

**Box I****Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 July 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	26/06/2002	10/07/2002	111.4	70.0	1.6	332	3.25	3.35	3.36
MRO	03/07/2002	17/07/2002	108.6	57.0	1.9	297	3.25	3.33	3.33
MRO	10/07/2002	24/07/2002	102.9	69.0	1.5	320	3.25	3.30	3.32
MRO	17/07/2002	31/07/2002	104.8	65.0	1.6	306	3.25	3.30	3.31
LTRO	27/06/2002	26/09/2002	27.7	20.0	1.4	177	-	3.38	3.41

Source: ECB.

The marginal MRO rate decreased gradually from 3.35% to 3.30% during the maintenance period.

During the first week of the maintenance period, the EONIA stood at 3.35-3.36%, increasing to 3.49% on Friday, 28 June, because of the end-of-semester effect. From 1 until 9 July, the EONIA gradually declined, reaching 3.30% and remaining at this level until Monday, 15 July. After the MRO tender allotted on the following day, the EONIA decreased to 3.21% on 18 July, due to perceived loose liquidity conditions. However, the maintenance period ended smoothly on Tuesday, 23 July, with an EONIA of 3.31% and a limited net recourse to the deposit facility of €2.1 billion. Average daily excess reserves amounted to €0.7 billion (i.e. the difference between average current accounts of €131.4 billion and average minimum reserve requirements of €130.7 billion).

The net liquidity-absorbing impact of the autonomous factors, i.e. the factors not related to monetary policy operations (item (b) of the table below), was, on average, €59.0 billion. The published estimates of the average liquidity needs stemming from autonomous factors ranged between €55.9 billion and €63.6 billion. The largest deviation between the published estimate and the actual figure occurred in the first week of the maintenance period, amounting to €3.2 billion.

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

(EUR billions)

Daily average during the reserve maintenance period from 24 June to 23 July 2002

	Liquidity providing	Liquidity absorbing	Net contribution
<b>(a) Monetary policy operations of the Eurosystem</b>	<b>190.6</b>	<b>0.2</b>	<b>+190.4</b>
Main refinancing operations	130.4	-	+130.4
Longer-term refinancing operations	60.0	-	+60.0
Standing facilities	0.2	0.2	-0.1
Other operations	-	-	0.0
<b>(b) Other factors affecting the banking system's liquidity</b>	<b>369.1</b>	<b>428.1</b>	<b>-59.0</b>
Banknotes in circulation	-	313.4	-313.4
Government deposits with the Eurosystem	-	54.4	-54.4
Net foreign assets (including gold)	369.1	-	+369.1
Other factors (net)	-	60.3	-60.3
<b>(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)</b>			<b>131.4</b>
<b>(d) Required reserves</b>			<b>130.7</b>

Source: ECB.

Note: Totals may not add up due to rounding.