

Box 4 Overview of Central Bank instruments

Fixed trading formats:

Current accounts: Deposits of credit institutions' undisposed assets. Settlement accounts for netting between DMBs and in interbank trading, including trading with the Central Bank. Interest rates on these accounts form the floor for overnight interest rates in the interbank market.

Overnight lending: Provided on the request of credit institutions, guaranteed with the same collateral that qualifies for repo transactions. Overnight interest rates form the ceiling for overnight rates in the interbank market.

Certificates of deposit: Maturity 90 days. Sold on request of credit institutions. Unlisted securities but qualify for repo trading. Their role is to create a floor for three-month money market yields.

Required reserves: Obligatory for credit institutions which are not dependent on the treasury budget authorisation for their operations.

The required reserves base is the balance sheet total less equity, interbank liabilities and certain items. Based on the position at the end of the preceding month.

Required reserves ratio: The part of the required reserves

base which is tied for one year or more: 1.5%. The remainder: 4%.

Maintenance period: From the 21st of each month to the 20th of the following month.

Fulfilment: The average deposit in the account shall reach the specified required deposit amount.

Interest: Rate advertised in advance by the Central Bank and posted monthly.

Market actions:

Securities market trading: Limited to treasury-guaranteed securities. The Central Bank is still the market maker for T-bills but rarely trades in treasury bonds.

Foreign exchange market operations: Irregular and not announced in advance, only afterwards. Their role is to back up the Central Bank's exchange rate policy.

Repos: Weekly auctions of 14-day repurchase agreements. Qualified securities are treasury-guaranteed paper with active market making on the ISE, according to a list advertised by the Central Bank. Auctions can be either for fixed prices or where the total amount of agreements on offer is announced. Fixed-price auctions have been the rule so far.