

## Box I

### Monetary policy operations and liquidity conditions in the fourth maintenance period

#### Allotments in monetary policy operations

The Eurosystem conducted four main refinancing operations during the fourth reserve maintenance period, which lasted from 24 April to 23 May 1999. All main refinancing operations were carried out at a fixed rate of 2.5%. The allotted volume varied between €78.0 billion and €42.0 billion, while the aggregate amount of bids varied between €754.8 billion and €638.6 billion, the average being €689.5 billion. Compared with the beginning of Stage Three, the amount of bids in the main refinancing operations became steadier. However, because of the different sizes of the two outstanding tender operations, the allotment ratio alternated between 12% and 6%. The number of counterparties participating in the main refinancing operations stabilised in the range of 650 to 750 institutions.

#### Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 April to 23 May 1999

	Liquidity providing	Liquidity absorbing	Net contribution
<b>(a) Monetary policy operations of the Eurosystem</b>	<b>167.4</b>	<b>0.4</b>	<b>+167.0</b>
Main refinancing operations	121.6	-	+121.6
Longer-term refinancing operations	45.0	-	+45.0
Standing facilities	0.8	0.4	+0.4
Other operations	-	-	-
<b>(b) Other factors affecting the banking system's liquidity</b>	<b>342.5</b>	<b>408.3</b>	<b>-65.8</b>
Banknotes in circulation	-	333.8	-333.8
Government deposits with the Eurosystem	-	36.4	-36.4
Net foreign assets (including gold)	342.5	-	+342.5
Other factors (net)	-	38.1	-38.1
<b>(c) Credit institutions' holdings on current accounts with the Eurosystem (a) - (b)</b>			<b>101.2</b>
<b>(d) Required reserves</b>			<b>100.2</b>

Source: ECB.

Totals may not add up due to rounding.

#### Use of standing facilities

The fourth reserve maintenance period was special in the sense that it both began and ended during a weekend. At the beginning of the period the substantial use of the marginal lending facility on 23 April 1999, the very last day of the preceding reserve maintenance period, carried over into the beginning of the fourth period, as the loans were extended over the weekend. As a result, average recourse to the marginal lending facility increased slightly, from a daily average of €0.7 billion in the third maintenance period to €0.8 billion in the fourth. Without this "legacy" from the previous period, this average use would have been only €0.4 billion, i.e. significantly lower than during the third maintenance period.

At the end of the maintenance period the fact that it ended on a Sunday meant that the impact of the use of the deposit facility on Friday, 21 May, was three times as large because of the weekend. As a result, two-thirds of the total amount of the use of the deposit facility was due to its use on that particular day. The average use of the deposit facility reached €0.4 billion, which was €0.1 billion higher than during the previous period.

### Liquidity factors not related to monetary policy

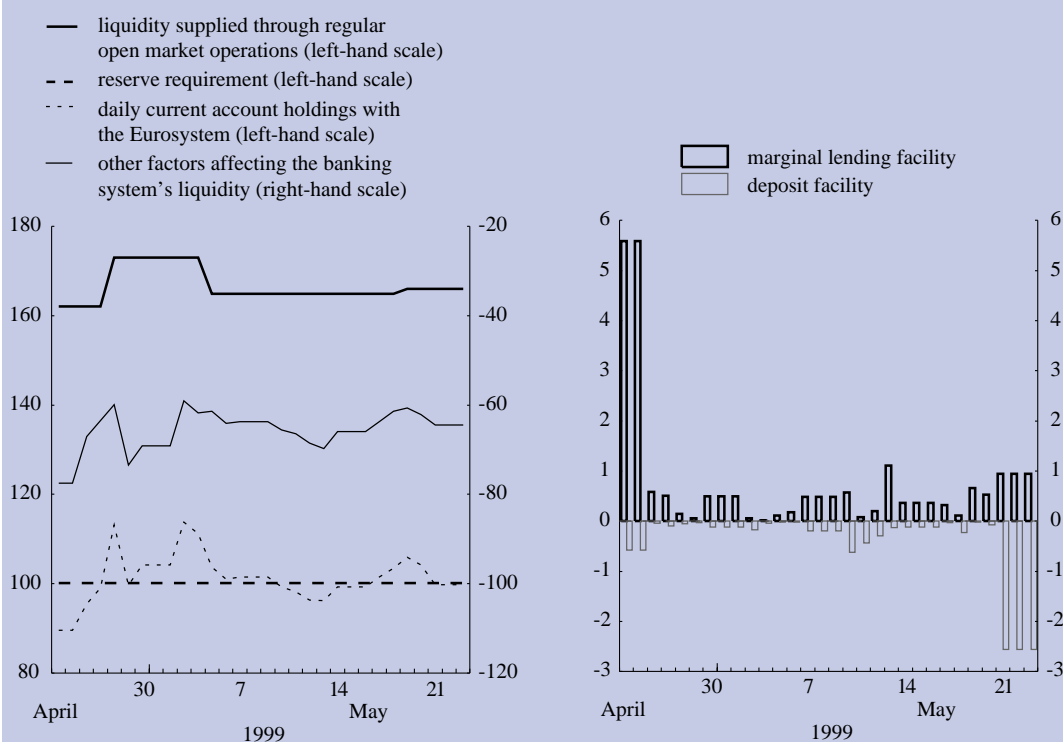
The net liquidity-absorbing impact of other factors affecting the banking system's liquidity (item (b) in the table above) – the so-called autonomous factors – was €65.8 billion on average, €8.6 billion less than during the previous maintenance period. The main reason for the substantial decline in the level of the impact of these autonomous factors was a €6.6 billion decrease in government deposits with the Eurosystem. The net impact of the autonomous factors fluctuated between €59.1 billion and €77.4 billion.

### Current account holdings of counterparties

The current account holdings of counterparties with the Eurosystem correspond to the difference between the liquidity provided through monetary policy operations (including the net impact of the use of standing facilities) and the net effect of the autonomous factors. In the fourth reserve maintenance period the average current account holdings were €101.2 billion, compared with reserve requirements of €100.2 billion. Thus, the difference between the average current account holdings and the reserve requirements remained at the same level as in the previous reserve maintenance period, i.e. at €1.0 billion. Around €0.3 billion of this amount was due to current account holdings which do not contribute to the fulfilment of reserve requirements, while about €0.8 billion was due to so-called excess reserves. These are reserves that counterparties hold on their current accounts although they have already fulfilled their reserve requirements.

## Factors contributing to the banking system's liquidity during the fourth reserve maintenance period

(EUR billions; daily data)



Source: ECB.