

1. BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET DURING 2020 Q3

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

Table 1: Temporary open market operations (in ALL million¹) Source Bank of Albania.

DATE	R/REPO overnight	R/REPO 1-week	R/REPO > 1 week < 3 months	REPO overnight
2-Jul -20		16.80		
9-Jul -20		12.94		
16-Jul -20		26.87		
23-Jul -20		21.32		
24-Jul -20			7.4	
30-Jul -20		22.09		
6-Aug -20		21.58		
13-Aug -20		18.23		
20-Aug -20		26.71		
24-Aug-20			5.5	
27-Aug -20		21.61		
3-Sep-20		22.99		
10-Sep-20		19.99		
17-Sep-20		26.11		
24-Sep-20		23.08	4.62	

In 2020 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 increased further during the period under review, at ALL 40.05 billion, from ALL 33.63 billion and ALL 27.34 billion in the two previous quarters, respectively, and ALL 31.26 billion in 2019 Q3.

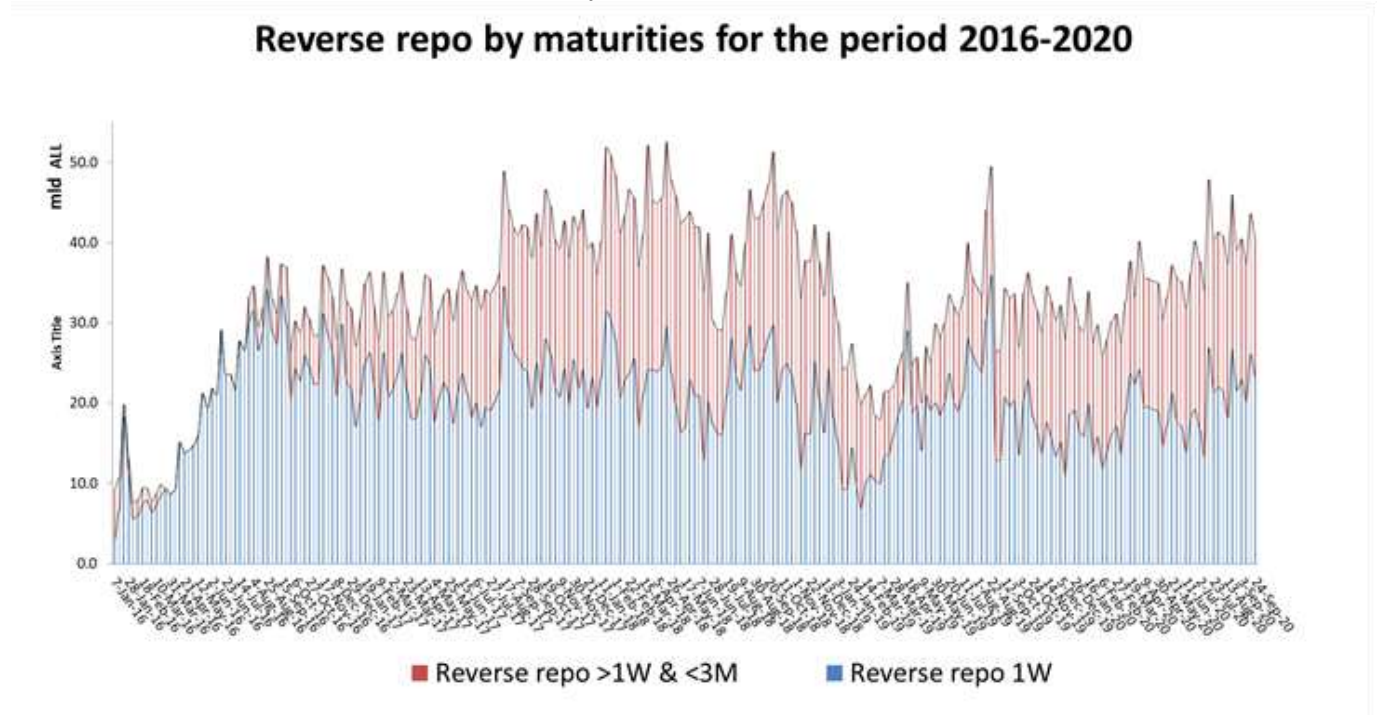
In 2019 Q3

Banks' demand for liquidity in the operations of the Bank of Albania only in July was below ALL 36 billion. While, their demand jumped to the maximum of ALL 46 billion, in two cases, in July and August. At the end of the period, the demand of banks for liquidity stood around the average of the period, at ALL 40 billion. The increase in currency in circulation was the main factor surging the liquidity shortage, while the increase of SWAP agreements with the Ministry of Finance and Economy has mitigated this effect.

¹ The figures are expressed in liquidity value.

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 - for ALL 21.56 billion on average, or around 53.83% of total injections. 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”.

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



Source: Bank of Albania.

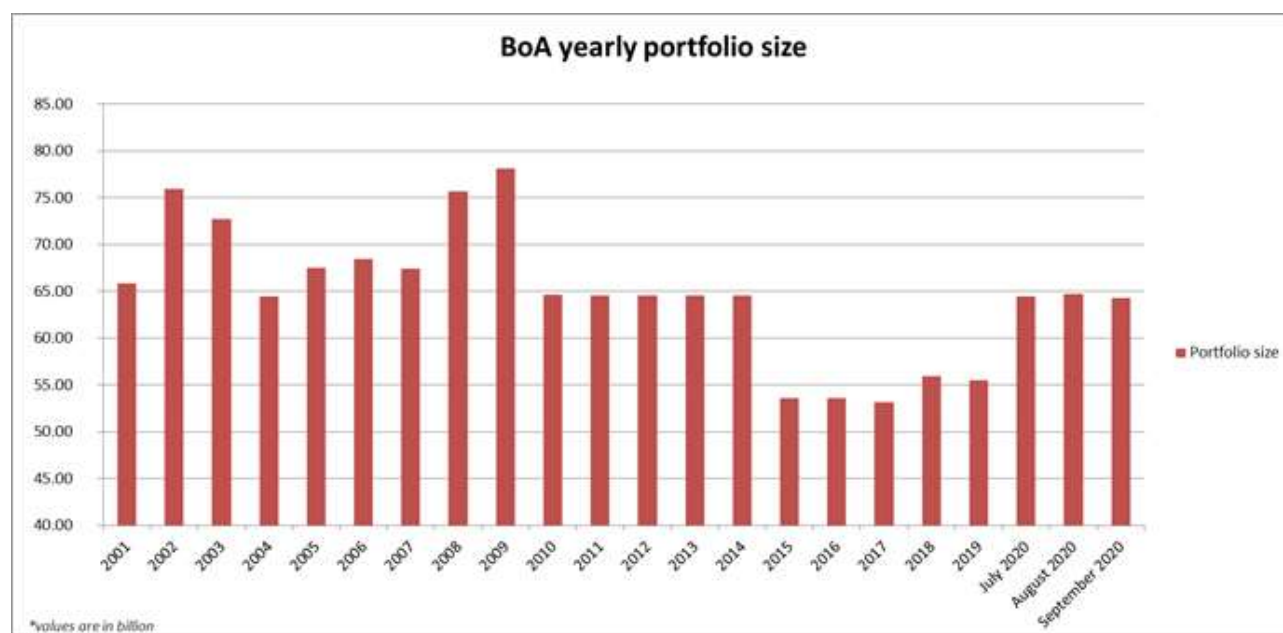
1.2 Use of standing facilities by the banking system

The banking system used the deposit at the Bank of Albania, on an ongoing basis, for ALL 6.47 billion on average. This figures stands around the average of the last year. The overnight loan facility was used in no case for the second consecutive quarter, from 1 and three times in the three previous quarters.

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

In 2020 Q3, the portfolio of the Bank of Albania fell only by ALL 50 million, after the increase by ALL 6.90 billion and ALL 2.40 billion, respectively in the previous quarters. The Bank of Albania has aimed at maintaining the portfolio at unchanged levels expecting for the fall of liquidity shortage in the second part of year. Five purchasing auctions of 12-month newly issued Treasury bills were organised. Bans were notified on the sale of a Treasury bill, where the BoA's participation was considerably high. Banks' participation in auctions was quite low. BoA purchased T-Bills amounting only ALL 450 million. The sale auction was completed for the maximum amount of ALL 500 million.

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



Source: Bank of Albania.

1.4 Use of standing facilities

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 Q3

2.1 Transactions with commercial banks

Pursuant to the Monetary Policy Implementation and Advisory Committee's decision dated 31.03.2020, none auctions were organised for purchasing foreign currency, during the third quarter of 2020.

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

The information on the Bank of Albania interventions in the money market and foreign exchange market, updated with the information on cancelled auctions is provided at:

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

2.2 Transactions with other institutions

During the third quarter, the Ministry of Finance and Economy increased the amount of un-matured SWAP agreements close to ALL 33 billion, from ALL 24 billion at the end of 2020 Q2.

Common purchases of foreign currency by international institutions were USD 22,756.36 from IBRD, while EUR 2,841,644.87 were purchased under IPA European Community programme and EUR 4,376,000.00 were sold to the ADIA.