



EUROPEAN CENTRAL BANK

EUROSYSTEM

DG MARKET OPERATIONS

31 March 2026

ECB Money Market Contact Group

Thursday, 26 March 2026, 14:00-18:00 CET, hybrid meeting

Summary of the discussion¹

A) Main developments in money markets and ECB policy outlook

Isaac Davies (Barclays) reviewed the developments across money market segments since the last MMCG meeting on 3 December 2025. The discussion centred on the latest period, which was marked by the developments in the Middle East. Euro money markets remained resilient, with the short end of the money market curve staying well anchored despite spikes in short-term volatility, and remaining liquid due to ample reserves in the banking system. Strong prefunding positioned banks well, limiting the Middle East conflict's impact. There was only a modest increase in funding costs, i.e. wider term spreads with no signs of systemic stress or tight liquidity.

US dollar funding conditions remained relatively stable compared to other stress periods, supported by high US dollar liquidity, improved market structures, and diversified funding sources. Looking ahead, members emphasised the risks stemming from a prolonged conflict, which could affect market functioning and liquidity management differently across global regions.

B) Tokenised finance and its relevance for the money markets

Eric Scotto di Rinaldi (Rabobank) provided a lead off presentation on the relevance of the tokenised finance for the money markets. The discussion focused on the current challenges, potential benefits, and strategic considerations for adopting tokenised finance. Pilot projects and exploratory initiatives are testing use cases such as intraday repo and tokenised bonds. The most promising areas are collateral and post-trade efficiencies, shorter settlement cycles and cross currency trades. Tokenisation offers solutions to streamline the complex and fragmented European financial infrastructure and enhancing asset transferability. However, the lack of

¹ The views expressed in this summary are those of the MMCG members and do not necessarily reflect the views of the ECB.

harmonisation among initiatives may lead to inefficiencies and limit cross-border scalability. In this regard, central bank involvement, e.g. via tokenised wholesale central bank money and the Appia and Pontes projects, is considered essential.

Regulation is seen as crucial for ensuring stability and trust, requiring adaptability to evolving market demands. Despite these opportunities, adoption remains slow, as only a small fraction of market issuance is tokenised. The transition to tokenised finance is expected to be lengthy, with significant cost savings and efficiencies emerging only in the long term.

C) Demand for reserves in the money market amid a shrinking Eurosystem balance sheet

Julie Lardinois (Belfius) presented insights on how the euro area's demand for reserves evolves amid a shrinking central bank balance sheet. Given these developments, banks' reserve needs increasingly shape money market pricing and behaviour. This shift is gradual, but potentially non-linear, as sensitivity to liquidity grows with declining reserves. Early indicators of market normalisation include tightening of the €STR-DFR spread and widening of the Euribor-OIS spread, signalling some increase in competition for reserves and rising term funding costs. Repo markets have become central to liquidity redistribution, driven by collateral availability and dealer balance-sheet capacity, though regulatory constraints continue to limit dealer capacity.

Structural reserve demand remains sticky, shaped by regulations, payment activity, and precautionary buffers. Higher sovereign issuance under quantitative tightening (QT) has increased collateral supply, though regulatory demand for high-quality liquid assets (HQLA) and balance-sheet constraints reduce collateral velocity.

Non-bank participants and debt management offices (DMOs) contribute episodic liquidity to repo markets without structurally anchoring them, increasing short-term volatility and collateral sensitivities. As banks increasingly preserve HQLA for operational needs and shift toward using non-HQLA collateral in repo transactions, price dispersion and collateral differentiation are becoming more evident.

Members also discussed the banks' recourse to the Eurosystem's standard refinancing operations (SROs) and the likely gradual increase in their usage, as reduced excess liquidity in the future could lead to higher repo rates.

Participant's organisation**Name of participant**

Amundi Asset Management	Mr Patrick Siméon
Banco Santander	Mr Luis Barrigon Rodriguez
Barclays	Mr Isaac Davies
Belfius Bank	Ms Julie Lardinois
BlackRock	Ms Emma Cooper
BNP Paribas	Mr Sébastien Figué
CaixaBank	Mr Xavier Combis
Coöperatieve Rabobank	Mr Eric Scotto di Rinaldi
Crédit Agricole/CACIB-CASA	Mr Pierre Le Veziel
Deutsche Bank	Mr Jürgen Sklarczyk
DZ Bank	Mr Oliver Deutscher
Erste Bank	Mr Andreas Unterweger
Eurex Clearing	Mr Frank Odendall
Eurobank	Mr Dimitris Psychogios
HSBC	Ms Duygu Akgul
ING Bank	Mr Leif Domeyer
Intesa Sanpaolo	Ms Maria Cristina Lege
Société Générale	Ms Ileana Pietraru
Unicredit	Mr Michele Montani
European Central Bank	Mr Roland Straub Chairperson
European Central Bank	Ms Svetla Daskalova Secretary
European Central Bank	Mr Vladimir Tsonchev Secretary
European Central Bank	Ms Emily Witt
European Central Bank	Mr Tobias Linzert