

**BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET AND FOREIGN EXCHANGE MARKET
DURING 2020 Q4 2020**

1. BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET DURING 2020Q4

1.1. Open market operations and factors affecting liquidity shortage in the banking system

Table 1: Temporary open market operations (in ALL billion¹.) Source: Bank of Albania.

DATE	R/REPO Overnight	R/REPO 1-week	R/REPO >1wk <3mo	REPO Overnight
1-October-20		22.08		
8-October-20		20.65		
15-October-20		25.26		
22-October-20		31.64		
26-October-20			7.40	
29-October-20		22.41		
05-November-20		19.37		
12-November-20		19.93		
19-November-20		22.82		
24-November-20			4.57	
26-November-20		26.15		
3-December-20		21.35		
10-December-20		15.85		
17-December-20		22.06		
24-December-20		19.10	4.54	
31-December-20		16.15		

Money market interventions during the 2020 Q4 consisted of open market operations for the injection of liquidity.

Average daily injections through liquidity injecting operations with maturity 1-13 week remained almost unchanged, at ALL 39.27 billion, from ALL 40.05 billion in the third quarter, with a gradual increase from the beginning of the year, when the Bank of Albania injections amounted on average to ALL 30 billion. Banks' demand for liquidity in the operations of the BoA was close to ALL 40 billion and has increased up to ALL 49 billion in October, to gradually fall in the last two months of the year, at around

ALL 35 billion, supported by the increase of SWAP agreements with the Ministry of Finance and Economy (MFE) close to ALL 46 billion in December, from ALL 33 billion at the end of previous quarter, increase of the T-bills portfolio by around ALL 3.3 billion, and the acquisition of foreign exchange by the European Bank for Research and Development (EBRD) with an effect of ALL 2.60 billion. Even during this quarter, the increase in currency circulation was the main factor surging the liquidity shortage. In the last three months, the currency circulation has increased by ALL 13.89 billion with a bigger concentration in December. In total, during 2020, the currency in circulation increased by ALL 52.41 billion. In the context of operations for the liquidity management in the banking system, the Bank of Albania employed its main instrument – the one-

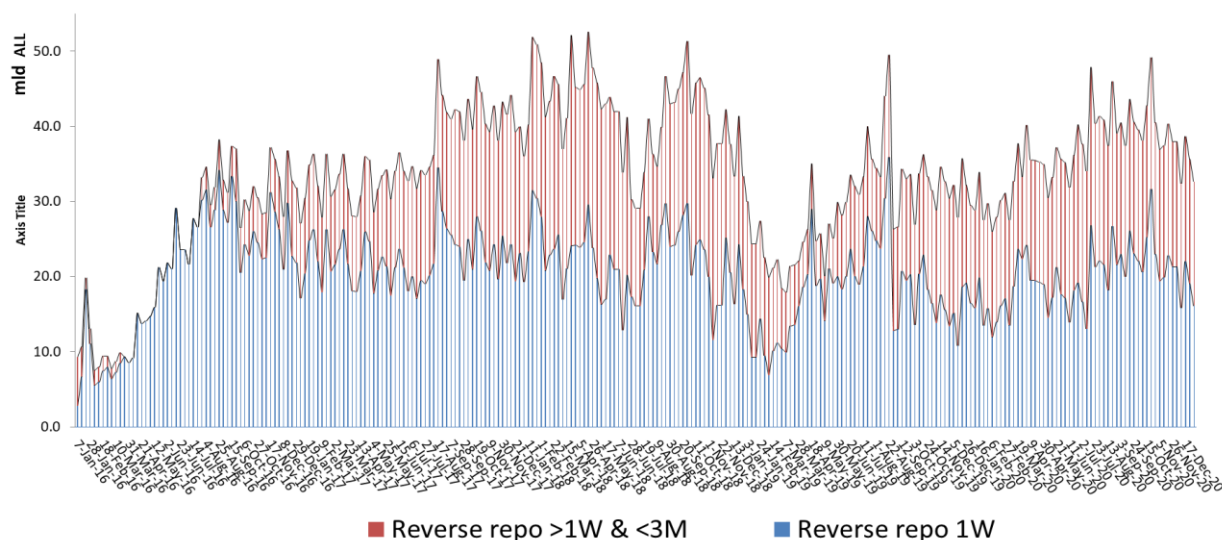
¹ The figures are expressed in liquidity values.

Bank of Albania interventions in the money market and the foreign exchange market during 2020 Q4

week reverse REPO – for ALL 22.14 billion on average, or around 56.38% of total injections. Pursuant to the Monetary Policy Implementation and Advisory Committee's Decision, the Bank of Albania has continued injections through “fixed price auction”, where banks can borrow unlimited amounts with the same interest rate as the policy rate. This Decision aims at decreasing the uncertainty of the banking system regarding the liquidity situation in every bank.

Chart 1. Bank of Albania interventions in the money market during 2016-2020 (nominal value)

Reverse repo by maturities for the period 2016-2020



Source: Bank of Albania.

1.2 Use of permanent standing facilities

The banking system used the deposit at the Bank of Albania, on an ongoing basis, for ALL 6.38 billion on average. This figure is similar to the Q3 average of ALL 6.47 billion and ALL 6.58

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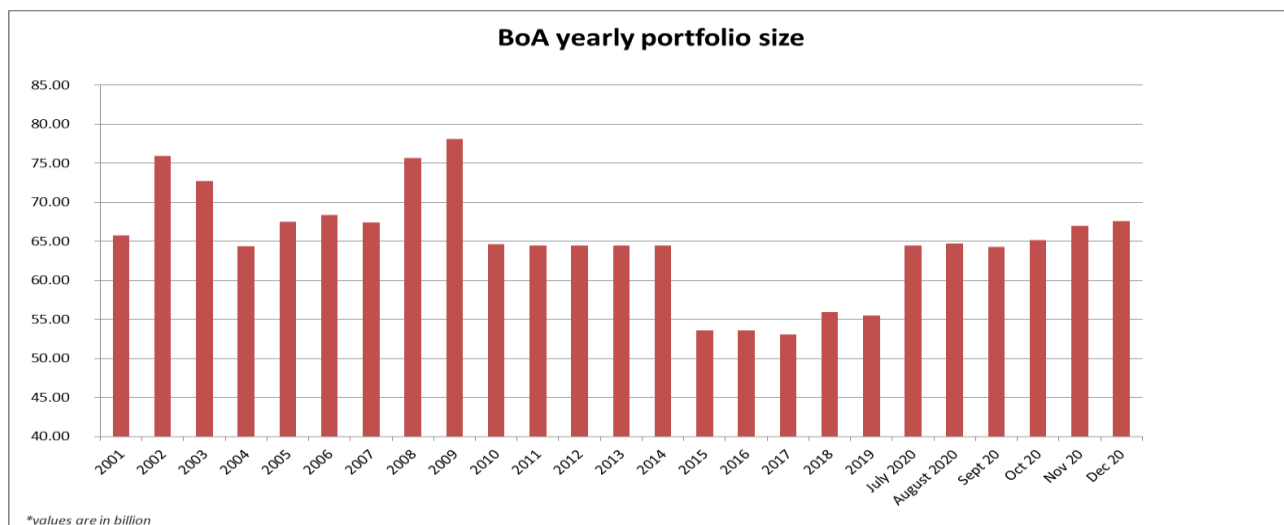
billion on average in 2020. RZB continued to be the main user of the deposit instrument at around ALL 6.15 billion.

The overnight loan facility was used in no case for the third consecutive quarter, one case in the first quarter.

1.3 Structural operations to manage the banking system liquidity

In 2020 Q4, the portfolio of BoA increased by ALL 3.3 billion. Throughout this period, with a view to preserve the market structure and improve liquidity management in the system, the following auctions were held: five purchasing auctions of 12-month newly issued Treasury bills; four purchasing auctions of existing securities; and one sale auction of 12-month Treasury bills; meanwhile, the BoA notified the decrease of participation in the last issuance of 2020 of ALL 350 billion. The participation of the banks in auctions was moderate.

Chart 2 Performance of BoA's securities portfolio over the years



Source: Bank of Albania.

In total, during 2020, the portfolio of BoA increased by ALL 12.10 billion.

1.4 Use of standing facilities

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The one-day withdrawal fine-tuning and liquidity-providing operations were not employed during the period under review.

2. BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET DURING 2020 Q4

2.1 Transactions with commercial banks

Pursuant to the Monetary Policy Implementation and Advisory Committee's decision dated 31.03.2020, the BoA did not organise any auction for purchasing foreign currency. Meanwhile, in

accordance with the MPIAC decision, dated 22.12.2020, on the same day the following calendar of interventions for 2021 was published:

Calendar of interventions in the domestic foreign exchange market

Calendar of interventions for 2020			
	Date	Amount in the first round (in euro)	Canceled
1	21/02/2020	4-6 mln	
2	20/03/2020	4-6 mln	
3	15/04/2020	4-6 mln	**
4	07/05/2020	4-6 mln	**
5	21/05/2020	4-6 mln	**
6	05/06/2020	4-6 mln	**
7	19/06/2020	4-6 mln	**
8	03/07/2020	4-6 mln	**
9	17/07/2020	4-6 mln	**
10	03/08/2020	4-6 mln	**
11	21/08/2020	4-6 mln	**
12	25/09/2020	4-6 mln	**
13	22/10/2020	4-6 mln	**
14	06/11/2020	4-6 mln	**
15	20/11/2020	4-6 mln	**
16	04/12/2020	4-6 mln	**
17	18/12/2020	4-6 mln	**

* When the auction falls on a public holiday, it will be organised on the next working day.

** Canceled

Information regarding the historic and results of BoA interventions in the foreign exchange market are published at:

https://www.bankofalbania.org/Markets/Operations_of_the_Bank_of_Albania/Interventions_in_the_foreign_exchange_market/

2.3 Transactions with other institutions

In 2020 Q4, the Ministry of Finance has further increased the amount of un-matured SWAP agreements at around ALL 46 billion, compared with around ALL 33 billion and ALL 24 billion at the end of the previous quarters.

The Bank of Albania has purchased EUR 29.7 million and sold EUR 1 million from other institutions.