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Discussion on "Measure three times before you cut - Different approaches in money market measurement" by Jan Paulick and Alexander Müller

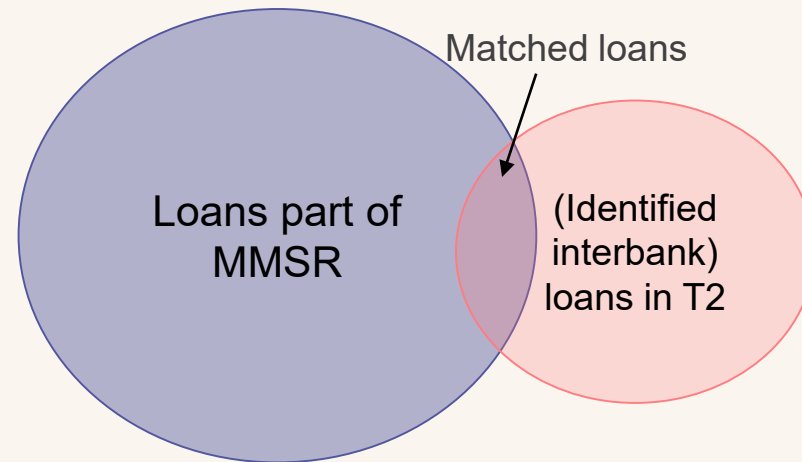
16th Payment and Settlement System Simulator Seminar





What this study is about

- Comparison of different sources of money market data, namely samples of MMSR data and transactions settled in TARGET2



- Analysis of differences in data sources (booking in EU vs. settled in T2) and loan and bank characteristics that explain matching results, such as roll-overs and lending of credit cooperatives



Measurement of money market activity is important and choice of data source does matter

- Interesting results for
 - Central bankers and researchers: critical to understand the data and what is measured
 - Practitioners: money market rates as reference rates
- Differences in data sources should be kept in mind when analyzing e.g. aggregate level money market rates or volumes

Highly relevant findings for anyone studying (or even remotely interested in)
European money markets



Questions and comments

- What is the effect of potential outliers on matching results?
 - MMSR transactions are reported transactions
 - Reporting may contain errors
 - Misreporting may affect matching results
 - Errors in reporting may be clustered at the level of individual reporting agents

- What is the economic impact of the most important drivers of matching results?
 - E.g. roll-overs and lending of cooperatives and savings banks are included in the MMSR sample but not (often) observed in T2
 - Would be interesting to see MMSR borrowing and lending rates for the sample without these transactions + compare the obtained rates with T2 rates
 - This would further highlight the magnitude of differences in data sources



Questions and comments cont'd

- Slide 17: What explains the significant decline in matched loan (value) ratio of T2 lending from 0.9-0.8 to 0.2-0.4 after Mar 2017?
- Would be interesting to understand how matching results vary across time and whether there are any seasonal effects
 - End-of-month effects?
 - End-of-quarter effects?