## Box 2

## Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 December 2001

During the reserve maintenance period under review, the Eurosystem settled four main refinancing operations (MROs), one additional one-week operation and two longer-term refinancing operations (LTROs). Their outcomes are summarised in the table below.

## **Regular monetary policy operations**

(EUR billions; interest rates in percentages per annum)

Operation	Date of settlement	Date of maturity	Bids (amount)	Allotment (amount)	Bid-cover ratio	Number of participants	Minimum bid rate	Marginal rate	Weighted average rate
MRO	28/11/2001	12/12/2001	95.6	71.0	1.35	318	3.25	3.27	3.29
MRO	05/12/2001	19/12/2001	106.6	68.0	1.57	308	3.25	3.27	3.27
MRO	12/12/2001	28/12/2001	109.7	66.0	1.66	292	3.25	3.27	3.27
MRO	19/12/2001	02/01/2002	140.8	57.0	2.47	451	3.25	3.43	3.46
LTRO	29/11/2001	28/02/2001	49.1	20.0	2.46	221	-	3.32	3.34
LTRO	21/12/2001	28/03/2002	38.2	20.0	1.91	215	-	3.29	3.31
Other	28/11/2001	05/12/2001	73.1	53.0	1.38	166	3.25	3.28	3.29

Source: ECB.

At the beginning of the period under review, the difference between the sizes of the two outstanding MROs, maturing on 28 November and 5 December 2001 respectively, was very large (€116 billion and €17 billion) as a consequence of the underbidding in the previous maintenance period. In order to address this difference, the Eurosystem conducted an additional one-week operation in parallel with the first MRO of the maintenance period. The average amount of liquidity provided through monetary policy operations declined towards the end of the maintenance period as the refinancing needs of the banking sector decreased, mainly on account of the lower than usual level of banknotes in circulation, which reflected the forthcoming cash changeover.

## Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 November to 23 December 2001

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	195.3	0.8	+ 194.5
Main refinancing operations	122.5	-	+ 122.5
Longer-term refinancing operations	60.0	-	+ 60.0
Standing facilities	0.5	0.8	- 0.3
Other operations	12.4	-	+ 12.4
(b) Other factors affecting the banking system's liquid	ity 383.7	450.8	- 67.2
Banknotes in circulation	-	298.0	- 298.0
Government deposits with the Eurosystem	-	43.5	- 43.5
Net foreign assets (including gold)	383.7	-	+ 383.7
Other factors (net)	-	109.4	- 109.3
(c) Credit institutions' holdings on current accounts			
with the Eurosystem (a) + (b)			127.4
(d) Required reserves			126.4
Source: ECB.			

Totals may not add up due to rounding.

The EONIA remained in a range of 3.26% to 3.32% for most of the maintenance period, increasing only on 30 November to 3.35%, owing to the regular end-of-month effect. On the last day of the maintenance period, the EONIA fell to 3.05% amid ample liquidity conditions.

Indeed, the maintenance period ended with a total net recourse to the deposit facility of around €10 billion (with a recourse of €3.2 billion to the marginal lending facility and €6.5 billion to the deposit facility from 21 to 23 December 2001). The difference between average current accounts (€127.4 billion) and minimum reserve requirements (€126.4 billion) amounted to €1.0 billion, which was the greatest difference since the first maintenance period of Stage Three in the first half of 1999.

The net liquidity-absorbing impact of the autonomous factors, i.e. the factors not related to monetary policy (item (b) in the table below), on the banking system's liquidity was  $\in$ 67.2 billion on average. The estimates of average liquidity needs stemming from autonomous factors, published together with the tender announcements, ranged between  $\in$ 64.7 billion and  $\in$ 82.9 billion. The actual figures, however, turned out to be lower than the estimates, with a difference between the two of up to  $\in$ 5.3 billion. The larger than usual deviations of the published figures from the actual outcome and the bias of this deviation resulted mainly from a larger than expected decline in national banknotes in circulation in anticipation of the cash changeover.