

**BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET AND FOREIGN EXCHANGE MARKET
DURING 2021 Q3**

1. BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET DURING 2021 Q3

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 1Day	R/REPO 1W	R/REPO >1W <3MTH	REPO 1Day
1-July-21		21.47		
8-July-21		18.65		
15-July-21		24.86		
22-July-21		34.80		
24-July-21			3.73	
29-July-21		26.09		
05-August-21		24.45		
12-August-21		26.82		
19-August-21		37.51		
24-August-21			7.12	
26-August-21		30.09		
02-September-21		24.08		
09-September-21		21.78		
16-September-21		28.27		
23-September-21			3.48	
24-September-21		27.85		
30-September-21		30.32		

In 2021 Q3, the Bank of Albania intervened in the money market through the open market operations to inject liquidity.

Average daily injections through liquidity injecting operations with maturity 1-13 week amounted to ALL 42.14 billion, against the average of ALL 34.06 billion in the first six months of the year and similar to ALL 40.03 billion in 2020 Q3.

The demand for liquidity from banks in the operations of the Bank of Albania fluctuated at the wide operating band ALL 34 - 53 billion, and above ALL 40 billion from the middle of July up to the end of period, by recording maximum levels at the end of mandatory reserve period during August.

At the beginning of the period, the liquidity need from banks amounted to ALL 36.9 billion. At the end of the period the liquidity demand amounted to ALL 44.7 billion, when the increase in currency in circulation, once more up to ALL 10.60 billion to the middle of September, was the main factor surging the liquidity shortage.

¹ The figures are expressed at Purchase Price.

Bank of Albania interventions in the money market and foreign exchange market during 2021 Q3

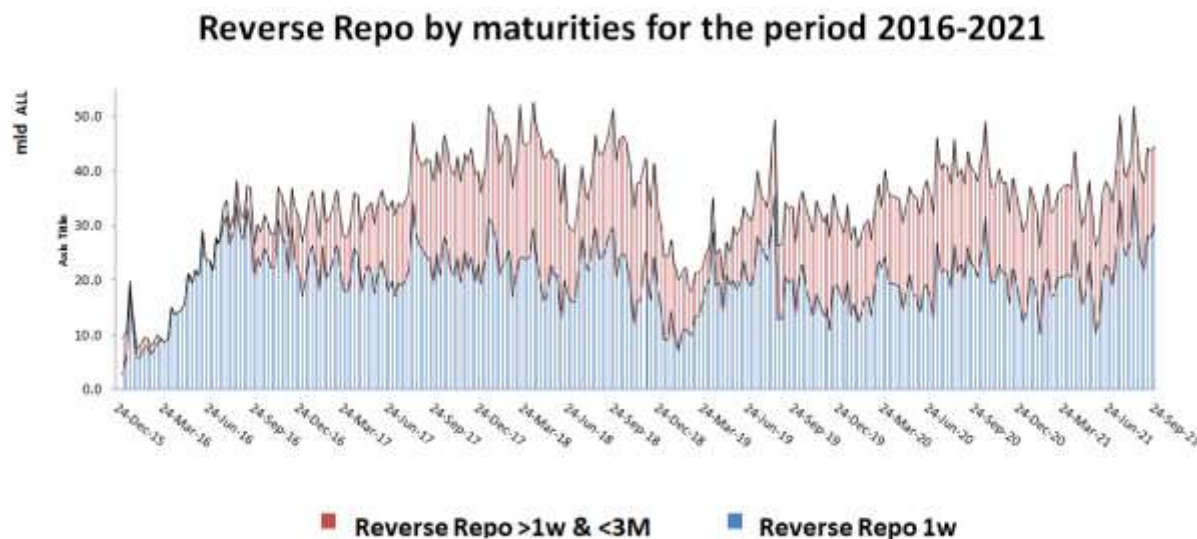
Over 2021 Q3, interventions in foreign exchange market have affected the liquidity growth of the banking system for the cumulative amount ALL 4.18 billion, while the portfolio of the Bank of Albania showed slight fluctuations.

In the context of operations for the liquidity management in the banking system, the Bank of Albania employed its main instrument - the one-week reverse REPO - to inject on average ALL 26.7 billion, or 63.4% from 55.3% in the previous quarter.

Pursuant to the Monetary Policy Implementation and Advisory Committee's Decision, since the second week of March 2020, the Bank of Albania changed the auction form, from “fixed amount auction” to “fixed rate 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.

This type of auction continued to be organised during the quarter under review.

Chart 1 Bank of Albania interventions in the money market during 2016-2021 (nominal value)
Source: Bank of Albania.



1.2 Use of standing facilities by the banking system

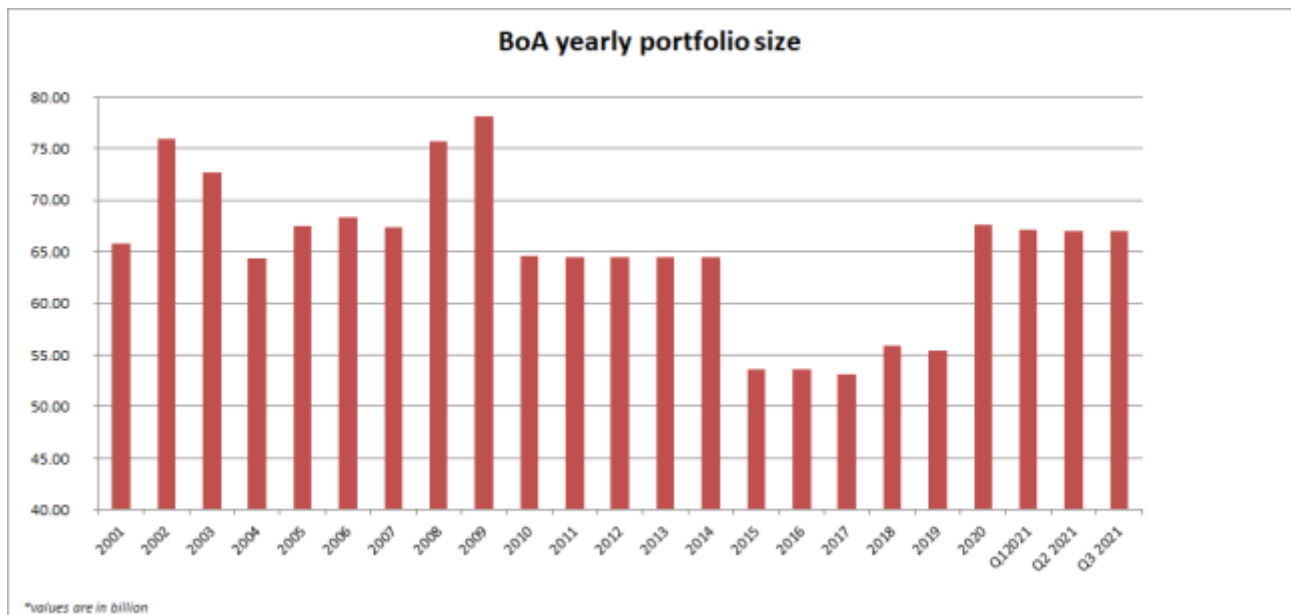
The banking system has used the deposit at the Bank of Albania, on an ongoing basis, for ALL 6.30 billion, on average, from ALL 7.00 billion and ALL 6.50 billion, respectively, in both previous quarters.

The overnight loan facility was used only in one case.

1.3 Operations to manage the banking system liquidity through the Bank of Albania's portfolio

In 2021 Q3, the portfolio of the Bank of Albania increased by only ALL 50 million. The Bank of Albania has organised more auctions than planned at the beginning, due to the low participation of banks. The commercial banks offered in total ALL 2.35 billion T-bills and purchased ALL 2.05 billion in the nine auctions that were held. The value of portfolio amounts ALL 67.07 billion.

Chart 2 Bank of Albania Portfolio
Source: Bank of Albania.



1.4 Use of fine-tuning operations

No fine-tuning operations were performed during the period.

2. BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET DURING 2021Q3

2.1 Transactions with commercial banks

Pursuant to the Monetary Policy Implementation and Advisory Committee's decision dated 22.12.2020 for purchasing EUR during 2021 and the following schedule published at the same date, four auctions were held in the third quarter of 2021. The amount purchased in these auctions was

Bank of Albania interventions in the money market and foreign exchange market during 2021 Q3

EUR 34.20 million, from EUR 40.70 million purchased in the four auctions held in the previous quarter. The total amount of purchases in 2021 climbed at EUR 91.0 million.

Calendar of interventions for 2021

Date	Amount in the first round (in euro)
19/02/2021	4-6 mln
19/03/2021	4-6 mln
15/04/2021	4-6 mln
14/05/2021	4-6 mln
07/06/2021	4-6 mln
21/06/2021	4-6 mln
09/07/2021	4-6 mln
23/07/2021	4-6 mln
06/08/2021	4-6 mln
20/08/2021	4-6 mln
18/10/2021	4-6 mln
18/11/2021	4-6 mln
03/12/2021	4-6 mln
20/12/2021	4-6 mln

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

Detailed results of all auctions organised by the Bank of Albania are published at:

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

2.3 Operations with other institutions

In 2021 Q3, the Ministry of Finance and Economy reduced the amount of unmatured SWAP agreements by around ALL 3.5 billion, to ALL 35.00 billion.

In 2021 Q3, the Bank of Albania purchased EUR 2.23 million from IPA programme and EUR 0.22 million from IBRD.