

**Box 2****Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 November 2000****Allotments in monetary policy operations**

During the reserve maintenance period which lasted from 24 October to 23 November 2000, the Eurosystem settled five main refinancing operations and one longer-term refinancing operation.

The main refinancing operations were carried out as variable rate tenders with a minimum bid rate. In all five operations the minimum bid rate was 4.75%. The allotted volumes ranged between €90 billion and €108 billion. The ratio of the amounts of bids submitted to the allotted volumes varied between 1.38 and 1.77, with an average of 1.56. The marginal rate varied between 4.78% and 4.84%. The weighted average rate was either 1 or 2 basis points higher than the marginal rate in all of these operations. The number of bidders participating in the tenders varied between 565 and 614.

On 25 October 2000 the Eurosystem conducted a longer-term refinancing operation through a variable rate tender with a pre-announced allotment volume of €15 billion. A total of 241 bidders participated in this operation, submitting bids totalling €43.1 billion. The marginal rate of the operation was 5.06%, while the weighted average rate was 1 basis point higher, at 5.07%.

The EONIA started the reserve maintenance period at 4.84% and maintained a level of 4.85% until 31 October, when it climbed to 4.97%, reflecting the usual end-of-month effects. It then declined gradually, reaching a temporary low of 4.76% on 17 November, presumably reflecting to a large extent a market perception of comfortable liquidity conditions. Towards the end of the maintenance period, on 21 November, the EONIA rose to 4.86% amid temporarily tighter liquidity conditions. However, following the last tender allotment decision the EONIA fell again, and ended the reserve maintenance period at 4.81%.

**Use of standing facilities**

Compared with the previous reserve maintenance period, the average daily use of the marginal lending facility decreased from €0.5 billion to €0.2 billion, while the average use of the deposit facility remained unchanged at €0.2 billion.

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

(EUR billions)

Daily average during the reserve maintenance period from 24 October to 23 November 2000

	Liquidity providing	Liquidity absorbing	Net contribution
<b>(a) Monetary policy operations of the Eurosystem</b>	<b>228.9</b>	<b>0.2</b>	<b>+ 228.7</b>
Main refinancing operations	183.7	-	+ 183.7
Longer-term refinancing operations	45.0	-	+ 45.0
Standing facilities	0.2	0.2	+ 0.0
Other operations	0.0	0.0	0.0
<b>(b) Other factors affecting the banking system's liquidity</b>	<b>398.6</b>	<b>511.6</b>	<b>- 113.0</b>
Banknotes in circulation	-	352.7	- 352.7
Government deposits with the Eurosystem	-	49.8	- 49.8
Net foreign assets (including gold)	398.6	-	+ 398.6
Other factors (net)	-	109.1	- 109.1
<b>(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)</b>			<b>115.7</b>
<b>(d) Required reserves</b>			<b>115.1</b>

Source: ECB.

Totals may not add up due to rounding.

### Liquidity factors not related to monetary policy

The net liquidity-absorbing impact of the autonomous factors (i.e. the factors not related to monetary policy) on the banking system's liquidity (item (b) in the table above) was €113.0 billion on average, i.e. €5.0 billion more than in the previous maintenance period. This was mainly caused by a slight increase in government deposits as well as by the liquidity absorption resulting from the foreign exchange interventions conducted by the Eurosystem. The daily sum of autonomous factors fluctuated between €105.2 billion and €129.6 billion.

The liquidity impact of the foreign exchange interventions that were conducted on 3, 6 and 9 November and settled on 7, 8 and 13 November respectively was taken into account in the allotment decisions of the subsequent main refinancing operations.

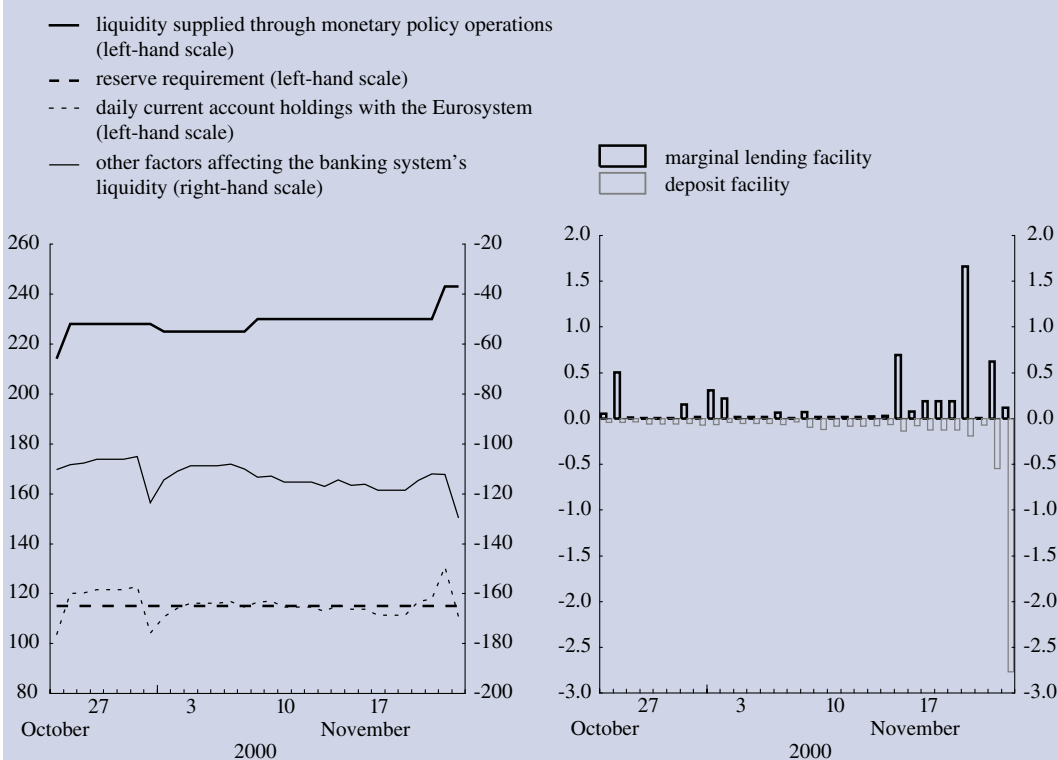
The published estimates of average liquidity needs, stemming from autonomous factors, ranged between €110.4 billion and €117.2 billion. They differed from the ex post figures by an amount ranging from minus €0.8 billion to plus €1.6 billion.

### Current account holdings of counterparties

The average current account holdings amounted to €115.7 billion, and reserve requirements to €115.1 billion. The difference between the two amounted to €0.6 billion, which was €0.2 billion less than in the previous maintenance period. This decrease was caused by a decrease in the excess reserves from €0.6 billion to €0.4 billion. As in the previous maintenance period, an amount of €0.2 billion of the current account holdings did not contribute to the fulfilment of reserve requirements.

### Factors contributing to the banking system's liquidity during the maintenance period ending on 23 November 2000

(EUR billions; daily data)



Source: ECB.