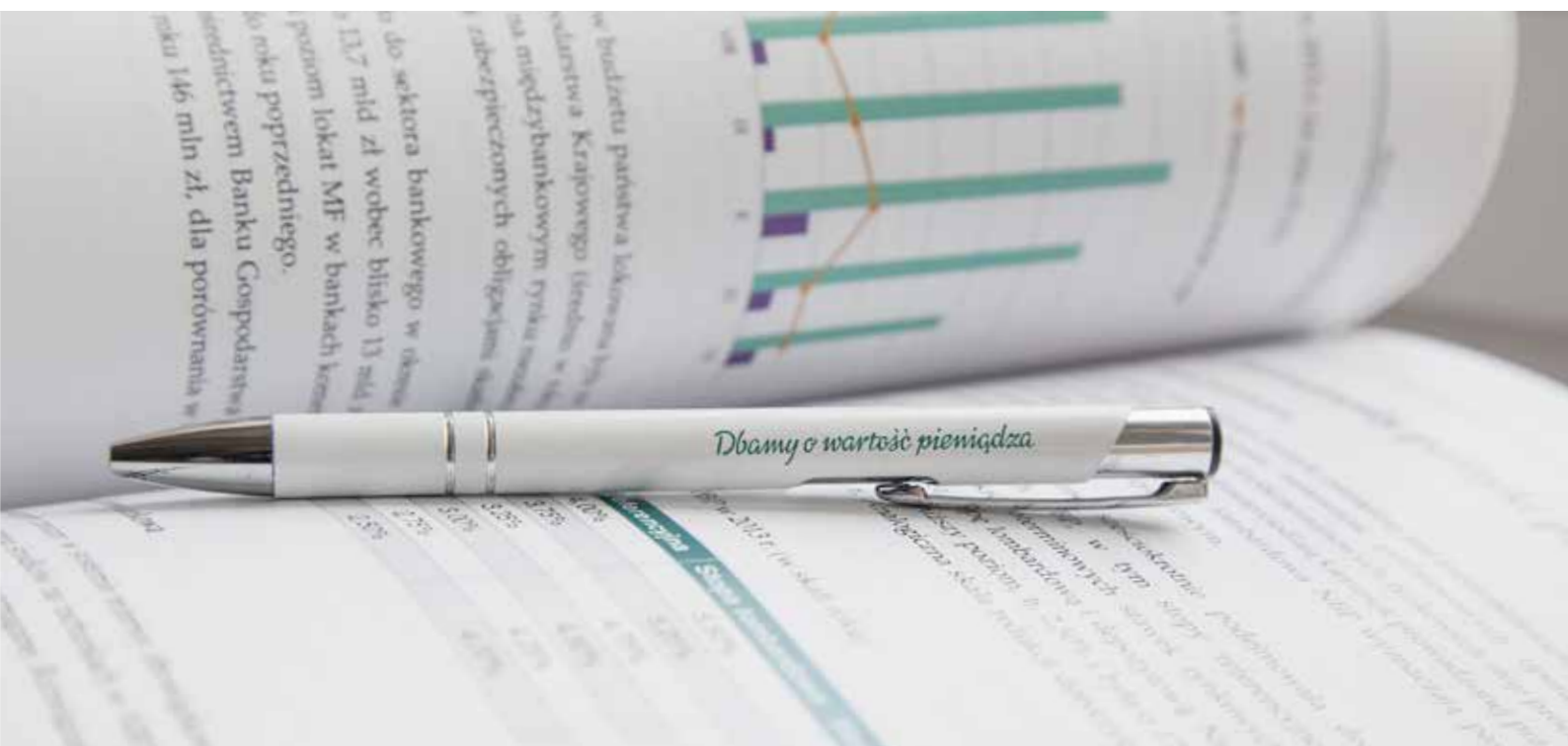


Annual Report 2014

Banking Sector Liquidity Monetary Policy Instruments of Narodowy Bank Polski



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Warsaw, 2015

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Introduction



Introduction

In 2014, the monetary policy of Narodowy Bank Polski was pursued in accordance with the *Monetary Policy Guidelines for 2014*. As in previous years, the key objective of the policy was to maintain inflation at 2.5% in a mid-term horizon, with a symmetrical deviation band of +/- 1%, while supporting sustainable economic growth.

The primary instrument of monetary policy is the interest rate. By setting the NBP basic interest rates, the Monetary Policy Council determines the yields on the monetary policy instruments. Changes in the NBP reference rate set the course of the monetary policy and affect the market rates. The deposit rate and the lombard rate determine the fluctuation band for overnight interest rates in the interbank market, symmetric to the reference rate.

In October 2014, the Monetary Policy Council decided to lower the basic NBP interest rate – the NBP reference rate. At the same time, the corridor for fluctuations in short-term market rates was narrowed from +/-1.5 percentage points to +/-1 percentage point. As at the end of 2014, the reference rate stood at 2.00%, the deposit rate at 1.00%, and the lombard rate at 3.00%. Comparing to the end of the previous year, the reference rate was reduced by 0.50 percentage points, the deposit rate remained unchanged, while the lombard rate was reduced by 1 percentage point.

Narodowy Bank Polski manages banking sector liquidity and implements the adopted monetary policy guidelines by carrying out open market operations. In 2014, the main open market operations involved the issuance of 7-day NBP bills, on a regular basis, while fine-tuning operations consisted in the regular (on the last working day of the reserve maintenance period) and ad-hoc issuance of the NBP bills with shorter maturities to reduce the volatility of short-term market interest rates. The yield on those securities was determined at the level of the NBP reference rate.

Access to all main and fine-tuning open market operations was granted to the banks complying with the terms and conditions set by NBP, whereas access to main operations was also granted to the Bank Guarantee Fund.

At the beginning of 2014, 11 banks most active in the money market and foreign exchange market had the status of a Money Market Dealer. In February, the status was granted to one more bank.

In 2014, commercial banks made use of standing facilities put at their disposal by NBP, which facilitated current liquidity management. Banks were able to cover liquidity shortages via marginal lending facility and to deposit excess funds with NBP via overnight deposit facility.

In 2014, the NBP did not carry out any structural operations targeted at long-term change in banking sector liquidity.

In 2014, short-term liquidity of the banking sector, measured as the average annual balance of central bank operations, was reduced for the first time in five years. These operations included

the issuance of NBP bills and standing facilities (and during the term of the Confidence Package also repos and FX swaps).

Table I. Open market operations (the NBP bills and repo), FX swaps and standing facilities in the years 2001–2014 (in PLN million)

Period	NBP bills	Repos	FX swaps	Standing facilities		
				deposit facility	marginal lending facility	balance (deposit – credit)
2014	108 518	0	0	298	0	298
2013	126 078	0	0	463	0	463
2012	95 913	0	0	393	0	393
2011	95 217	0	0	711	0	711
2010	74 968	5 097	0	1 036	0	1 036
2009	31 873	11 456	1 076	2 461	14	2 447
2008	11 530	2 135	162	1 421	14	1 407
2007	19 302	-	-	530	18	512
2006	19 758	-	-	150	50	100
2005	16 699	-	-	162	29	133
2004	5 275	-	-	310	22	288
2003	6 261	-	-	167	34	133
2002	10 565	-	-	80	170	-90
2001	14 701	-	-	715	234	481

Note: the values are quoted in annualized terms in the reserve maintenance periods.

Source: NBP.

Table II. Market rates in the years 2001–2014

Period	Average reference rate (in %)*	Deviation of rates from reference rate in basis points (annual average)**				
		O/N	SW	2W	1M	POLONIA
2014	2.39	9	6	6	7	11
2013	2.94	8	5	5	7	18
2012	4.61	10	3	5	11	21
2011	4.22	21	3	3	9	43
2010	3.50	49	17	10	7	69
2009	3.77	69	23	14	11	89
2008	5.72	30	16	19	30	32
2007	4.40	19	9	11	16	23
2006	4.06	10	6	6	7	16
2005	5.34	21	6	6	9	29
2004	5.79	40	11	10	15	-
2003	5.67	28	8	7	9	-
2002	8.82	90	60	-	32	-
2001	16.13	142	-	-	42	-

* Average reference rate was weighted by its duration.

** Deviations of rates from the reference rate – an uniform basis of 365 days per year was used.

Source: NBP.

In 2014, the level of short-term liquidity of the banking sector was PLN 108,816 million. Compared to the average level from the previous year, liquidity decreased by PLN 17,725 million. Throughout 2014, the level of short-term liquidity of the banking sector systematically decreased from PLN 123,226 million in January to PLN 99,218 million in December, which means a reduction by PLN 24,008 million in the period from January to

December. The reduction in liquidity resulted mainly from larger sales of foreign currency by NBP than its purchase and an increase in currency in circulation and the required reserve.

In 2014, the average level of the NBP bills was PLN 108,518 million, of which 98.9%, i.e. PLN 107,280 million, was sold as main operations, while PLN 1,238 million – as fine-tuning operations. The average level of standing facilities was PLN 298 million.

The year 2014 saw the volatility of the POLONIA rate decrease compared to 2013. As the result of basic open market operations as well as regular and irregular fine-tuning operations, used to stabilise market interest rates in periods of increased volatility, the average absolute deviation of the POLONIA rate from the reference rate in 2014 was 11 bps (versus 18 bps in 2013).

The solution used by NBP, favouring the reduction of fluctuations in short-term interest rates and stabilisation of banking sector liquidity is the required reserve system. As in previous years, in 2014 the banks were obliged in the required reserve period to maintain on the accounts with NBP funds at an average level not lower than the required reserve. In 2014, the basic required reserve rate did not change and amounted to 3.5%.

Chapter 1

Banking sector liquidity

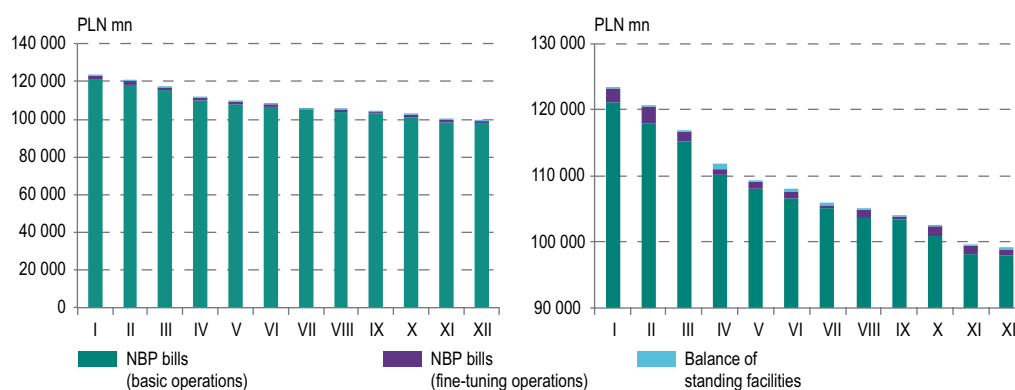


Banking sector liquidity

1.1. Liquidity developments in 2014

In 2014, monetary policy was conducted – as in previous years – in an environment of excess banking sector liquidity. Short-term liquidity of the banking sector (measured by the balance of issuance of the NBP bills and standing facilities) gradually decreased throughout 2014 and ranged from PLN 123.2 billion in January to PLN 99.2 billion in December.

Figure 1.1. Short-term liquidity of the banking sector in 2014



Source: NBP.

In December 2014, the average level of short-term banking sector liquidity reached PLN 99,218 million and was lower by PLN 24,267 million, i.e. by 19.7%, comparing with December 2013.

Among the most important autonomous factors contributing to liquidity reduction was the growth of currency in circulation, which amounted to PLN 14,190 million (December 2014 to December 2013). The annual growth rate of currency in circulation in December 2014 amounted to 11.2%, compared to 10.9% in December 2013.

Another factor influencing the liquidity reduction was larger sales than purchases of foreign currency by NBP. In 2014, the Ministry of Finance limited the conversion of foreign currencies from EU funds in the central bank in favour of interbank market transactions through BGK. At the same time, sale of foreign currencies took place, mainly to convert Poland's membership fee paid to the EU, bilateral foreign exchange operations related to services provided to the central government entities and the purchase of foreign currencies from the Ministry of Finance's foreign currency account held with NBP. In annual terms, the reduction in liquidity caused by that (December 2014 to December 2013) amounted to PLN 11,820 million.

Another factor that reduced liquidity was an increase in the level of banks' reserve requirement, which in 2014 amounted to PLN 2,886 million. It resulted from a gradual increase in bank

sector deposits and the fact that since 31 March 2014, the obligation to maintain a required reserve was extended to credit unions and the Credit Union National Association.

The payments made by NBP to the banking sector arising from the discount of the NBP bills and required reserve remuneration caused the increase of the banking sector liquidity by PLN 3,428 million.

Public sector deposits ran at a stable level and did not significantly affect the changes in banking sector liquidity.

The central bank absorbed the liquidity surplus by issuing the NBP bills with a maturity of 7 days as main open market operations (the average amount in 2014 was PLN 107,280 million), and the NBP bills with shorter maturities as fine-tuning operations (the average value in 2014 amounted to PLN 1,238 million). 19 fine-tuning open market operations were executed in 2014.

The excess funds, not invested in open market operations with NBP, were placed by commercial banks as overnight deposits. In 2014, an average deposit amounted to PLN 298 million.

In 2014, there were no significant changes in the structure of deposits on the interbank market.¹ As in previous years, the vast majority of transactions on the interbank deposit market in 2014 was concluded for periods of several days (up to a week). In particular months, the share of O/N deposits in the total market turnover ranged from 81–89%, the share of deposits concluded for one day (T/N and S/N) was within the range of 5–12%.

Table 1.1. Absorption of short-term liquidity as part of operations executed by NBP in 2014 (in PLN million)

2014	Average level of 7-day NBP bills	Average level of 1-, 2-, 3-, 4-day NBP bills	Average level of overnight deposit	Average level of marginal lending facility	Average level of short-term banking sector liquidity
	(1)	(2)	(3)	(4)	(1) + (2) + (3) + (4)
I	121 064	2 073	89	0	123 226
II	118 026	2 523	151	-1	120 699
III	115 224	1 452	189	1	116 865
IV	110 244	767	847	0	111 858
V	108 015	1 182	207	0	109 404
VI	106 579	1 071	326	0	107 976
VII	105 043	420	508	0	105 971
VIII	103 669	1 178	176	0	105 023
IX	103 360	417	321	0	104 098
X	100 807	1 642	107	0	102 556
XI	98 054	1 304	183	0	99 541
XII	97 855	865	498	0	99 218
On average	107 280	1 238	298	0	108 816

Notes: average values over required reserve maintenance periods. Positive values denote the absorption of zloty liquidity from banking sector, while negative values denote the supply of zloty liquidity to the banking sector.

Source: NBP.

¹ Based on data from SORBNET.

1.2. Impact of autonomous factors on changes in banking sector liquidity

1.2.1. Purchase and sale of foreign currencies by NBP

2014 was the first year since Poland's accession to the European Union and the commencement of purchase of foreign currencies coming from EU funds by the central bank when the purchase of foreign currencies was lower than sale transaction throughout the year. Banking sector liquidity was reduced as a result of FX transactions conducted by NBP.

The sale of foreign currencies by NBP was a result of:

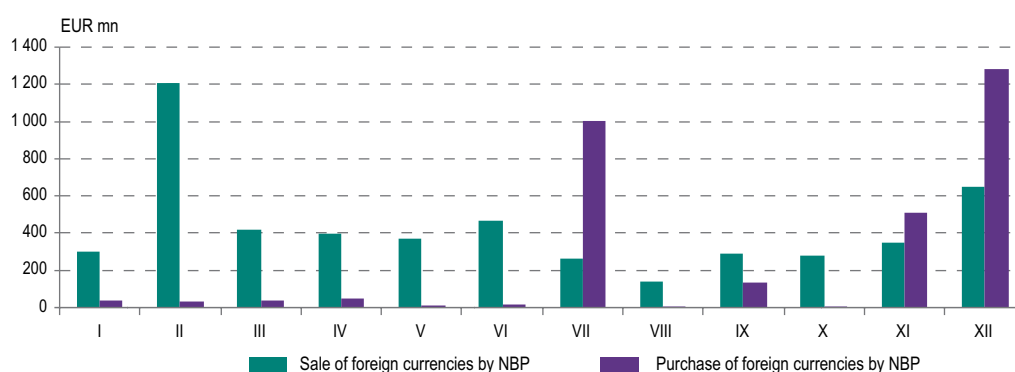
- the conversion to foreign currency of the membership fee paid to the account of the European Commission (EC) in the amount of PLN 17,431 million (compared to PLN 17,752 million in 2013),
- services provided to the central government entities, whose accounts are held with NBP in the amount of PLN 4,102 million

In 2014, the sale of foreign currency by NBP developed relatively evenly. As in the previous year, the largest amount of foreign currencies was sold in February. This was the result of conversion into euro of a substantial part of the membership fee paid by Poland to the budget of the European Union. In the first quarter of the year, the European Commission may convert into euro funds received in the domestic currency of a country up to the amount of 5/12 of the country's annual fee.

The purchase of foreign currencies by NBP was related to:

- servicing of foreign debt of the State Treasury in the amount of PLN 12,510 million (foreign currency valued at PLN 2,344 million was purchased this way in 2013), with the largest amount purchased from the foreign currency account of the Ministry of Finance held with NBP (PLN 11,870 million),
- services provided to the central government entities whose accounts are held with NBP, in the amount of PLN 528 million (foreign currency valued at PLN 2,410 million was purchased this way in 2013).
- the use of EU aid funds in the amount of PLN 23 million.

Figure 1.2. Purchase and sale of foreign currencies by NBP in 2014



Source: NBP.

In 2014, the purchase of foreign currency by NBP took place mainly towards the end of the year (in November and December, the purchase value amounted to PLN 7,534 million) and in July – PLN 4,161 million. In the remaining months, the purchase of foreign currency by the central bank totalled PLN 1,365 million.

The low level of foreign currency purchase (compared to 2013) was a result of converting foreign currency to domestic currency by the Ministry of Finance on the interbank market through BGK. The fact that in 2014 the level of foreign currency purchase by NBP was significantly lower than its sale contributed to the reduction of banking sector liquidity.

FX operations carried out by the central bank as part of its currency purchase and sale activities in 2014

Foreign operations of the State Treasury

Servicing of the Treasury's foreign liabilities and receivables, done as purchase and sale of foreign currency by NBP, may have an influence on the changes in banking sector liquidity. In 2014, as in the previous year, NBP did not sell foreign currencies to the Ministry of Finance because all the Treasury's foreign liabilities were settled with the funds from the Ministry's foreign currency account with the central bank. Funds on this account came mainly from the issuance of the Treasury bonds by the Ministry of Finance on foreign markets (in the amount equal to EUR 4,162 million) and loans incurred at international financial institutions (EUR 2,264 million) and in large part from EU funds transferred by the European Commission to the accounts held with NBP.

Payments made from funds in the foreign currency account related to liabilities due to holders of international Treasury bonds (EUR 5,446 million) and repayments of incurred foreign loans, payment of shares and other transactions (EUR 1,185 million).

In 2014, the purchase by NBP of foreign currencies from the Ministry of Finance mainly related to:

- loans received from international monetary institutions and extended to other states
- the use of a part of funds from the Ministry of Finance's foreign currency account with NBP to finance the current budgetary needs,

The total volume of these transactions in 2014 amounted to the equivalent of EUR 2,992 million.

Transactions connected with the membership in the European Union

In 2014, the main transactions related to the membership of Poland in the European Union were sale of foreign currencies by NBP for the European Commission in order to convert Poland's membership fee paid to the European Union budget in PLN. In 2014, the value of these transactions amounted to the equivalent of EUR 4,169 million.

In 2014, NBP virtually did not convert any funds received by Poland from the European Union into PLN. The value of these transactions was only PLN 23 million.

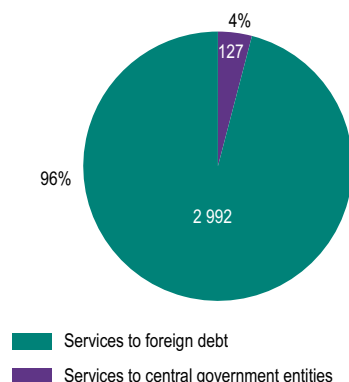
In 2014, funds transferred by the European Commission to the accounts in the central bank were automatically transferred to the foreign currency account of the Ministry of Finance held with NBP used for servicing foreign debt of the State Treasury. This account also contained foreign currencies from other sources. Some of these currencies were transferred to BGK and converted to domestic currency on the market, some were used for servicing foreign debt of the State Treasury and some were converted to PLN in NBP.

In 2014, the Ministry of Finance kept a large part of foreign currencies in the account held with NBP. Its annual average level expressed in domestic currency amounted to PLN 2,725 million. A particularly high level was maintained from October to the end of the year and averaged in this period amounted at PLN 6,412 million.

Services to central government entities

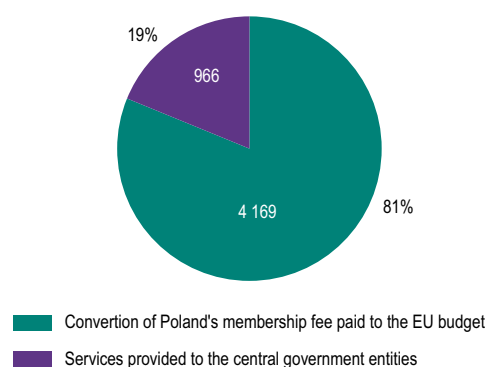
Apart from foreign currency operations related to servicing foreign liabilities and receivables of the State Treasury and transactions involving the use of funds related to membership of the EU, the central bank carried out foreign currency operations with entities authorised to exchange foreign currencies at the central bank under bank account agreement. In 2014, the value of transactions consisting in the purchase of foreign currencies by NBP amounted to the equivalent of PLN 528 million, while the sale of foreign currencies by the central bank under this category of agreements amounted to the equivalent of PLN 4,102 million.

Figure 1.3. The structure of currency purchase by NBP in 2014 (in EUR million)



Source: NBP.

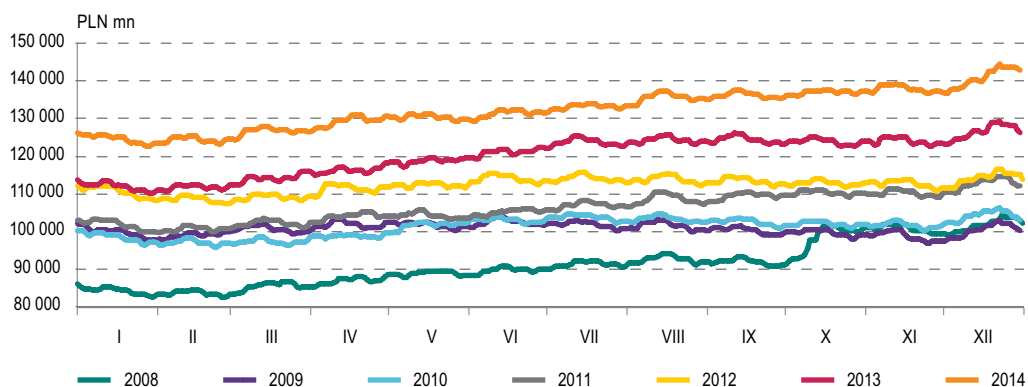
Figure 1.4. The structure of currency sale by NBP in 2014 (in EUR million)



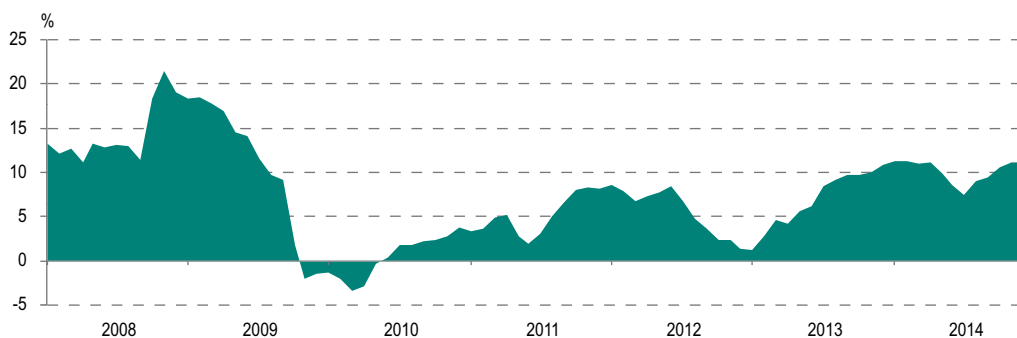
Source: NBP.

1.2.2. Currency in circulation

In 2014, the average level of currency in circulation came to PLN 132,246 million, which represents an increase of PLN 12,197 million (i.e. 10.2%) year-on-year. The level of currency in circulation was mainly influenced by factors of a seasonal nature, which explain the changes in the level of currency in circulation in selected periods (weekly, monthly, yearly seasonality as well as increases observed in holiday periods).

Figure 1.5. Currency in circulation in the years 2008–2014

Source: NBP.

Figure 1.6. Growth rate of currency in circulation in the years 2008–2014 (y/y)

Source: NBP.

In January 2014, the annual growth rate of currency in circulation increased to 11.2%. This indicator ran at very similar levels for the following three months. In the period May–July, the growth rate declined from 9.8% in May to 7.5% in July. The upward trend re-emerged in August and the growth rate of currency in circulation as of the end of 2014 again reached 11.2%.

As in previous years, the largest increase in currency in circulation was recorded in December. The average level of currency in circulation in December 2014 was PLN 140,714 million, which is an increase by PLN 14,191 million compared to December 2013 (in the previous year, this increase amounted to PLN 12,414 million). Increased demand for currency in circulation in December was related to the intensification of purchases in the holiday period.

1.2.3. Public sector deposits held with the central bank

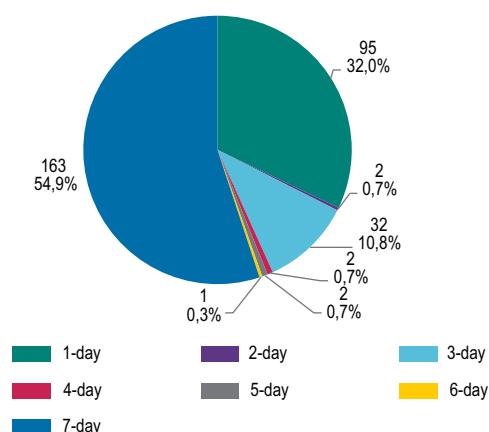
Public sector deposits with the central bank include mainly funds on current accounts and term deposits of the State Budget.

The level of public sector deposits with NBP was an outcome of the following:

- changes in the volume of budgetary incomes and expenses,
- settlements resulting from the issue and redemption of State Treasury securities,
- funds coming from the Ministry of Finance’s foreign currency account with NBP converted into PLN via BGK on the foreign exchange market,
- limits set for the Ministry of Finance’s PLN term deposits with the central bank,
- flows of funds between Poland and the European Union (including, among others, payment of Poland’s membership fee to the EU budget and disbursement of the EU funds),
- payments resulting from servicing other transactions connected with the State Budget’s borrowing needs.

In 2014, public sector deposits showed a downward trend. The average level of public sector deposits in 2014 stood at PLN 3,206 million and was lower by PLN 435 million comparing to the previous year (PLN 3,641 million). The average level of the public sector deposits held on current accounts with NBP amounted to PLN 2,226 million (against PLN 2,413 million in 2013), while the Ministry of Finance’s term deposits with NBP representing a significant item in the structure of public sector PLN deposits (30.5%) amounted to PLN 978 million against PLN 1,227 million (33.7%) in 2013.

Figure 1.7. The quantitative structure of Ministry of Finance’s term deposits with NBP in 2014

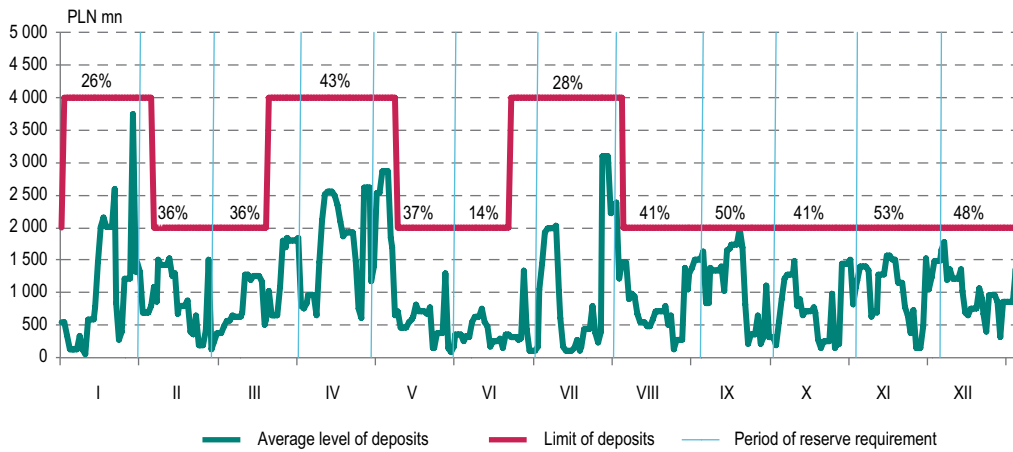


Source: NBP.

The Ministry of Finance invested a temporary surplus funds of the State Budget in the form of PLN deposits for periods of 1 to 7 days with NBP. Those were interest-bearing deposits with limited levels. A total of 297 deposits were made in 2014. In addition, the possibility to deposit surplus funds of the State Budget in the form of automatic O/N deposits in NBP was introduced in December 2014. The amounts of these deposits are not limited. In the period 19-30 December, the average level of deposits set up automatically amounted to PLN 32.5 million.

In 2014, as in previous years, level of the Ministry of Finance’s term deposits with NBP significantly fluctuated, from PLN 54 million (on 9 January 2014) to PLN 3,738 million (on 27 January 2014). The highest average deposit levels were recorded in April – PLN 1,731 million, in July – PLN 1,122 million and in November – 1,058 million. These increases were related to the temporary increase of the Ministry of Finance’s zloty deposits with NBP limits to the level of PLN 4,000 million. This stemmed from the need of the Ministry of Finance to

Figure 1.8. The use of the limit for Ministry of Finance’s deposits with NBP in 2014

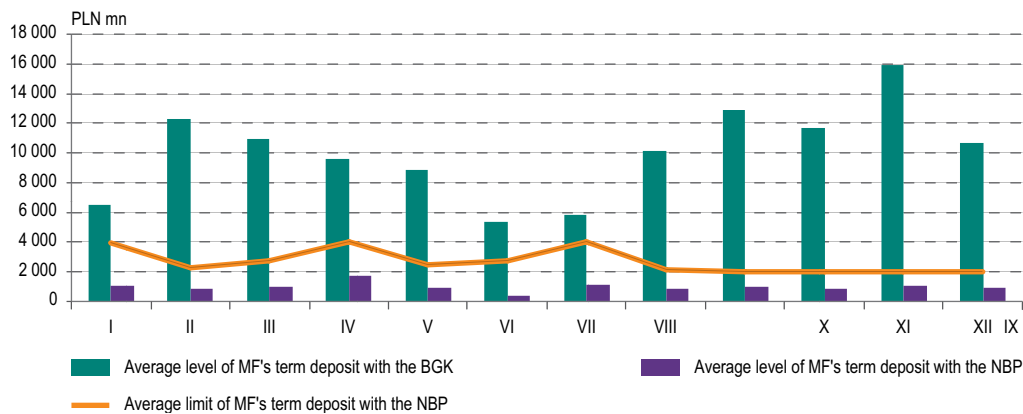


Source: NBP.

accumulate funds in PLN due to the redemption of Treasury Bonds (OK0114) on 27 January 2014, (PS0414) on 25 April 2014 and (OK0714) on 25 July 2014.

In 2014, the value of deposits amounted to 36.3% of the set daily limit (comparing to approximately 39.4% in 2013). The largest use of the deposit limit (above 40%) was recorded in April and in the period from August to December 2014.

Figure 1.9. The average level of Ministry of Finance’s term deposits in 2014



Source: NBP.

In 2014, part of funds from the State Budget was invested in the interbank market through Bank Gospodarstwa Krajowego. These deposits amounted to an average of PLN 10,061 million annually, which was PLN 798 million less (approx. 7.3%) compared to the previous year. The highest level of deposits placed on the market was observed in the fourth quarter of the year.

The Ministry of Finance invested these funds in the interbank market of uncollateralised term deposits as well as in the form of transactions collateralised with Treasury bonds.

The Ministry of Finance placed surplus funds through Bank Gospodarstwa Krajowego as deposit facility with NBP (on average PLN 77 million per year).

Chapter 2

Monetary policy instruments



Monetary policy instruments

2.1. Interest rate

The short-term interest rate is the primary instrument of the monetary policy; the NBP reference rate determines the yield on main open market operations, affecting at the same time the level of short-term market interest rates. Changes in the NBP reference rate stem from the course of the monetary policy pursued by the central bank. The NBP deposit and lombard rates set the fluctuation band of the overnight interest rate in the interbank market.

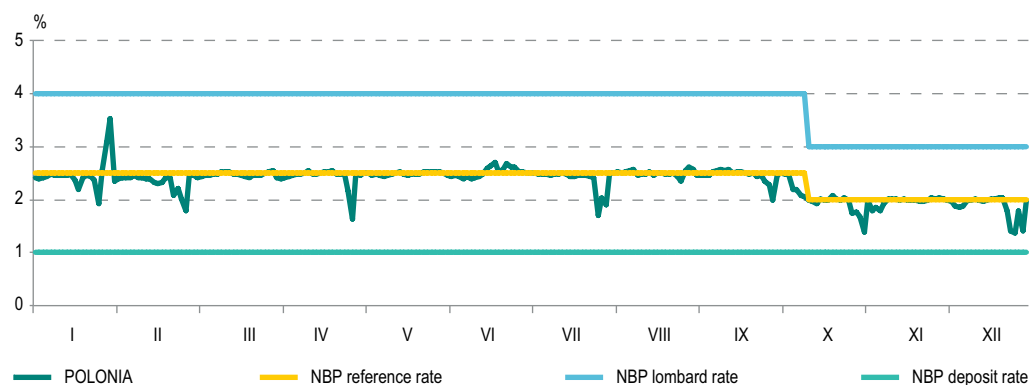
On 9 October 2014, the Monetary Policy Council made the decision to lower the basic short-term interest rate – the NBP reference rate. As at the end of 2014, the reference rate dropped to its lowest historical level, i.e. 2.00%, which was 50 basis points lower than the level at the end of 2013. The deposit rate remained unchanged, and the lombard rate was lowered by 100 basis points to 3%. The fluctuation band of short-term market rates set by the deposit and lombard rates was narrowed from +/- 150 to +/- 100 basis points, remaining symmetric to the reference rate.

Table 2.1. NBP basic interest rates in 2014 (in %)

Validity period:	Reference rate	Lombard rate	Deposit rate
01.01-8.10.2014	2.50	4.00	1.00
09.10-31.12.2014	2.00	3.00	1.00

Source: NBP.

Figure 2.1. Short-term market rate POLONIA against NBP rates in 2014 (in %)



Source: NBP.

2.2. Required reserve

The obligation to maintain a required reserve covering so far banks, branches of credit institutions and branches of foreign banks operating in Poland in 2014 was extended to credit unions and the Credit Union National Association (amendment to the Act on NBP). On 31 March 2014, the required reserve was paid to an account with NBP for the first time by 55 cooperative banks and the Credit Union National Association in a total amount of PLN 532 million.

In 2014, the required reserve was maintained in a period-average system. In the reserve maintenance period, entities obliged to maintain the required reserve were obliged to maintain average balances in accounts with NBP equivalent to, at least, the amount of the required reserve.

The basis for calculating the required reserve were funds in bank accounts and obtained from the sale of securities with the exception of funds received from another domestic bank, a credit union, and the Credit Union National Association. The basis for the reserve calculation in banks, branches of credit institutions and branches of foreign banks did not include funds obtained from abroad for a minimum of two years and deposited in savings and credit accounts with building societies, as well as funds accumulated at individual retirement accounts or individual pension security accounts and returnable funds accepted from BFG.

The required reserve is calculated and maintained in zloty. The value of the reserve calculated is diminished by the obliged entities by an equivalent of EUR 500 thousand.

The required reserve ratio in 2014 was 3.5% on all liabilities, except for funds received from repo and sell-buy back transactions, on which the required reserve ratio was 0%.

As at 31 December 2014, the required reserve was PLN 34,696 million, with the banking sector reserve of PLN 34,242 million and the credit union system's reserve of PLN 454 million. The total required reserve was larger compared to the level from 31 December 2013 by PLN 2,820 million, which is an increase of 8.8%. The main factors contributing to the increase of the required reserve in 2014 were an increase in banking sector term deposits, which were used to calculate the required reserve, and the said expansion of the group of entities covered by the required reserve obligation to credit unions and the Credit Union National Association.

Until 8 October 2014, required reserve funds of the entities obliged to maintain the reserve maintained on accounts with NBP were remunerated at 0.9 of the NBP rediscount rate. Since 9 October 2014, required reserve funds have been remunerated at 0.9 of the reference rate which specifies the interest rate on main open market operations (Resolution of the Monetary Policy Council No. 7/2014 of 8 October 2014). Average remuneration on required reserve funds in 2014 was 2.32% against 2.87% in 2013. The decrease by 0.55%, compared to 2013, resulted from lowering the average level of basic NBP rates (the rediscount rate and the reference rate), which in this period were the basis for calculating the rate on the reserve funds.

In 2014, in all the reserve maintenance periods banks recorded a small surplus of the average holdings on banks' accounts as compared to the required reserve, ranging from PLN 47.0 million in March to PLN 94.2 million in November. The average surplus on the accounts of

the entities maintaining the reserve in 2014 was PLN 67.1 million, accounting for 0.21% of the average reserve requirement level.

Figure 2.2 Changes in the required reserves and deviations from the reserve requirement in 2014



Note: only main open market operations included.

Source: NBP.

The year 2014 recorded 4 cases of non-compliance with the reserve requirement by commercial banks and one by a credit union.

2.3. Open market operations

In 2014, the following open market operations represented the key instrument used to shape market interest rates:

- main operations – in the form of a regular issuance of the NBP bills, usually with a maturity of 7 days,²
- fine-tuning operations – in the form of the issuance of the NBP bills with maturities shorter than those of main operations (1-, 2-, 3-, and 4-day).

Throughout 2014, banking sector liquidity as measured by the issuance of the NBP bills showed a downward trend and fluctuated on average from PLN 123,137 million in January to PLN 98,720 million in December in the reserve maintenance period.

2.3.1. Main operations

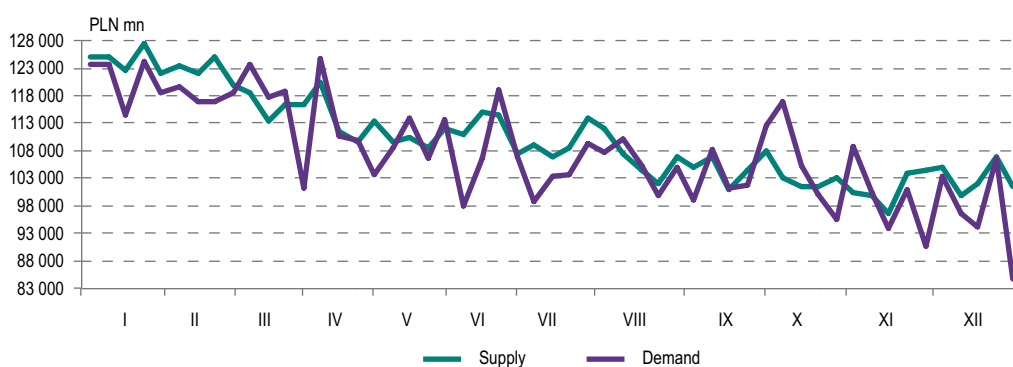
In 2014, NBP carried out main open market operations which consisted in issuance of the NBP bills with a maturity of 7 days. The NBP bills were issued regularly once a week, on Fridays. As in the previous year, access to main open market operations was available to

² In 2014, the exceptions were: a regular operation with an 8-day maturity carried out on 14 August, a regular operation with a 6-day maturity carried out on 8 August, regular operations with a 5-day maturity carried out on 19 and 24 December and a regular operation with a 4-day maturity carried out on 29 December.

all banks participating in the SORBNET system with an account in the Securities Register operated by NBP and equipped with the ELBON application, as well as the Bank Guarantee Fund. Tenders for the NBP bills had a settlement period of $t + 0$ and the yield equal to the NBP reference rate.

In 2014, the average level of the NBP bills issued under the main operations amounted to PLN 107,280 million and was lower by PLN 16,952 million as compared to the average level in 2013. In 2014, the central bank offered the NBP bills of the value of PLN 5,848,000 million for sale under the main operations. In that period, the bids received from banks amounted to PLN 5,724,074 million, while the value of bids accepted by the central bank amounted to PLN 5,662,096 million.

Figure 2.3. The NBP bills – supply and demand in 2014



Note: only main open market operations included.

Source: NBP.

Although the cumulative values of supply and demand were at similar levels in 2014, at individual tenders the assessment of liquidity conditions by commercial banks and by the central bank differed. While deciding about the supply level at a given tender, NBP assesses liquidity of the banking sector as a whole. Commercial banks are guided by their own individual liquidity management policies, and the sum of demand reported by banks does not have to be consistent with the NBP forecasts. In 2014, underbidding occurred more often than overbidding. During the year, the ratio of commercial banks' demand for the NBP bills in individual tenders in comparison to the supply offered by NBP fluctuated between 0.834 and 1.135.

2.3.2. Fine-tuning operations

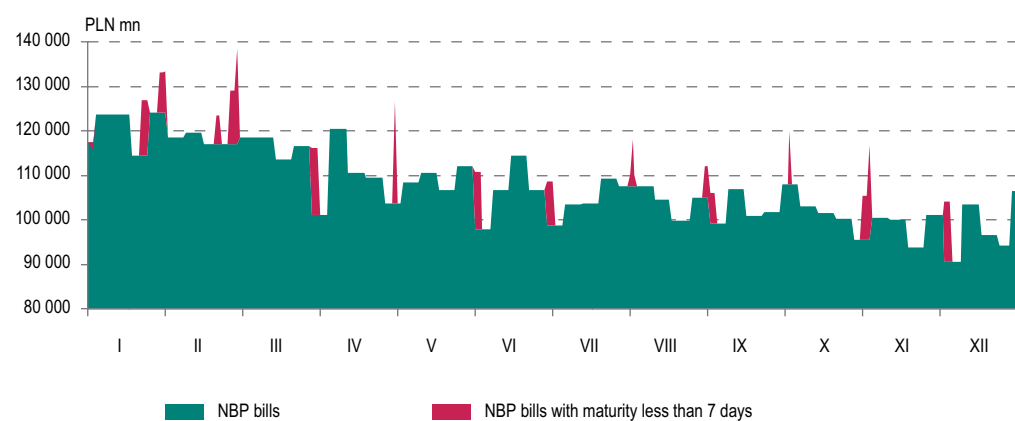
In 2014, in order to mitigate the impact of changes in banking sector liquidity conditions on short-term market interest rates, NBP launched fine-tuning operations at least once per month by issuing the NBP bills with maturities shorter than in the case of main operations. As in the previous year, there were two types of these operations. The goal of operations carried out on the last day of the reserve period was to balance the liquidity conditions in the banking sector on average in the entire required reserve maintenance period. Additionally,

where necessary, open market operations were conducted at some point during the month in order to level deviations from market interest rates against the reference rate.

All fine-tuning operations carried out in 2014 were aimed at absorbing liquidity from the banking sector.

In 2014, NBP conducted 19 fine-tuning operations, out of which 7 during the reserve maintenance period (in January, February, July, August and October). The average level of the NBP bills under this type of operations equalled PLN 1,238 million and was lower by PLN 608 million than the average level in 2013. In 2014, the central bank offered – for sale in fine-tuning operations – bills amounting to PLN 238,000 million. Bids received from banks in that period amounted to PLN 215,883 million, whereas bids accepted by the central bank amounted to PLN 208,056 million.

Figure 2.4. Operations carried out by NBP in 2014



Source: NBP.

2.3.3. Structural operations

The goal of structural operations is a long-term change in the banking sector liquidity. In 2014, NBP did not conduct operations of this type.

2.4. Standing facilities

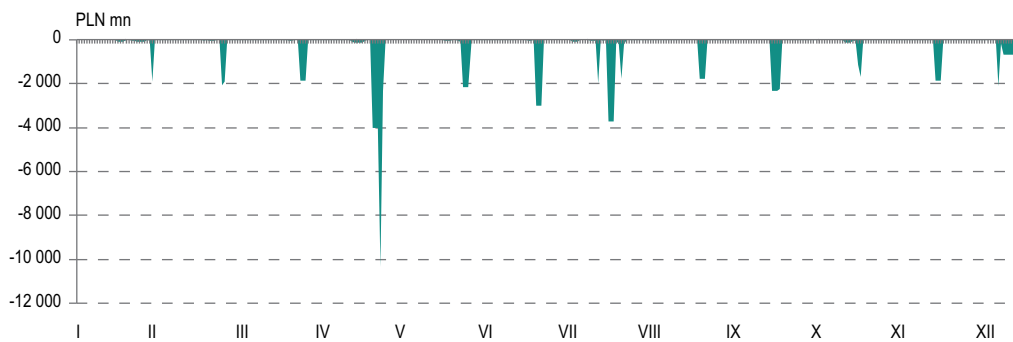
Standing facilities were carried out on the initiative of commercial banks. They stabilised the level of interbank liquidity and the scale of short-term market rates fluctuations. Standing facilities enabled banks to invest surplus liquidity in the form of a deposit facility with NBP and cover their short-term liquidity needs in the form of a marginal lending facility with an overnight maturity.

The lombard interest rate set the maximum price of funds obtained from NBP, indicating at the same time the ceiling of rate fluctuations in the interbank market, while the interest rate on deposit facility set the floor for the rate fluctuations.

2.4.1. Deposit facility

In the period January-December 2014, the total value of the deposit facility, calculated for days of its placement, amounted to PLN 108,851 million and was lower by 35.50% comparing to deposits placed in 2013. In that period, the total value of a single deposit placed by banks with the overnight facility ranged from PLN 1 million to PLN 10 billion. Its average daily level amounted to PLN 298 million against PLN 463 million in the previous year. Banks invested the largest funds on the last days of the required reserve maintenance periods.

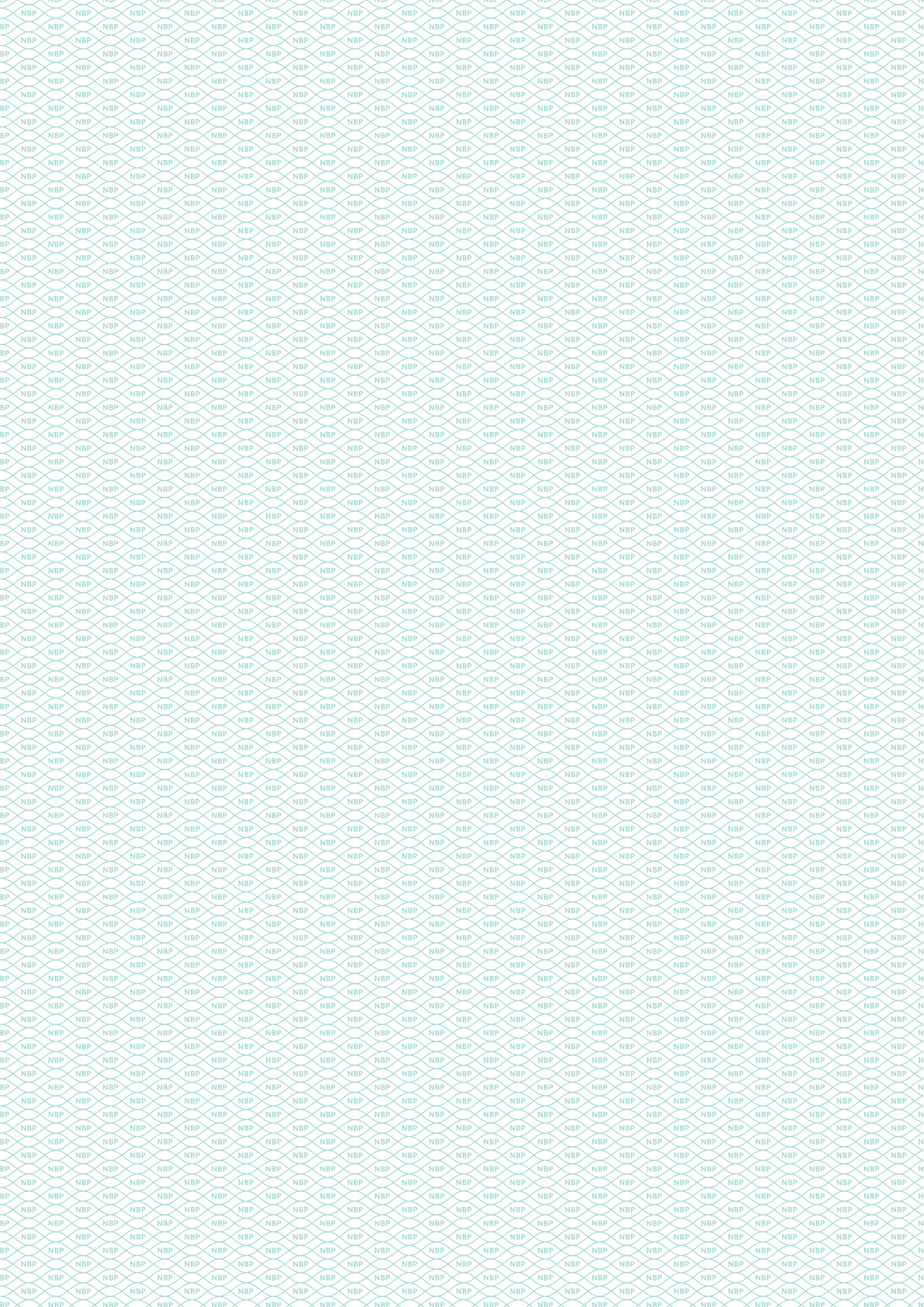
Figure 2.5. The use of deposit facility in 2014



Source: NBP.

2.4.2. Marginal lending facility

In 2014, banks were able to make use of the marginal lending facility collateralised with securities in order to provide overnight liquidity to current accounts with NBP. The total value of the lombard credit amounted to PLN 49 million throughout the year, and was almost 3 times smaller than in 2013 (PLN 163 million). Its average daily use came to the amount of PLN 133 thousand against PLN 448 thousand in 2013.



Chapter 3

Other operations



Other operations

3.1. Intra-day credit facility

Intraday credit facility is an instrument that makes banks easier to manage liquidity during the operating day and to make interbank settlements at NBP. It is a non-interest bearing facility collateralised with securities that is taken and repaid on the same operating day. In 2014, as in the previous year, the use of this facility decreased by 5.53% (compared to 1.31% in 2013). Daily provision of operating liquidity to banks ranged from PLN 32,417 million to 45,536 million.

3.2. Intra-day credit facility in euro

Intraday credit facility in euro is an instrument that ensures the liquidity of settlements in the TARGET2-NBP system. The loan collateralised with Treasury bonds accepted by the ECB was incurred and repaid during an operating day. The drawing on the facility increased two times compared to 2013, and amounted to EUR 5,129 million in 2014. In 2014, the average daily provision of operating liquidity to banks amounted to approximately EUR 20 million.

Chapter 4

POLONIA rate



POLONIA rate

In line with the *Monetary Policy Guidelines*, in 2014 NBP strove – through open market operations – to make POLONIA rate³ run close to the NBP reference rate. Open market operations conducted on the initiative of the central bank were of crucial importance for the realisation of mentioned purpose.

The main tool used to manage the liquidity of the banking sector was main open market operations with a 7-day maturity, conducted on a regular basis, once a week. Due to permanent liquidity surplus in the domestic banking sector, these were liquidity absorbing operations. Apart from main open market operations, NBP also carried out fine-tuning operations. These operations were executed on a regular basis on the last business day of each required reserve maintenance period as well as on ad-hoc basis within the required reserve maintenance period whenever the liquidity conditions in the banking sector were substantially out of balance.

The method of managing banking sector liquidity by NBP in 2014 was similar as in previous years and was aimed at shaping the optimal liquidity conditions in the banking sector, from the point of view of influencing the shortest-term market rates (in particular the POLONIA rate). Setting the levels of individual open market operations (both main and fine-tuning), the central bank aimed to maintain balanced liquidity conditions in the banking sector within the required reserve maintenance period.

Therefore, the supply of NBP bills announced by the central bank during individual open market operations was set at a level which (based on forecasts of banking sector liquidity in the horizon of the maturity of a given operation) would minimise the average deviation of the aggregated level of current accounts held with NBP from the level of the required reserve (in a given required reserve maintenance period). Liquidity forecasts prepared by NBP were based on the assumed developments of the components of the central bank's balance sheet, which influence the banking sector liquidity conditions (autonomous liquidity factors), in the horizon of the maturity of a given operation. These factors include changes in the level of funds held in the central bank by clients (e.g. government sector funds), in the level of currency in circulation and the balance of FX operations mainly carried out by NBP with the Ministry of Finance and the European Commission (this category may also include FX interventions carried out by NBP).

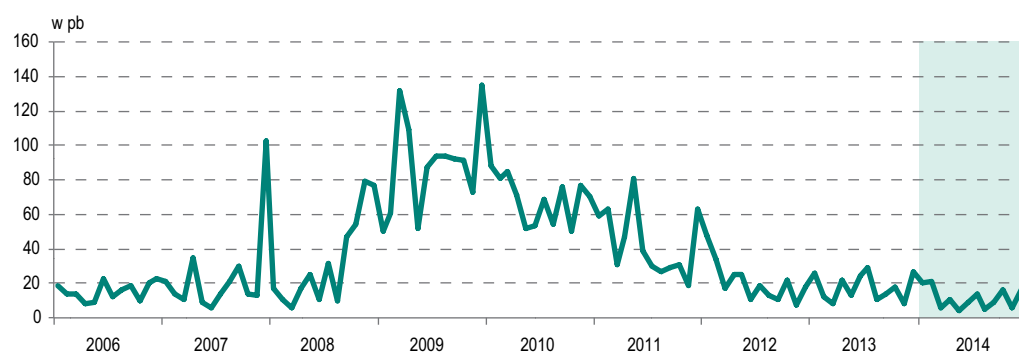
In 2014, the spread between the POLONIA rate and the NBP reference rate further decreased, as compared to previous years. The average absolute deviation of the POLONIA rate from the NBP reference rate was 11 bp, against 18 bp in 2013.

Gradual reduction in the deviation of the POLONIA rate and the NBP reference rate has been observed since 2009, when it reached the level of 89 bp. The scale of deviation of POLONIA from the NBP reference rate in 2014 was also lower in comparison to the levels recorded in the period before the escalation of the financial crisis, i.e. before October 2008. The average

³ POLONIA (Polish Overnight Index Average) is an overnight market rate weighted by the volume of transactions concluded on the unsecured interbank depo market. NBP publishes the rate on Reuters service (NBP) and at NBP own website every day at 5.00 pm

absolute deviation of POLONIA from the NBP reference rate amounted to 23 bp in 2007 and 19 bp in the period January-September 2008.

Figure 4.1. Average absolute deviation of the POLONIA rate from the NBP reference rate in individual required reserve maintenance periods in the years 2006-2014

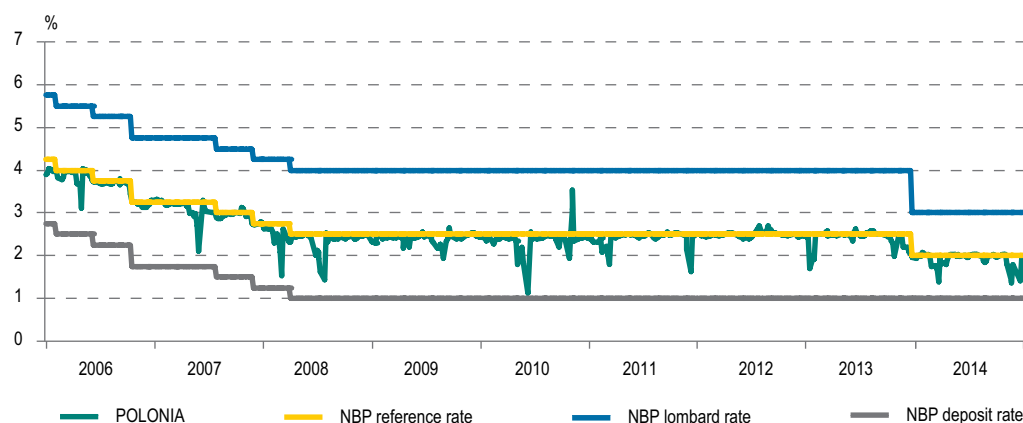


Source: NBP.

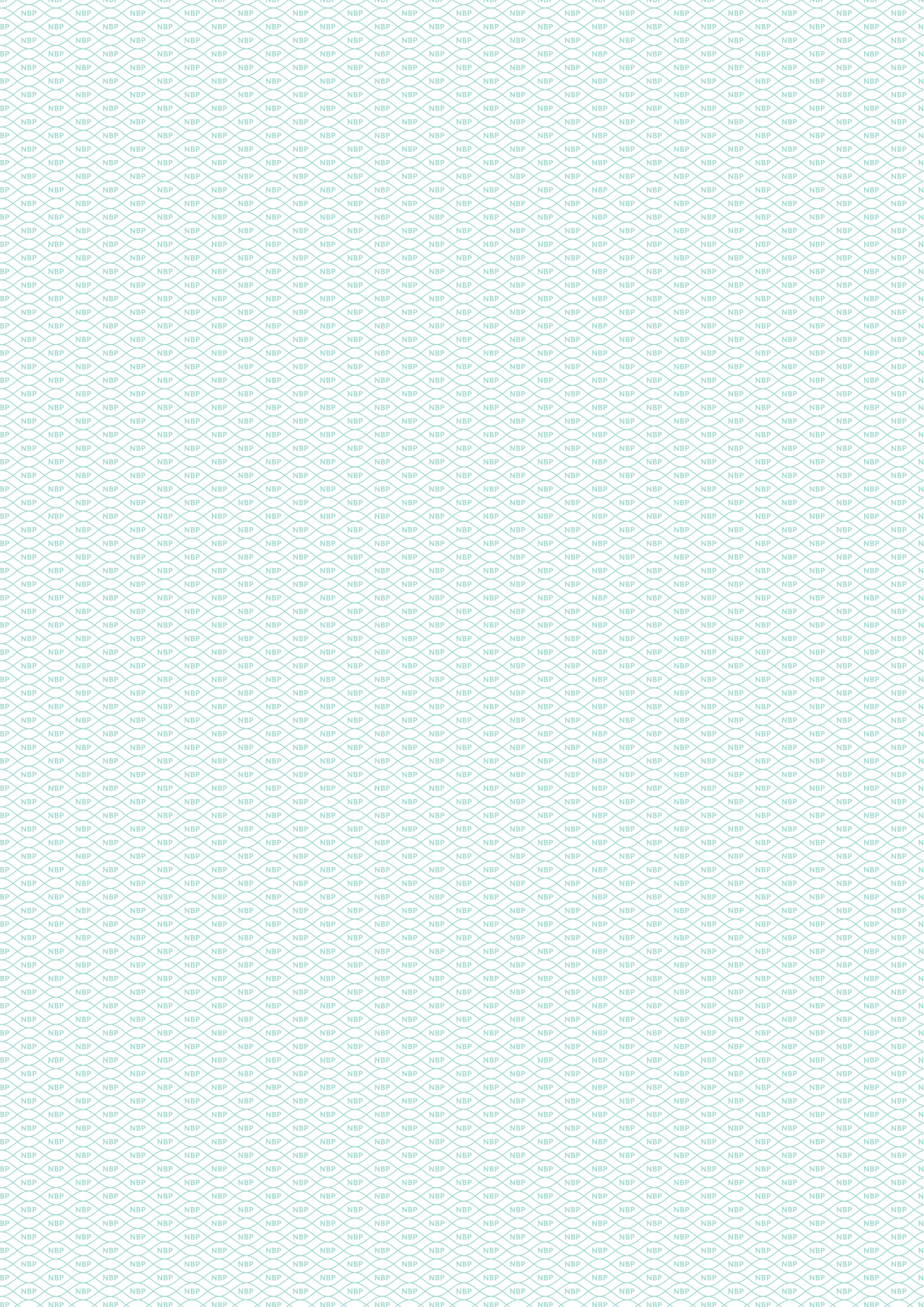
Managing the banking sector liquidity in a consistent manner, primarily by conducting open market operations, reduced bank's propensity to invest their liquidity buffers in instruments with yields significantly different from the yield of open market operations (determined by the current NBP reference rate). In particular, the impact of the remuneration of the deposit facility (the NBP deposit rate) has diminished, which contributed to the reduction in the deviation of the POLONIA rate from the NBP reference rate.

The aforementioned method of banking sector liquidity management used by NBP allowed for a gradual reduction of the frequency of irregular fine-tuning operations (carried out within required reserve maintenance periods). In 2014, 7 operations of this type were carried out, compared to 13 in 2013, 11 in 2012 and 20 in 2011.

Figure 4.2. POLONIA rate and the NBP interest rates in the years 2013–2014



Source: NBP.



Glossary



Glossary

Banking sector short-term liquidity – liquidity defined as the balance of open market operations conducted by NBP, i.e. main and fine-tuning operations as well as foreign exchange swaps and standing facilities.

Deposit facility – an instrument which enables banks to deposit their liquidity surplus on an overnight basis with the central bank. The interest rate on that deposit constitutes the lower limit for the market rate quoted for that particular period.

Fine-tuning operations – operations, which may be conducted by NBP in order to limit the impact of changes in the banking sector liquidity conditions on the short-term market interest rates.

Foreign exchange swaps – operations under which NBP is able to purchase (or sell) the zloty for foreign currencies, in the spot market and simultaneously to resell (or repurchase) the zloty under forward transaction on a specific value date.

Intraday credit facility (PLN or EUR) – a non-interest bearing credit facility which enables banks to obtain funds on an intraday basis, collateralised with securities accepted by the central bank. It is an instrument, which allows commercial banks to manage intraday liquidity.

Main operations – operations conducted, as a standard, on a regular basis (once a week). In the context of the banking sector liquidity surplus, they consist in the issue of the NBP bills, typically with a 7-day maturity. During tenders, a fixed yield at the level of the NBP reference rate is binding.

Marginal lending facility (lombard credit) – an instrument which enables commercial banks to obtain credit on an overnight basis. The interest on that facility indicates the marginal cost of obtaining funds from the central bank. It is collateralised with securities accepted by the central bank.

Money Market Dealers – banks that are the most active in the money and foreign exchange markets, with which NBP enters into contracts on acting as the Money Market Dealer. In addition to the access to the main open market operations, these banks are involved in fine-tuning operations. Money Market Dealers participate in the fixing of the WIBOR and the WIBID reference rates, provide NBP with information concerning overnight transactions concluded on a given day, which are the base for the POLONIA rate fixing.

NBP deposit rate – determines the interest rate on deposits with NBP. It sets the floor for fluctuations of the overnight market rate. The deposit rate and the lombard rate create the fluctuation band for the overnight rate which is symmetric to the central bank's reference rate.

NBP Lombard rate – determines the costs of funding obtainable from NBP. It sets the ceiling for the overnight market rate growth.

NBP reference rate – determines the yield obtainable on the main open market operations, affecting at the same time, the level of short-term market interest rates.

Open market operations – a principal instrument of the central bank which is used to maintain short-term market interest rates at a level consistent with the NBP reference rate determined by the Monetary Policy Council.

POLONIA rate – the POLONIA rate (Polish Overnight Index Average) was introduced by NBP and ACI Polska in early 2005. It is an average overnight rate weighted by the value of transactions in the interbank deposit market. The rate reflects the actual interest rates on short-term interbank deposits. The POLONIA rate is published by NBP in the TM Reuters service (NBPS), Bloomberg service (PZCFPLNI Index) and at the NBP website each day at 5.00 p.m.

The POLONIA rate's fixing is carried out by NBP on each operating day at 4.45 p.m. The participant is obliged to provide the central bank with the list of overnight transactions concluded with other participants and submitted on a given day until 4.30 p.m.

Publication of data in information services – in the TM Reuters service on the NBPM site and in the Bloomberg service on the NBP18 site, NBP provides banks with information on the current market liquidity situation, specifically concerning:

- banks' current accounts, deposit facility placed with NBP and marginal lending facility
- (lombard credit) provided by NBP, on a daily basis,
- level of required reserve during a specific reserve maintenance period,
- average balance of banks' current accounts during the required reserve maintenance period,
- forecast of an average daily balance of the current account in the period from the issue date of the NBP bills (under main operations) until the day preceding their maturity. Information on the forecasted average balance of banks' current accounts is published on the TM Reuters at the moment the decision on the value of the NBP bills on offer is taken.

Information on current auctions for NBP bills is also published on the NBPT site of the TM Reuters news service and the NBP19 site of the Bloomberg news service. The outcome of tenders is posted on the NBPU site (TM Reuters) and NBP20 site (Bloomberg).

Current information concerning the liquidity situation and auctions carried out by NBP under open market operations is regularly published on the NBP website (www.nbp.pl).

Repo operations – short- and long-term refinancing operations aimed to providing liquidity to the banking sector, collateralised with securities approved by NBP.

Reserve requirement – a monetary policy instrument used by the central bank, among other things, to regulate the banking sector liquidity and to mitigate volatility of short-term interest rates. The obligation to maintain the reserve is also an element of liquidity management at banks. The reserve requirement is an obligation imposed on banks to maintain a specific average level of funds (set as a percentage) on their accounts with the central bank.

Standing facilities – operations conducted at the initiative of commercial banks under which commercial banks are able to deposit their liquidity surplus with NBP using deposit facility or reduce short-term liquidity shortage using marginal lending facility.

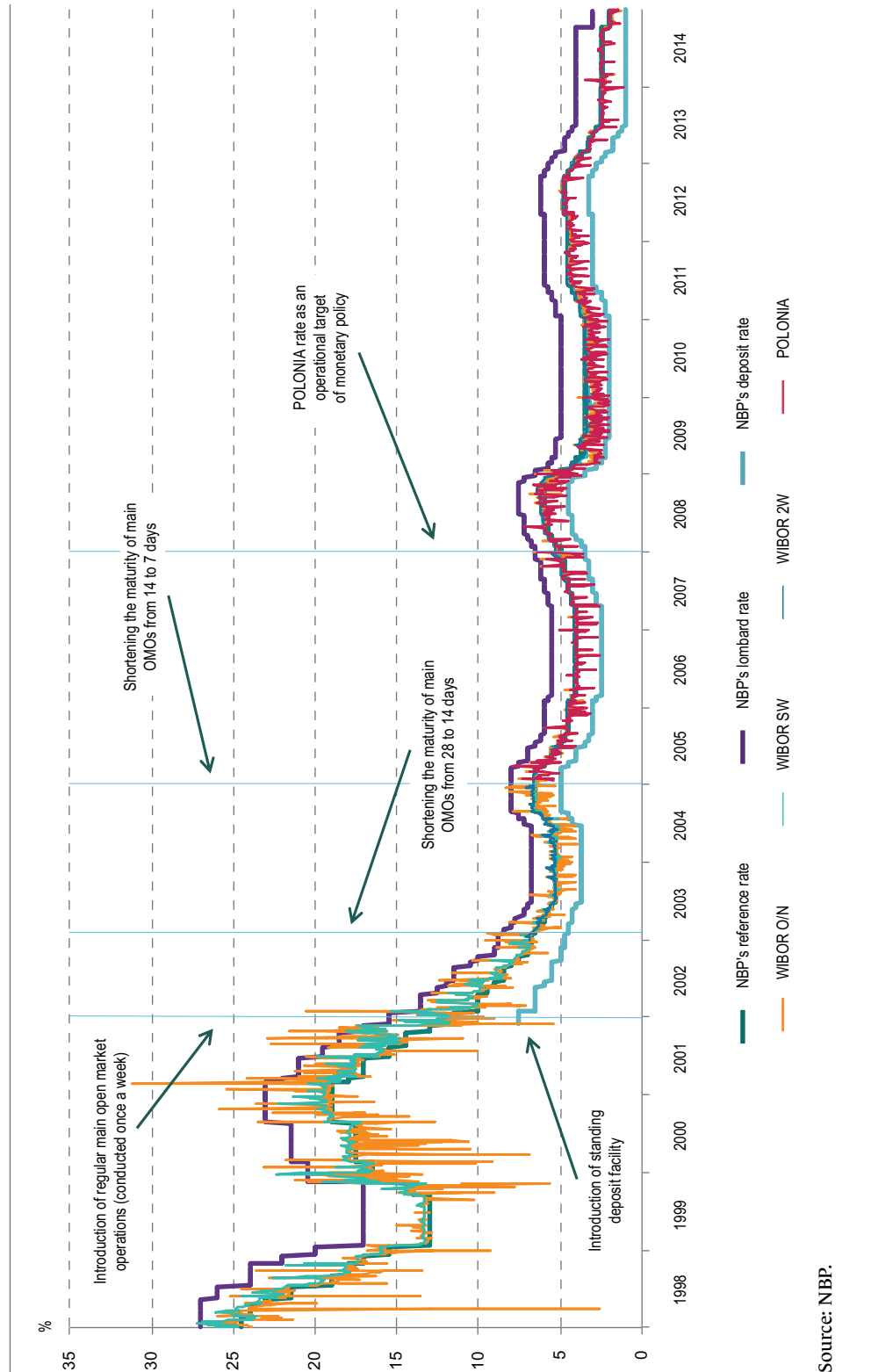
Annexes



Annexes

Annex 1

Volatility of interest rates in the years 1998–2014



Annex 2

The NBP monetary policy instruments in the years 1990–2014

Item	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Required reserves																										
Issue of NBP bills																										
Issue / repurchase of NBP bonds																										
Repo / reverse repo operations																										
Outright operations																										
Loans for central investments																										
Rediscount loan																										
Marginal lending facility																										
Deposit facility																										
Loan limits																										
Deposits for households																										
Intraday credit																										
FX swap operations																										

Source: NBP.

Annex 3

Main operations in 2014

No.	Tender date*	Maturity date	Maturity period (in days)	Nominal value of sales offers (PLN mn)	Nominal value of offers to buy (PLN mn)	Nominal value of accepted offers (PLN mn)	Average yield on bills annual 365/360 (%)
1	03.01.2014	10.01.2014	7	125 000.00	123 637.05	123 637.05	2.50
2	10.01.2014	17.01.2014	7	125 000.00	123 648.48	123 648.48	2.50
3	17.01.2014	24.01.2014	7	122 500.00	114 484.40	114 484.40	2.50
4	24.01.2014	31.01.2014	7	127 500.00	124 084.40	124 084.40	2.50
5	31.01.2014	07.02.2014	7	122 000.00	118 525.75	118 525.75	2.50
6	07.02.2014	14.02.2014	7	123 500.00	119 610.52	119 610.52	2.50
7	14.02.2014	21.02.2014	7	122 000.00	116 933.70	116 933.70	2.50
8	21.02.2014	28.02.2014	7	125 000.00	117 034.56	117 034.56	2.50
9	28.02.2014	07.03.2014	7	120 000.00	118 446.08	118 446.08	2.50
10	07.03.2014	14.03.2014	7	118 500.00	123 594.28	118 500.00	2.50
11	14.03.2014	21.03.2014	7	113 500.00	117 774.70	113 500.00	2.50
12	21.03.2014	28.03.2014	7	116 500.00	118 676.25	116 500.00	2.50
13	28.03.2014	04.04.2014	7	116 500.00	101 112.23	101 112.23	2.50
14	04.04.2014	11.04.2014	7	120 500.00	124 683.88	120 500.00	2.50
15	11.04.2014	18.04.2014	7	111 500.00	110 629.59	110 629.59	2.50
16	18.04.2014	25.04.2014	7	109 500.00	109 848.98	109 500.00	2.50
17	25.04.2014	02.05.2014	7	113 500.00	103 692.50	103 692.50	2.50
18	02.05.2014	09.05.2014	7	109 500.00	108 417.00	108 417.00	2.50
19	09.05.2014	16.05.2014	7	110 500.00	114 065.58	110 500.00	2.50
20	16.05.2014	23.05.2014	7	108 500.00	106 716.43	106 716.43	2.50
21	23.05.2014	30.05.2014	7	112 000.00	113 611.72	112 000.00	2.50
22	30.05.2014	06.06.2014	7	111 000.00	97 891.50	97 891.50	2.50
23	06.06.2014	13.06.2014	7	115 000.00	106 766.10	106 766.10	2.50
24	13.06.2014	20.06.2014	7	114 500.00	119 178.20	114 500.00	2.50
25	20.06.2014	27.06.2014	7	107 500.00	106 796.85	106 796.85	2.50
26	27.06.2014	04.07.2014	7	109 000.00	98 735.84	98 735.84	2.50
27	04.07.2014	11.07.2014	7	107 000.00	103 459.40	103 459.40	2.50
28	11.07.2014	18.07.2014	7	108 500.00	103 790.15	103 790.15	2.50
29	18.07.2014	25.07.2014	7	114 000.00	109 263.61	109 263.61	2.50
30	25.07.2014	01.08.2014	7	112 000.00	107 634.18	107 634.18	2.50
31	01.08.2014	08.08.2014	7	107 500.00	110 250.69	107 500.00	2.50
32	08.08.2014	14.08.2014	6	104 500.00	105 235.12	104 500.00	2.50
33	14.08.2014	22.08.2014	8	102 000.00	99 824.69	99 824.69	2.50
34	22.08.2014	29.08.2014	7	107 000.00	104 904.80	104 904.80	2.50
35	29.08.2014	05.09.2014	7	105 000.00	99 117.70	99 117.70	2.50
36	05.09.2014	12.09.2014	7	107 000.00	108 383.65	107 000.00	2.50
37	12.09.2014	19.09.2014	7	101 000.00	101 096.35	101 000.00	2.50
38	19.09.2014	26.09.2014	7	104 500.00	101 851.90	101 851.90	2.50
39	26.09.2014	03.10.2014	7	108 000.00	112 590.96	108 000.00	2.50
40	03.10.2014	10.10.2014	7	103 000.00	116 941.80	103 000.00	2.50
41	10.10.2014	17.10.2014	7	101 500.00	105 236.50	101 500.00	2.00
42	17.10.2014	24.10.2014	7	101 500.00	100 157.65	100 157.65	2.00
43	24.10.2014	31.10.2014	7	103 000.00	95 488.00	95 488.00	2.00
44	31.10.2014	07.11.2014	7	100 500.00	108 925.40	100 500.00	2.00
45	07.11.2014	14.11.2014	7	100 000.00	100 384.15	100 000.00	2.00
46	14.11.2014	21.11.2014	7	96 500.00	93 904.60	93 904.60	2.00
47	21.11.2014	28.11.2014	7	104 000.00	101 025.00	101 025.00	2.00
48	28.11.2014	05.12.2014	7	104 500.00	90 554.60	90 554.60	2.00
49	05.12.2014	12.12.2014	7	105 000.00	103 489.90	103 489.90	2.00
50	12.12.2014	19.12.2014	7	100 000.00	96 577.00	96 577.00	2.00
51	19.12.2014	24.12.2014	5	102 000.00	94 224.88	94 224.88	2.00
52	24.12.2014	29.12.2014	5	107 000.00	106 503.80	106 503.80	2.00
53	29.12.2014	02.01.2015	4	101 500.00	84 661.44	84 661.44	2.00
Total in 2014				5 848 000.00	5 724 074.49	5 662 096.28	

* Day of payment for the NBP bills on the tender date.

Source: NBP.

Annex 4

Fine-tuning operations in 2014

No.	Tender date*	Maturity date	Maturity period (in days)	Nominal value of sales offers (PLN mn)	Nominal value of offers to buy (PLN mn)	Nominal value of accepted offers (PLN mn)	Average yield on bills annual 365/360 (%)
1	21-01-2014	24-01-2014	3	18 000.00	12 345.00	12 345.00	2.50
2	28-01-2014	31-01-2014	3	9 000.00	9 650.00	9 000.00	2.50
3	30-01-2014	31-01-2014	1	500.00	221.00	221.00	2.48
4	19-02-2014	21-02-2014	2	20 000.00	6 500.00	6 500.00	2.50
5	24-02-2014	28-02-2014	4	14 500.00	12 034.00	12 034.00	2.50
6	27-02-2014	28-02-2014	1	9 500.00	10 099.30	9 500.00	2.48
7	28-03-2014	31-03-2014	3	15 000.00	15 626.95	15 000.00	2.50
8	29-04-2014	30-04-2014	1	23 000.00	23 249.64	23 000.00	2.48
9	30-05-2014	02-06-2014	3	13 000.00	14 993.87	13 000.00	2.50
10	27-06-2014	30-06-2014	3	10 000.00	11 830.77	10 000.00	2.50
11	29-07-2014	01-08-2014	3	5 000.00	2 500.00	2 500.00	2.50
12	30-07-2014	31-07-2014	1	8 000.00	8 424.61	8 000.00	2.48
13	27-08-2014	29-08-2014	2	10 000.00	7 100.00	7 100.00	2.50
14	29-08-2014	01-09-2014	3	7 000.00	8 179.13	7 000.00	2.50
15	29-09-2014	30-09-2014	1	12 500.00	12 090.44	12 090.44	2.48
16	27-10-2014	31-10-2014	4	11 500.00	9 850.00	9 850.00	2.00
17	30-10-2014	31-10-2014	1	11 500.00	11 772.56	11 500.00	2.02
18	28-11-2014	01-12-2014	3	14 000.00	13 479.84	13 479.84	2.00
19	30-12-2014	31-12-2014	1	26 000.00	25 935.44	25 935.44	2.02
Total in 2014				238 000.00	215 882.55	208 055.72	

* Day of payment for the NBP bills on the tender date.

Source: NBP.

Annex 5 Agreements with the Ministry of Finance

The agreement on the purchase and sale of foreign currencies to service liabilities and receivables of the State Treasury and principles for the performance of such service sets the rules, terms and conditions of transactions concluded between the Ministry of Finance and NBP relating to the purchase and sale of foreign currencies. The agreement sets out limits on FX transactions in 2014 in the following amounts:

- the total sales of foreign currencies by NBP to the Ministry of Finance shall not exceed the equivalent of EUR 6,200 million,
- the total amount of foreign currencies purchased by NBP from the Ministry of Finance shall not exceed the equivalent of EUR 6,500 million,

while:

- the accumulated absolute difference between the amount of foreign currencies sold and purchased as at the year-end shall not exceed the equivalent of EUR 6,200 million,
- the accumulated absolute difference between the amount of foreign currencies purchased and sold as at year-end shall not exceed the equivalent of EUR 3,000 million.

The agreement on the MF's PLN term deposits with NBP – pursuant to the Public Finance Act, the Minister of Finance is authorised to make interest-bearing deposits with Narodowy Bank Polski or with another bank, should there be a temporary surplus of funds on the central account of the State Budget. In 2014, the limit for the Ministry of Finance term deposits placed with NBP, counted in terms of daily balances, was as follows:

- PLN 4.0 billion in the period from 1 January to 3 February, 20 March to 7 May and 20 June to 1 August,
- PLN 2.0 billion in the period from 4 February to 19 March, from 8 May to 19 June and from 2 August to 31 December.

Annex 6

Money Market Dealers System in 2014

The Money Market Dealers System was introduced by NBP in 1992. Banks that have the function of Money Market Dealers are to constitute a group of entities that are the most active in the interbank market, which allow the central bank to immediately influence, through appropriate transactions with Money Market Dealers, the current liquidity conditions.

In 2014, access to main open market operations and fine-tuning operations was granted to banks that complied with the following conditions:

- had a current account with NBP in the SORBNET2 system,
- participated in the Securities Register kept with NBP, in the case where securities deposited in the Securities Register were the subject of operation, or directly participated in the Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.) in the case where securities deposited in the Central Securities Depository of Poland of the operation were the subject,
- possessed software for sending orders and offers to NBP using the electronic data exchange system, enabling participation in operations with the central bank.

The rules for the assessment by the central bank of activity of candidates for the function of a Money Market Dealer are set forth in the Resolution of the Management Board of Narodowy Bank Polski No 56/2010 of 21 October 2010 on the criteria for participation by domestic banks, branches of foreign banks and branches of credit institutions in open market operations carried out by Narodowy Bank Polski (as amended). This activity is assessed based on standard criteria of the Dealer Activity Index (DAI), comprising:

- bank's settlement and offer potential,
- bank's activity in the unsecured interbank deposit market,
- bank's activity in the reverse operation market (repo, reverse repo, buy/sell/back and sell/buy/back),
- bank's activity in the interest rate derivatives market (FRA, IRS and OIS) and in the FX swap market.

A bank acting as a Money Market Dealer has to perform specific obligations. In 2014, these obligations included:

- providing NBP, on a current basis, with the information concerning the bank's current and forecasted financial liquidity and situation in the financial market,
- providing NBP, on a current basis, with aggregated data on the bank's activity in financial markets, including the FX market,
- participating in the fixing of WIBOR and WIBID reference rates.

In 2014, the list of Money Market Dealers was as follows (order by the bank settlement number):

1. Powszechna Kasa Oszczędności Bank Polski SA
2. Bank Handlowy w Warszawie SA
3. ING Bank Śląski SA
4. Bank BPH SA
5. Bank Zachodni WBK SA
6. Bank Gospodarstwa Krajowego
7. mBank SA

8. Bank Millennium SA
9. Bank Polska Kasa Opieki SA
10. Getin Noble Bank SA⁴
11. Raiffeisen Bank Polska SA
12. Societe Generale SA Oddział w Polsce

⁴Getin Noble Bank SA became a Money Market Dealer on 1 February 2014, i.e. after joining the group of banks which quote the WIBID and WIBOR reference rates.

Annex 7

Daily information (as at the month-end)

Items	XII 2013	I 2014	II 2014	III 2014	IV 2014	V 2014	VI 2014	VII 2014	VIII 2014	IX 2014	X 2014	XI 2014	XII 2014
CENTRAL BUDGET:													
revenues	279 648.69	32 785.95	50 977.28	69 275.91	98 643.97	117 527.16	138 535.25	165 305.29	187 634.30	212 332.21	239 189.79	263 614.01	284 184.32
expenses	321 986.95	31 878.88	60 438.65	84 466.43	116 880.61	137 604.81	161 620.54	188 938.19	209 124.25	231 635.55	263 041.01	286 083.61	313 205.08
deficit (-) or surplus (+)	-42 338.27	909.07	-9 461.36	-15 190.52	-18 236.64	-20 077.66	-23 085.28	-23 632.91	-21 489.96	-19 303.34	-23 851.22	-21 469.60	-29 020.76
central budget funds	35.54	29.68	43.97	44.45	40.37	41.76	39.64	39.10	39.79	38.95	35.18	34.38	80.15
MF foreign currency account	2 973.23	6 644.49	1 938.86	132.29	192.02	352.30	133.05	4 679.60	344.30	6 073.08	5 763.71	8 424.96	14 211.90
MF zloty term deposit	549.00	687.00	375.00	1 852.00	2 542.00	358.00	162.00	1 221.00	1 519.00	542.00	1 402.00	1 485.00	795.00
CURRENCY IN CIRCULATION	126 143.23	123 450.92	124 487.15	126 574.59	130 655.97	129 783.91	131 415.28	133 156.17	135 460.67	135 384.43	137 224.73	137 242.86	142 928.81
CURRENT ACCOUNT													
(including required reserve account)													
Balance deviation from required reserve*	38 020.08	38 353.02	34 103.50	46 899.95	38 118.91	30 562.59	41 945.01	30 896.30	30 029.57	30 985.43	34 691.53	30 225.69	47 218.52
REFINANCING LOAN	6 249.95	6 488.58	2 315.22	14 627.11	5 246.99	210.82	8 898.95	-2 488.32	297.80	-2 751.65	359.50	383.89	12 522.85
marginal lending	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
rediscount	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INTRADAY CREDIT	35 750.93	39 720.54	40 303.15	41 285.41	37 958.79	35 720.27	37 925.16	39 361.38	35 817.65	36 805.98	36 597.93	37 376.01	35 300.01
DEPOSIT FACILITY	0.00	0.00	0.00	0.00	0.00	2 163.60	0.00	220.00	1 783.66	0.00	0.00	1 888.21	1 740.00
OPEN MARKET OPERATIONS**													
Repo (-)	117 340.80	118 525.75	118 446.08	101 112.23	103 692.50	110 891.50	98 735.84	110 134.18	106 117.70	108 000.00	100 500.00	104 034.44	84 661.44
NBP bills 7-days (+)	117 340.80	118 525.75	118 446.08	101 112.23	103 692.50	97 891.50	98 735.84	107 634.18	99 117.70	108 000.00	0.00	90 554.60	84 661.44
NBP bills <7-days (+)	0.00	0.00	0.00	0.00	0.00	13 000.00	0.00	2 500.00	7 000.00	0.00	100 500.00	13 479.84	0
POLONIA													
Turnover	2.40	2.34	2.45	2.42	2.47	2.51	2.53	2.51	2.57	2.51	1.80	2.00	1.98
WIBOR	2.130.00	3.330.00	2.295.00	1.529.50	3.965.00	595.00	1.218.00	3.680.00	2.820.00	2.110.00	1.150.00	1.117.00	925.00
O/N	2.62	2.58	2.58	2.60	2.60	2.60	2.67	2.63	2.64	2.59	2.08	2.13	2.09
T/N	2.59	2.58	2.58	2.60	2.60	2.60	2.66	2.62	2.63	2.59	2.08	2.12	2.09
SW	2.58	2.59	2.59	2.60	2.60	2.60	2.60	2.60	2.59	2.53	2.02	2.08	2.08
2W	2.59	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.59	2.49	2.02	2.08	2.08
1M	2.61	2.61	2.61	2.61	2.62	2.62	2.61	2.60	2.59	2.40	2.00	2.08	2.08
3M	2.71	2.71	2.71	2.71	2.72	2.72	2.68	2.67	2.59	2.28	1.96	2.06	2.06
12M	2.75	2.76	2.78	2.79	2.79	2.80	2.74	2.73	2.62	2.23	1.94	2.03	2.04
WIBID													
O/N	2.32	2.28	2.29	2.31	2.32	2.32	2.38	2.38	2.37	2.31	1.82	1.86	1.80
T/N	2.29	2.28	2.29	2.31	2.31	2.31	2.38	2.38	2.37	2.31	1.82	1.86	1.81
SW	2.38	2.39	2.39	2.40	2.40	2.40	2.40	2.40	2.39	2.33	1.83	1.88	1.88
2W	2.39	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.39	2.29	1.82	1.88	1.88
1M	2.41	2.41	2.41	2.41	2.42	2.42	2.41	2.40	2.39	2.20	1.80	1.88	1.88
3M	2.51	2.51	2.51	2.51	2.52	2.52	2.48	2.47	2.39	2.08	1.76	1.86	1.86
12M	2.55	2.56	2.58	2.59	2.59	2.60	2.54	2.53	2.42	2.03	1.74	1.83	1.84
USD/PLN (fixing)	3.0120	3.1288	3.0254	3.0344	3.0440	3.0435	3.0473	3.1094	3.1965	3.2973	3.3459	3.3605	3.5072
EUR/PLN (fixing)	4.1472	4.2368	4.1602	4.1713	4.1994	4.1420	4.1609	4.1640	4.2129	4.1755	4.2043	4.1814	4.2623
EUR/USD	1.3769	1.3541	1.3751	1.3747	1.3796	1.3609	1.3654	1.3392	1.3180	1.2663	1.2566	1.2443	1.2153
OFFICIAL RESERVE ASSETS (as at the end of the month)													
in PLN mn	319 933.00	332 661.70	315 873.30	312 077.10	311 905.50	312 662.50	310 676.20	321 761.80	325 952.20	335 408.90	335 000.40	337 373.60	352 256.90
in EUR mn	77 144.30	78 517.20	75 927.40	74 815.30	74 273.80	75 485.90	74 665.60	77 272.30	77 370.00	80 327.90	79 680.40	80 684.40	82 644.80
Purchase (-) or sale (+) of foreign currency	2 040.25	1 206.10	4 910.11	1 618.89	1 433.51	-1 537.04	1 925.64	-3 012.26	534.15	664.68	1 150.95	-632.67	-2 604.15

* Average deviation of current account from the required reserve calculated cumulatively from the beginning of reserve requirement period.

** Open market operations are reported at nominal value. The balance of this position includes NBP bills minus repo operation.

Source: NBP.

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