

BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET DURING 2017 Q2

1. BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET AND FOREIGN EXCHANGE MARKET DURING 2017 Q2

1.1. Open market operations

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

| DATE | R/REPO overnight | R/REPO 1-week | R/REPO >1-week <3-month | R/REPO overnight |
|---------------|------------------|---------------|-------------------------|------------------|
| 06 April 2017 | | 17,990.00 | | |
| 13 April 2017 | | 20,760.00 | | |
| 20 April 2017 | 2,420.00 | 26,000.00 | | |
| 21 April 2017 | 7,230.00 | | | |
| 24 April 2017 | | | 4,850.00 | |
| 27 April 2017 | | 24,700.00 | | |
| 04 May 2017 | | 17,800.00 | | |
| 11 May 2017 | | 20,840.00 | | |
| 18 May 2017 | | 22,640.00 | | |
| 23 May 2017 | | | | 3,713.00 |
| 24 May 2017 | | | 5,000.00 | |
| 25 May 2017 | | 21,380.00 | | |
| 01 June 2017 | | 17,500.00 | | |
| 08 June 2017 | | 21,200.00 | | |
| 15 June 2017 | | 23,690.00 | | |
| 22 June 2016 | | 21,200.00 | | |
| 27 June 2016 | | | 4,800.00 | |
| 29 June 2016 | | 18,100.00 | | |

The Bank of Albania intervened in the money market through the open market operations to inject liquidity, during 2017 Q2. Meanwhile, it conducted transactions in the secondary market transactions for the management of its T-Bills portfolio.

The liquidity injected into the banking system amounted to around ALL 32.3² billion, up ALL 2.4 billion from 2017 Q1.

In open market operations, the Bank of Albania employed its main instrument, the one-week reverse repurchase agreement, to temporarily inject liquidity, on average ALL 20.3 billion, from ALL 20.9 billion in 2017 Q1. Given the increased liquidity deficit, higher amounts of three-month reverse repurchase agreements (3 reserve

requirements maintenance periods) were renovated for ALL 10.5 billion on average, compared to ALL 9.4 billion on average in the previous quarter.

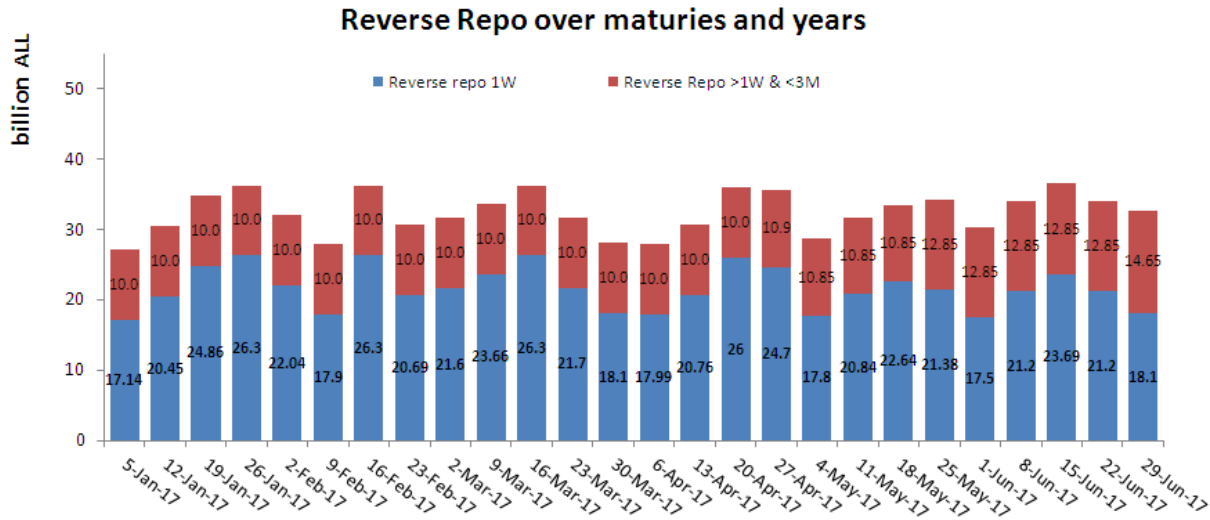
The one-day liquidity providing fine-tuning operation was employed in three cases for ALL 2.6-7 billion, to accommodate the system's need for higher liquidity than the expectations. A fine-tuning operation was also employed this quarter to absorb the excess liquidity of the banking system, at the end of the reserve maintenance period, for ALL 3.7 billion, in May.

¹ The figures are expressed in nominal value.

² The figures are expressed in liquidity value.

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Chart 1 Bank of Albania interventions in the money market in 2017 (at nominal value) Source: Bank of Albania.



In view of the MoF’s maturities during this quarter, in the 3 and 6-month, of ALL 1.5 billion each, and aiming at uniforming the concentrations of issues in its portfolio for the moment at 60% maximum, the Bank of Albania has conducted outright purchases of 12-month T-bills in the secondary market. Their net result is the increase of the portfolio by ALL 0.1 billion from its level at the end of 2016.

1.2. Use of standing facilities

The overnight deposit facility was used for the amount of ALL 4 billion on average, down from the previous quarter. The deposited amounts ranged ALL 0-5 billion, from ALL 1.7-6.7 billion in the previous quarter. The overnight loan facility was employed only in one case in the last days of the reserve maintenance period, from three cases in the previous quarter, at ALL 3.2 billion, from ALL 0.8-2.7 billion in 2017 Q1.

2. BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET DURING 2017 Q2

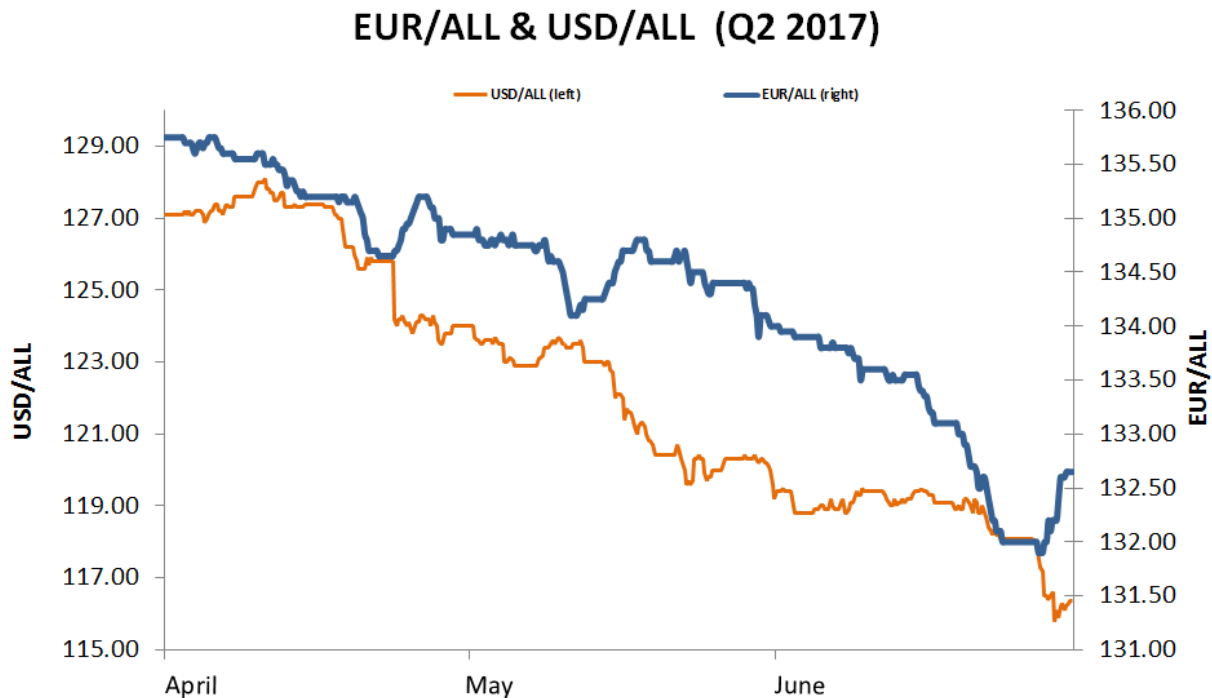
2.1 Transactions with commercial banks

On 4 January 2017, the Bank of Albania published the calendar of foreign currency purchasing during 2017, in accordance with the Decision of the Monetary Policy Implementation and Advisory Committee, dated 28.12.2016, to purchase foreign currency from commercial banks aiming at increasing the foreign currency reserve. Two announced auctions took place during 2017 Q2, for EUR 18 million in total. The foreign currency purchasing calendar for 2017 is as follows:

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| Date | Amount (mio EUR) |
|-----------|------------------|
| 10-Apr-17 | 3-8 |
| 12-Jun-17 | 3-8 |
| 20-Jul-17 | 3-8 |
| 11-Aug-17 | 3-8 |
| 20-Oct-17 | 3-8 |
| 17-Nov-17 | 3-8 |
| 15-Dec-17 | 3-8 |

Chart 2 EUR/ALL and USD/ALL in 2017 Q2. Source: Bank of Albania.



2.2 Transactions with other institutions

Foreign currency swap agreements between the Bank of Albania and the Ministry of Finance continued in 2017 Q2, upon the request by the latter, aiming at MoF’s foreign currency liquidity management through the Bank of Albania. At the end of the 2017 Q2, swap contracts amounted to EUR 190 million and SDR 20 million, standing at a slightly lower level compared to EUR 190 million and SDR 50 million at the end of 2017 Q1. Swap contracts’ maturities increased at 2.5-7.5 months from 1.0-2.5 months in the previous quarter, considerably higher than the typical 1-month maturities.

Foreign currency purchased from foreign institutions amounted to ALL 50.00 million, (International Bank for Reconstruction and Development – IBRD).