transactions from MMSR reporting agents. It represents borrowing transactions with fixed rates, wholesale transactions (minimum volume >EUR 1mn) against only financial counterparties. Volumes are trimmed by removing the top and bottom 25% of transactions ordered by rate. The rate represents a volume-weighted average rate. The rate is derived from transactions with 1-day maturity (ON, SN, TN) and only against securities issued by euro area governments.

Last observation: 6 May 2025.

Banks' outstanding borrowing and lending in repo against government bonds by banks' distance to reserve target (EUR bn)



Sources: SFTD, ECB calculations, ECB survey on EA bank treasurers

Notes: Includes only euro area banks trading collateralised in repo with euro area government bonds. Quarter average.

One year onwards the Eurosystem operational framework is working as intended



Money market rates are well controlled



Banks adapted well and, so far, have almost exclusively met their liquidity needs through **market sources**



Banks use **repo markets** to redistribute reserves where they are needed
Most **banks' desired reserve levels** have **not yet** been **tested**



Banks should be **operationally ready** to participate in Eurosystem repo operations
ECB will review the working of the operational framework until 2026