

## Money Market Report for the week ending 15 March 2024

### ECB Decisions

On 13 March 2024, the Governing Council of the European Central Bank (ECB) decided on changes to the operational framework for implementing monetary policy. These changes will affect how central bank liquidity will be provided as excess liquidity in the banking system, while remaining significant over the coming years, gradually declines. The Governing Council agreed on the following set of key parameters and features for its operational framework:

The Governing Council will continue to steer the monetary policy stance through the deposit facility rate (DFR).

The Eurosystem will provide liquidity through a broad mix of instruments, including short-term credit operations (i.e. main refinancing operations (MROs)) and three-month longer-term refinancing operations (LTROs) as well as – at a later stage – structural longer-term credit operations and a structural portfolio of securities.

MROs will continue to be conducted through fixed-rate tender procedures with full allotment. They are intended to play a central role in meeting banks' liquidity needs and their use by counterparties is an integral part of a smooth implementation of monetary policy.

The three-month LTROs will also continue to be conducted through fixed-rate tender procedures with full allotment.

In addition, the rate on the MROs will be adjusted such that the spread between the rate on the MROs and the DFR will be reduced to 15 basis points from the current spread of 50 basis points. The rate on the marginal lending facility (MLF) will also be adjusted such that the spread between the rate on the MLF and the rate on the MROs will remain unchanged at 25 basis points. These changes will come into effect with the sixth maintenance period of 2024, which begins on 18 September 2024.

New structural longer-term refinancing operations and a structural portfolio of securities will be introduced at a later stage, once the Eurosystem balance sheet begins to grow durably again, taking into account legacy bond holdings.

Also, the reserve ratio for determining banks' minimum reserve requirements remains unchanged at 1%. The remuneration of minimum reserves remains unchanged at 0%.

Moreover, a broad collateral framework will be maintained for refinancing operations.

These decisions are based on a set of principles which the Governing Council had agreed on that will guide monetary policy implementation in the future.

The Governing Council will review the key parameters of the operational framework in 2026 and stands ready to adjust the design and parameters of the framework earlier, if necessary, to ensure that the implementation of monetary policy remains in line with the established principles. An in-depth analysis of the design of the new longer-term refinancing operations and the new structural portfolio will also be conducted.

## **ECB Monetary Operations**

On 11 March 2024, the ECB announced the 7-day MRO. The operation was conducted on 12 March 2024 and attracted bids from euro area eligible counterparties of €2,375.00 million, €1,196.00 million less than the previous week. The amount was allotted in full at a fixed rate equivalent to the prevailing MRO rate of 4.50%, in accordance with current ECB policy.

On 13 March 2024, the ECB conducted a 7-day US dollar funding operation through collateralised lending in conjunction with the US Federal Reserve. This operation attracted bids of \$173.00 million, which were allotted in full at a fixed rate of 5.58%.

During the week under review, participants in the third series of targeted longer-term refinancing operations 8 to 10 had the option of terminating or reducing their outstanding amount before maturity. Accordingly, on 27 March 2024, a total of €35,844.39 million will be repaid.

## **Domestic Treasury Bill Market**

In the domestic primary market for Treasury bills, the Treasury invited tenders for 91-day bill for settlement value 14 March 2024, maturing on 13 June 2024. Bids of €77.88 million were submitted for the 91-day bills, with the Treasury accepting €14.55 million. Since €55.17 million worth of bills matured during the week, the outstanding balance of Treasury bills decreased by €40.61 million, standing at €543.38 million.

The yield from the 91-day bill auction was 2.941%, decreasing by 12.20 basis points from bids with a similar tenor issued on 7 March 2024, representing a bid price of €99.2621 per €100 nominal.

During this week, there was no trading on the Malta Stock Exchange.

This week the Treasury will invite tenders for 91-day and 182-day bills maturing on 20 June and 19 September 2024, respectively.