

Contents

	<u>Pages</u>
1. INTRODUCTION	1
2. THE EUROSISTEM'S MONETARY FRAMEWORK	7
2.1. An Overview of European Monetary Integration.....	7
2.1.1. <i>A Brief History of Monetary Integration in Europe</i>	7
2.1.2. <i>The Recent Economic and Monetary Situation in the Euro Area</i>	9
2.2. The European System of Central Banks (ESCB).....	11
2.2.1. <i>The European Central Bank (ECB)</i>	13
2.2.2. <i>The National Central Banks (NCBs)</i>	14
3. CONDUCTING MONETARY POLICY	16
3.1. Elements of Monetary Policy Implementation.....	16
3.1.1. <i>Operational Target</i>	16
3.1.2. <i>Operational Framework</i>	18
3.1.3. <i>Central Bank Liquidity Management</i>	19
3.2. Monetary Policy Instruments.....	20
3.2.1. <i>Minimum Reserves</i>	21
3.2.2. <i>Standing Facilities</i>	22
3.2.3. <i>Open Market Operations</i>	24

3.3. Types of Open Market Procedures.....	26
3.3.1. <i>Tender Procedures</i>	26
3.3.2. <i>Procedures for Bilateral Operations</i>	28
3.3.3. <i>Settlement Procedures</i>	29
3.4. Eligibility Aspects.....	30
3.4.1. <i>Eligible Counterparties</i>	31
3.4.2. <i>Eligible Assets</i>	32
3.5. Importance of Liquidity Management.....	33
4. LIQUIDITY-PROVIDING AND –ABSORBING OPERATIONS: RECENT-TIME INVESTIGATION (DATA OF 2010).....	36
4.1. Types and Effects of Open Market Instruments.....	36
4.1.1. <i>Outright Transactions</i>	36
4.1.2. <i>Issuance of Debt Certificates</i>	37
4.1.3. <i>Collection of Fixed-Term Deposits</i>	38
4.1.4. <i>Foreign Exchange Swaps</i>	39
4.1.5. <i>Reverse Transactions</i>	40
4.2. Categories of Open Market Operations within the Approach of Reverse Transactions.....	42
4.2.1. <i>Main Refinancing Operations</i>	44
4.2.2. <i>Longer-term Refinancing Operations</i>	46
4.2.3. <i>Fine-tuning Operations</i>	48
4.2.4. <i>Structural Operations</i>	50

4.3. Use of Standing Facilities.....	51
4.3.1. <i>Marginal Lending Facility</i>	53
4.3.2. <i>Deposit Facility</i>	55
5. MEASURING LIQUIDITY MANAGEMENT.....	57
5.1. Autonomous Liquidity Factors.....	57
5.2. Current Account Holdings of Counterparties.....	58
5.3. Balance Sheet of Eurosystem.....	61
5.4. Efficiency of the Liquidity Management.....	64
6. CONCLUSION.....	67