

**Box****Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 March 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	27/02/2002	13/03/2002	127.0	51.0	2.5	350	3.25	3.29	3.30
MRO	06/03/2002	18/03/2002	127.2	67.0	1.9	378	3.25	3.29	3.30
MRO	13/03/2002	27/03/2002	90.4	41.0	2.2	341	3.25	3.27	3.28
MRO	18/03/2002	04/04/2002	107.6	69.0	1.6	309	3.25	3.28	3.29
LTRO	28/02/2002	30/05/2002	47.0	20.0	2.4	210	-	3.32	3.33

Source: ECB.

The marginal and the weighted average rates of the MROs moved in narrow bands of 3.27% to 3.29% and 3.28% to 3.30% respectively, while the spread between the two rates was only 1 basis point in all four MROs. The bid-cover ratio varied between 1.6 and 2.5.

For most of the maintenance period, the EONIA stood at around 3.30%. Towards the end of the period, as liquidity conditions were perceived as ample, the EONIA declined to levels below the minimum bid rate and reached 2.99% on Thursday, 21 March. However, on Friday, 22 March, the last business day of the maintenance period, the EONIA increased again to 3.26%, as market participants gradually realised that the liquidity situation was, in fact, almost neutral.

The maintenance period ended with net recourse of €0.6 billion to the deposit facility, reflecting a net recourse of €0.3 billion to the deposit facility on Friday, 22 March, which also accumulated on Saturday, 23 March. Excess reserves amounted to €0.8 billion (the difference between average current accounts of

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

(EUR billions)

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

	Liquidity providing	Liquidity absorbing	Net contribution
<b>(a) Monetary policy operations of the Eurosystem</b>	<b>174.8</b>	<b>0.1</b>	<b>+ 174.7</b>
Main refinancing operations	114.6	-	+ 114.6
Longer-term refinancing operations	60.0	-	+ 60.0
Standing facilities	0.2	0.1	+ 0.1
Other operations	-	-	0.0
<b>(b) Other factors affecting the banking system's liquidity</b>	<b>386.7</b>	<b>429.3</b>	<b>- 42.6</b>
Banknotes in circulation	-	283.3	- 283.3
Government deposits with the Eurosystem	-	54.2	- 54.2
Net foreign assets (including gold)	386.7	-	+ 386.7
Other factors (net)	-	91.8	- 91.8
<b>(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)</b>			<b>132.1</b>
<b>(d) Required reserves</b>			<b>131.3</b>

Source: ECB.

Note: Totals may not add up due to rounding.

€132.1 billion and average minimum reserve requirements of €131.3 billion). This slightly higher than usual level of excess reserves probably reflected the fact that the maintenance period ended on a Saturday.

For the maintenance period under review, the net liquidity-absorbing impact of the autonomous factors, i.e. the factors not related to monetary policy operations (item (b) of the table above), on the banking system's liquidity was €42.6 billion on average. The estimates of average liquidity needs stemming from autonomous factors, published together with the tender announcements, ranged between €35.8 billion and €48.1 billion. The largest deviation between the published estimate and the actual figure of €1.7 billion occurred in the middle of the maintenance period. The decline in deviations compared with the previous maintenance period, in which the largest deviation amounted to €7.8 billion, illustrates that the difficulties in predicting the amount of banknotes in circulation, stemming from the cash changeover, were no longer significant in this maintenance period.