

Box 3**Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 February 2002**

During the reserve maintenance period under review, the Eurosystem settled four main refinancing operations (MROs) and one longer-term refinancing operation (LTRO).

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	30/01/2002	12/02/2002	108.0	38.0	2.8	342	3.25	3.31	3.32
MRO	06/02/2002	20/02/2002	157.0	91.0	1.7	389	3.25	3.30	3.31
MRO	12/02/2002	27/02/2002	90.3	35.0	2.6	272	3.25	3.29	3.30
MRO	20/02/2002	06/03/2002	135.5	72.0	1.9	377	3.25	3.28	3.29
LTRO	31/01/2002	25/04/2002	44.5	20.0	2.2	220	-	3.31	3.33

Source: ECB.

The spread between the weighted average rate and the marginal rate was only 1 basis point in all four MROs. In the course of the maintenance period, both the marginal and the weighted average rates dropped by 1 basis point in each MRO. The bid-cover ratio varied between 1.7 and 2.8.

The EONIA moved in a narrow range between 3.30% and 3.32% from the start of the maintenance period until Wednesday, 13 February 2002 (with the only exception on 31 January, i.e. the end of the month, when the rate increased to 3.35%). By Tuesday, 19 February 2002, the EONIA decreased to 3.27%. For the following last three business days of the maintenance period, the EONIA stayed slightly below the minimum bid rate, reaching a minimum of 3.08% on Thursday, 21 February, as liquidity conditions were perceived to be ample. It then increased again to 3.22% on Friday, 22 February, the last business day of the maintenance period, reflecting a reassessment of the actual liquidity situation by market participants.

The maintenance period ended with a net recourse to the marginal lending facility of €4.4 billion (€2.7 billion recourse to the marginal lending facility and €0.5 billion recourse to the deposit facility on both 22 and

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 January 2002 to 23 February 2002

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	187.5	0.1	+ 187.5
Main refinancing operations	127.3	-	+ 127.3
Longer-term refinancing operations	60.0	-	+ 60.0
Standing facilities	0.2	0.1	+ 0.1
Other operations	-	-	0.0
(b) Other factors affecting the banking system's liquidity	386.0	440.9	- 54.9
Banknotes in circulation	-	306.2	- 306.2
Government deposits with the Eurosystem	-	49.6	- 49.6
Net foreign assets (including gold)	386.0	-	+ 386.0
Other factors (net)	-	85.2	- 85.2
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			132.6
(d) Required reserves			131.7

Source: ECB.

Note: Totals may not add up due to rounding.

23 February). Excess reserves were slightly larger than usual, amounting to €0.8 billion (the difference between average current accounts of €132.6 billion and average minimum reserve requirements of €131.7 billion), which probably reflects the fact that the reserve maintenance period ended on a Saturday as well as exceptional factors related to the euro cash changeover.

For the maintenance period, the net liquidity-absorbing impact of the autonomous factors, i.e. the factors not related to monetary policy operations (item (b) of the previous table), on the banking system's liquidity averaged €54.9 billion. The estimates of average liquidity needs stemming from autonomous factors, published together with the tender announcements, ranged between €38.8 billion and €63.6 billion. At the start of the maintenance period, the actual figure turned out to be much lower, by €7.8 billion on average, which was mainly due to lower than expected banknote circulation. With the exception of the period from 4 to 11 February, when the actual figure was €4.1 billion higher than forecast, the other figures were close to published estimates, also reflecting the fact that the forecast of banknotes in circulation was no longer affected by the cash changeover.