Box 2

Monetary policy operations and liquidity conditions in the reserve maintenance period ending on 23 July 2003

In the reserve maintenance period under review, the Eurosystem conducted six main refinancing operations (MROs) and one longer-term refinancing operation (LTRO).

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	25/06/2003	09/07/2003	166.40	150.00	1.11	297	2.00	2.10	2.12	-
MRO	02/07/2003	16/07/2003	111.70	56.00	1.99	227	2.00	2.10	2.11	-
MRO	09/07/2003	16/07/2003	67.96	43.00	1.58	122	2.00	2.09	2.10	-
MRO	09/07/2003	23/07/2003	130.69	101.00	1.29	287	2.00	2.08	2.10	-
MRO	16/07/2003	30/07/2003	147.62	98.00	1.88	262	2.00	2.08	2.09	-
MRO	23/07/2003	06/08/2003	141.57	134.00	1.06	292	2.00	2.06	2.08	-
LTRO	26/06/2003	25/09/2003	28.69	15.0	1.91	124	-	2.11	2.12	-

Source: ECB.

On 9 July, a split tender operation, consisting of two simultaneous MROs with one- and two-week maturities respectively, was carried out in order to rebalance the sizes of the two outstanding MROs, which had become unbalanced following an episode of underbidding in early June. While the bid-cover ratio of the MROs remained, on average, at around 1.5 in the reserve maintenance period, it was relatively low in the first and last operations, although no decrease in the number of participants was observed in either case.

At the beginning of the reserve maintenance period, the EONIA remained stable at around 2.12%, with the exception of Monday, 30 June, when it increased to 2.38% on account of the end-of-semester effect. Subsequently, the EONIA gradually declined from 2.12% on 4 July to 2.08% on 21 July. The MRO settled on the last day of the reserve maintenance period provided sufficient reserves for a comfortable ending of the

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 June to 23 July 2003

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	**250.1**	**0.3**	**+ 249.9**
Main refinancing operations	204.7	-	+ 204.7
Longer-term refinancing operations	45.0	-	+ 45.0
Standing facilities	0.4	0.3	+0.1
Other operations	-	-	-
(b) Other factors affecting the banking system's liquidity [1]	**320.4**	**438.1**	**- 117.7**
Banknotes in circulation	-	382.7	- 382.7
Government deposits with the Eurosystem	-	52.4	- 52.4
Net foreign assets (including gold)	320.4	-	+ 320.4
Other factors (net)	-	2.9	- 2.9
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) + (b)			**132.2**
(d) Required reserves			**131.6**

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 €111.6 billion and €125.6 billion. The largest deviation between the published estimate and the actual figure occurred for the period from 14 to 22 July and amounted to €2.5 billion.

maintenance period. As a consequence, the EONIA declined to 1.83% on 23 July, and the maintenance period ended with net recourse of €5.2 billion to the deposit facility.

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