

1. BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET DURING 2016 Q3

Table 1 Temporary open market operations
(million ALL ¹.)

DATE	R/REPO overnight	R/REPO 1-week			R/REPO >1-week <3-months
30-.6.-16		23,600			
7.7.16		21,680			
14.7.16		27,780			
21.7.16		26,600			
22.7.16	3,000				
25.7.16	3,700				
26.7.16	3,700				
27.7.16	3,700				
28.7.16		30,200			3,000
4.8.16		30,570			
11.8.16		25,810			
18.8.16		28,900			
19.8.16	2,500				
22.8.16	2,800				
23.8.16	2,200				
24.8.16					4,000
25.8.16		33,020			
1.9.16		28,900			
8.9.16		27,200			
15.9.16		33,340			
22.9.16		33,000			
24.9.16					3,000
26.9.-16					3,000
29.9.16		20,565			

Source: Bank of Albania.

1.1. Open market operations

Money market interventions during 2016 Q3 consisted in open market operations for temporary liquidity injection and in T-bills outright transactions in the Bank of Albania's portfolio aiming at the replacement of its portfolio sold in 2016 Q1, and reducing the concentration of T-bills' large exposures in the Bank of Albania's portfolio.

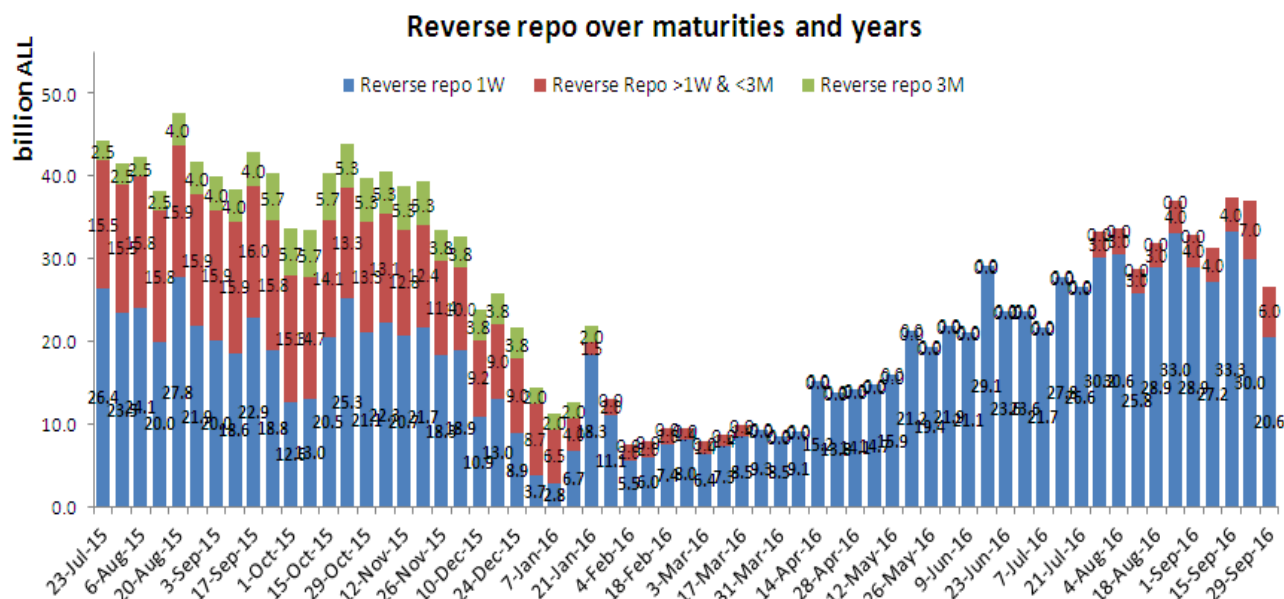
¹ The figures are expressed in nominal value.

The total amount of injected liquidity increased considerably, and averaged ALL 31² billion, from ALL 18 billion in the previous quarter. The partial maturity of swap agreements between the Ministry of Finance and the Bank of Albania, cash outflows and increase of liquidity in the Government's account contributed to the increase of liquidity shortage in the banking system.

To replace its portfolio of ALL 2.1 billion sold in 2016 Q1, the Bank of Albania purchased permanently 12-month T-bills from commercial banks. As a result, at the end of Q3, Bank of Albania's portfolio was ALL 0.12 billion lower compared to the end 2015.

In open market operations, the Bank of Albania employed its main instrument, the one-week reverse repurchase agreement, to temporarily inject liquidity at an average of ALL 27.9 billion vs. ALL 17.45 billion in the previous quarter. Four auctions for long injections, covering 1 or 2 minimum reserve maintenance periods, took place during the period under review averaging ALL 2.5 billion.

Chart 1 Bank of Albania interventions in the money market 2015-2016 (at nominal value)



Source: Bank of Albania

² Figures are at purchasing price.

Bank of Albania interventions in the money market and foreign exchange market during 2016 Q3

The one-day reverse repurchase agreement was employed in seven cases, at the end of the reserve maintenance period, in July and August, at an average of ALL 3 billion.

1.2. Use of standing facilities

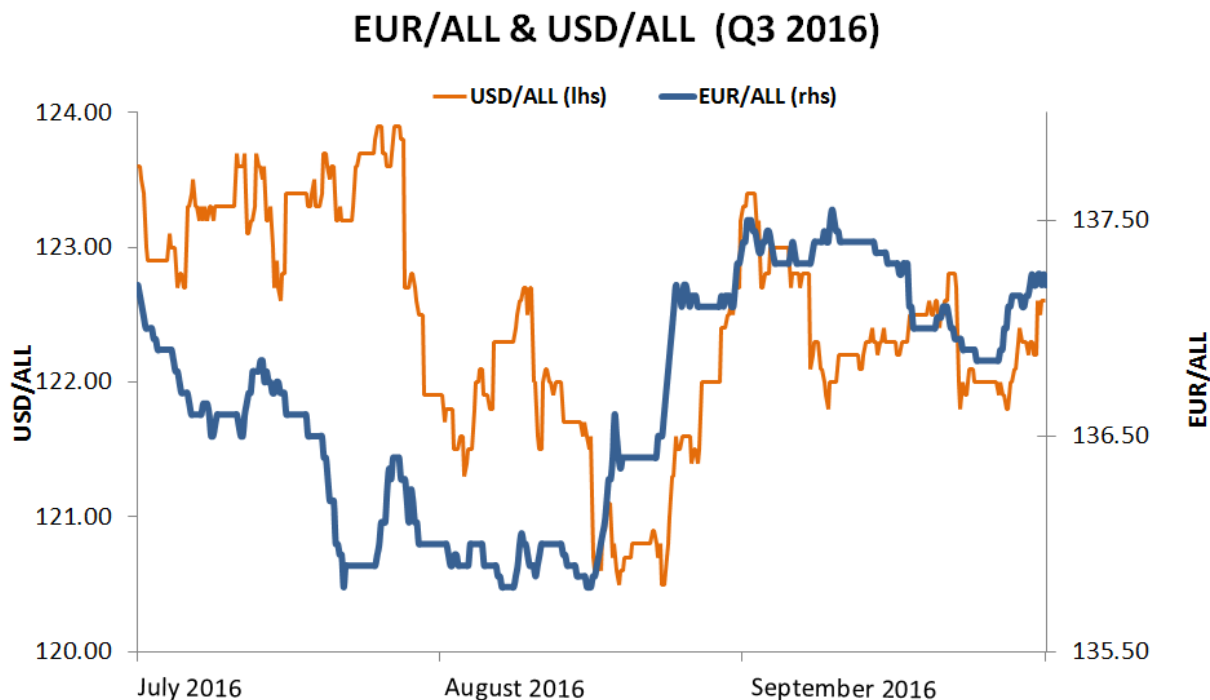
Two standing facilities offered by the Bank of Albania were employed during the period. The overnight deposit at ALL 0.4-2.9 billion, of almost daily frequency was used from the middle of September. The overnight loan facility was employed more frequently, in seven cases, from three cases in the previous quarter, but at lower amounts, from ALL 4-7 billion to ALL 2 billion, mainly in the last days of the reserve maintenance period.

2. BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET DURING 2016 Q3

2.1 Transactions with commercial banks

In 2016 Q3, the Bank of Albania did not intervene in the domestic foreign exchange market.

Chart 2 EUR/ALL and USD/ALL in 2016 Q3



2.2 Operations with other institutions

Foreign currency swap agreements against lek between the Bank of Albania and the Ministry of Finance continued in 2016 Q3, upon the request by the latter, for its liquidity management purposes,

Bank of Albania interventions in the money market and foreign exchange market during 2016 Q3

through the investment of foreign currency outstanding at the Bank of Albania. Outstanding swap agreements were EUR 250 million at the end of the second quarter and fell at EUR 210 million at the end of the third quarter. Bank of Albania's purchases from the Ministry of Finance amounted to ALL 90,263.2 million, whereas sales amounted to ALL 90,406.5 million, during the period under review, attributable to the swap agreements³.

Foreign currency purchased from international institutions amounted to ALL 40.00 million, (International Bank for Reconstruction and Development – IBRD).

Table 2 Foreign currency operations with other institutions

Financial institution	Purchase of foreign currency (in ALL million)	Sale of foreign currency (in ALL million)
Ministry of Finance	90,263.2	90,406.5
Other (IBRD)	40.00	

³ Based on deal date.