

Box 3**Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 May 2003**

During the reserve maintenance period under review, the Eurosystem conducted five main refinancing operations (MROs), one longer-term refinancing operation (LTRO) and one fine-tuning operation.

Open market 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	Fixed rate
MRO	29/04/2003	14/05/2003	106.01	38.0	2.79	270	2.50	2.55	2.55	-
MRO	06/06/2003	21/05/2003	120.8	76.0	1.59	255	2.50	2.53	2.54	-
MRO	06/06/2003	14/05/2003	67.4	53.0	1.27	124	2.50	2.53	2.54	-
MRO	14/05/2003	28/05/2003	126.9	97.0	1.50	264	2.50	2.53	2.54	-
MRO	21/05/2003	04/06/2003	157.0	96.0	1.64	274	2.50	2.57	2.58	-
LTRO	29/04/2002	31/07/2002	35.1	15.0	2.34	164	-	2.50	2.51	-
Fine-tuning	23/05/2002	26/05/2002	3.9	3.9	1.00	12	-	-	-	2.50

Source: ECB.

In all the MROs, the spread between the marginal and the weighted average rate was either zero or one basis point. On 6 May, a split operation, consisting of two simultaneous MROs with one and two-week maturities, was carried out, with the aim of rebalancing the sizes of the two outstanding MROs. On 23 May 2003, a liquidity-absorbing fine-tuning operation was conducted in order to restore balanced liquidity conditions after large recourse to the marginal lending facility on the two preceding days. The fine-tuning operation was conducted as a collection of fixed-term deposits with a fixed interest rate of 2.50%, overnight maturity, and an allotment amount of €3.9 billion.

From the beginning of the reserve maintenance period until 19 May, the EONIA remained stable in a range of 2.54% to 2.56%, with the exception of Thursday, 30 April, when it increased to 2.64% due to the end-of-month effect. After the allotment of the last MRO of the reserve maintenance period on 20 May, the overnight

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 April to 23 May 2003

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	222.3	0.2	+222.1
Main refinancing operations	177.1	-	+177.1
Longer-term refinancing operations	45.0	-	+45.0
Standing facilities	0.4	0.2	+0.2
Other operations	-0.1	-	-0.1
(b) Other factors affecting the banking system's liquidity¹⁾	333.1	424.3	-91.2
Banknotes in circulation	-	366.2	-366.2
Government deposits with the Eurosystem	-	42.6	-42.6
Net foreign assets (including gold)	333.1	-	+333.1
Other factors (net)	-	15.5	-15.5
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			130.9
(d) Required reserves			130.3

Source: ECB.

Note: Totals may not add up due to rounding.

¹ The published estimates of the average liquidity needs stemming from autonomous factors ranged between €83.3 billion and €102.5 billion. The largest deviation between the published estimate and the actual figure could be observed in the first week of the maintenance period and amounted to €2.8 billion.

rate increased, as the market perceived the liquidity conditions to be tight, and the EONIA rose to 2.73% on 21 May. However, on the morning of 22 May, after a recourse of €9 billion to the marginal lending facility on the preceding day had been published by the ECB, the overnight rate fell, and the EONIA on that day was 2.57%. On 23 May, the last day of the maintenance period, the EONIA dropped further to 2.20%, as the market continued to perceive liquidity conditions to be ample after the fine-tuning operation. The reserve maintenance period ended smoothly with a small net recourse to the deposit facility of €0.6 billion.

The average difference between current account holdings of credit institutions with the Eurosystem and minimum reserve requirements was €0.60 billion.