



EUROPEAN CENTRAL BANK

EUROSYSTEM

DG MARKET OPERATIONS

17 September 2025

ECB Money Market Contact Group (MMCG)

Wednesday, 17 September 2025, 14:00-18:00 CET, Frankfurt, in-person meeting

Summary of the discussion¹

The Money Market Contact Group (MMCG) discussed three main topics: (A) main developments in money markets and the outlook for the ECB's monetary policy, (B) the money market and liquidity implications of the move to T+1 settlement for transactions in transferable securities, and (C) the potential impact of stablecoins on money markets.

(A) Main developments in money markets and the outlook for the ECB's monetary policy

René Brunner (Erste Bank) gave a lead-off presentation, setting the stage for the group's subsequent discussion on money market developments.

The euro money market remained stable, supported by ample liquidity, with tight credit spreads and no disruptions despite geopolitical tensions and political uncertainty. Investors continued to be confident, which supported benign funding conditions. Banks were well-positioned in terms of liquidity and were focused on optimising their liquidity buffers to improve their net interest margins. The uptake in the ECB's regular operations had remained low in view of the cheaper market financing available. As excess liquidity was expected to continue to decline and as spreads were gradually aligning with the ECB's interest rates, recourse to the Eurosystem's operations might increase in the future. Commercial paper issuance remained robust, driven by strong demand from money market funds. In the repo market, funding spreads had narrowed, while general collateral refinancing was currently somewhat more expensive in a context of greater demand. Cross-currency swap and FX market liquidity was stable, and no major tensions were expected in either segment for the September quarter-end or the year-end.

Looking ahead, key risks included geopolitical tensions, US trade tariffs, fragile political stability in Europe, macroeconomic shocks and uncertainties around the upcoming instant payments regulations. Members voiced ongoing concerns over the move towards 24/7 instant payments, citing several challenges, including cybersecurity risks, fraud, compliance with anti-money laundering requirements and intraday credit during weekends and holidays. Additionally, the lack of historical data on instant payments might prompt some banks to adopt a conservative approach by maintaining higher liquidity buffers, potentially increasing the aggregate minimum excess liquidity required in the system.

(B) Money market and liquidity implications of the move to T+1 settlement for transactions in transferable securities

Maria Cristina Lege (Intesa Sanpaolo) and Patrick Simeon (Amundi) opened the discussion with a presentation outlining the various dimensions of the transition to

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

T+1 settlement for transferable securities in Europe. They reviewed the regulatory framework (EU Regulation on Central Securities Depositories) and the scope of the transition, noting the exclusion of securities financing transactions (SFTs) owing to the operational complexity and the non-standard settlement periods typical for such transactions. Among the key benefits highlighted were reduced counterparty risk and greater operational efficiency. The two presenters stressed the need for even more accurate and timely real-time monitoring and forecasting to improve liquidity management, as well as the importance of aligning Europe with global best practices. Several members emphasised that European markets should continue to evolve if they were to remain globally competitive and attract foreign capital.

It was stressed that all participants across the entire trade execution and post-trade cycle would be affected, requiring improvements to operational workflows and timelines, alongside significant infrastructure upgrades and investment in technology. Members agreed that cash bond markets were expected to continue operating with minimal disruption. In repo markets, some members anticipated a greater concentration in overnight and “tom-next” contracts, as well as a potential risk of more frequent liquidity squeezes and higher intraday funding needs. Regarding FX and the pre-funding of foreign currency, it was noted that EU currencies other than the euro might experience liquidity shortages owing to the shorter trade cycle.

Overall, the transition was not viewed as particularly problematic at this stage, as banks had been preparing for this change for some time. However, participants emphasised that a potential future move to T+0 could pose additional challenges. While the smooth transition in the US was generally viewed as encouraging, participants noted that Europe faced unique complexities owing to its fragmented market infrastructure (multiple exchanges, central counterparties, central securities depositories, etc.). Additionally, participants highlighted that this transition constituted a strong use case for the effective application of artificial intelligence to streamline processes and address emerging challenges.

(C) Potential impact of stablecoins on money markets

The group explored the potential impacts of US dollar-backed stablecoins on the money markets, with insights from Olivier Deutscher (DZ Bank) and Xavier Combis (Caixabank). The discussion covered the key characteristics and market trajectory of stablecoins and their expanding use cases, for example as crypto trading collateral or for cross-border payments or programmable lending. The dominance of US dollar-backed stablecoins and their link to the US Treasury market were highlighted, particularly the way they rely on T-bills and repo markets to maintain their pegs. Comparisons between the regulatory frameworks in the United States (the GENIUS Act) and the European Union (MiCA) underscored the differences in their potential market implications. Broader issues were also examined, such as the first-mover advantage of US dollar-backed stablecoins, which could potentially lead to some form of dollarisation in this area.

The group noted that Europe’s focus on stability and regulation had not kept pace with the rapid evolution of the market, in marked contrast to the United States. Members expressed concerns about the potential for deposit outflows, which could hamper credit creation, and about liquidity fragmentation across currencies and platforms. However, they also highlighted the opportunities offered by blockchain technology in terms of fostering innovation and improving efficiency.

The discussion emphasised the dual nature of stablecoins: initially seen as a breakthrough for improving payment efficiency, especially in cross-border contexts, stablecoins had since evolved into a more complex phenomenon, with far-reaching implications. Central banks and policymakers now had to address critical challenges, including financial stability, monetary sovereignty, the resilience of payment systems and international policy coordination.

In response to the growing influence of US dollar-backed stablecoins, the role of the digital euro, euro-backed stablecoins and tokenised deposits was discussed. Together with the upcoming 24/7 instant payments regime, these were viewed as important tools to counterbalance potential US dollar dominance.

<u>Participant's organisation</u>	<u>Name of participant</u>
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
BPCE/Natixis	Mr Olivier Hubert
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 René Brunner
Eurex Clearing	Mr Frank Odendall
Eurobank	Mr Dimitris Psychogios
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
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