CENTRAL BANK OF CYPRUS
EUROSYSTEM

MONETARY POLICY IMPLEMENTATION IN CYPRUS

2024

NICOSIA - CYPRUS

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CONTENTS

All data are subject to periodic revisions in accordance with the ECB guidelines.

Cut-off date 31 December 2024.

ABBREVIATIONS

1. Asset Purchase Programme (APP)
2. Autonomous factors (AFs)
3. Current Account (CA)
4. Deposit Facility (DF)
5. Deposit Facility Rate (DFR)
6. Excess liquidity (EL)
7. Long-term refinancing operations (LTROs)
8. Main refinancing operations (MROs)
9. Marginal lending facility (MLF)
10. Monetary policy eligible counterparties (MPEC)
11. Monetary policy operations (MPOs)
12. Minimum Reserve Requirement (MRR)
13. National Central Bank (NCB)
14. Pandemic Emergency Purchase Programme (PEPP)
15. Targeted Longer-Term Refinancing Operations (TLTROs)
16. European Central Bank (ECB)
17. Central Bank of Cyprus (CBC)

Executive Summary

In line with the Eurosystem's current monetary policy normalization trajectory, the CBC's balance sheet size decreased to €28.6 billion as at end 2024 with most assets consisting of Intra-Eurosystem claims in TARGET and monetary policy portfolios. Liabilities comprised mostly of bank deposits (liquidity) with the CBC.

Liquidity in Cyprus's banking system decreased to €19.2 billion in 2024 from €23.7 billion in 2023, primarily due to a reduction in outstanding refinancing operations to monetary policy counterparties (TLTRO repayments) and a decrease in CBC's monetary policy portfolios by €1.2 billion, due to a reduction in reinvestments of maturing securities.

Intra-Eurosystem claims in TARGET contributed to an increase in liquidity by €0.5 billion, while the liquidity absorbing "autonomous factors", were reduced by €0.7 billion in net terms. Despite these developments, the overall level of liquidity in the banking system remained ample, therefore in the current monetary environment movements in "autonomous factors" do not have significant effects on money market rates.

The minimum required reserves for the 10 monetary policy eligible counterparties in Cyprus increased from €500.3 million at the end of the last maintenance period of 2023, to €526.7 million at the end of the last maintenance period of 2024. Mobilized collateral placed with the CBC in 2024 consisted of ACCs, government bonds and traditional covered bonds.

Having the deposit facility rate in positive territory since 2022, it has become attractive for banks to place excess liquidity (€18.5 billion as at end 2024) in the deposit facility at the CBC. Consequently, they minimised excess liquidity held in their current accounts beyond what is required for their minimum required reserves.

During 2024, the most significant categories of assets for the banking sector were loans, deposits (and cash equivalents), and debt securities. Loans increased from €25.3 billion to €27.6 billion, while deposits (and cash equivalents) decreased from €24.5 billion to €20.4 billion, largely due to the repayment of TLTROs.

Total banking sector liabilities decreased from €60.1 billion to €59.4 billion during 2024 mainly due to a reduction in deposits, which are primarily owned by households and non-financial corporations.

1. INTRODUCTION

This report outlines the developments in monetary policy implementation in Cyprus during 2024. A key development throughout the year was the reduction of excess liquidity in Cyprus, driven by the normalisation of monetary policy in the Eurosystem. This was driven by the decrease in CBC's monetary policy portfolios and the repayment of refinancing operations by the monetary policy counterparties in Cyprus. Despite the reduction in excess liquidity, the overall liquidity in Cyprus remains abundant, and as such, there was no participation from monetary policy counterparties in Cyprus to the Eurosystem's auctions for the refinancing operations during 2024.

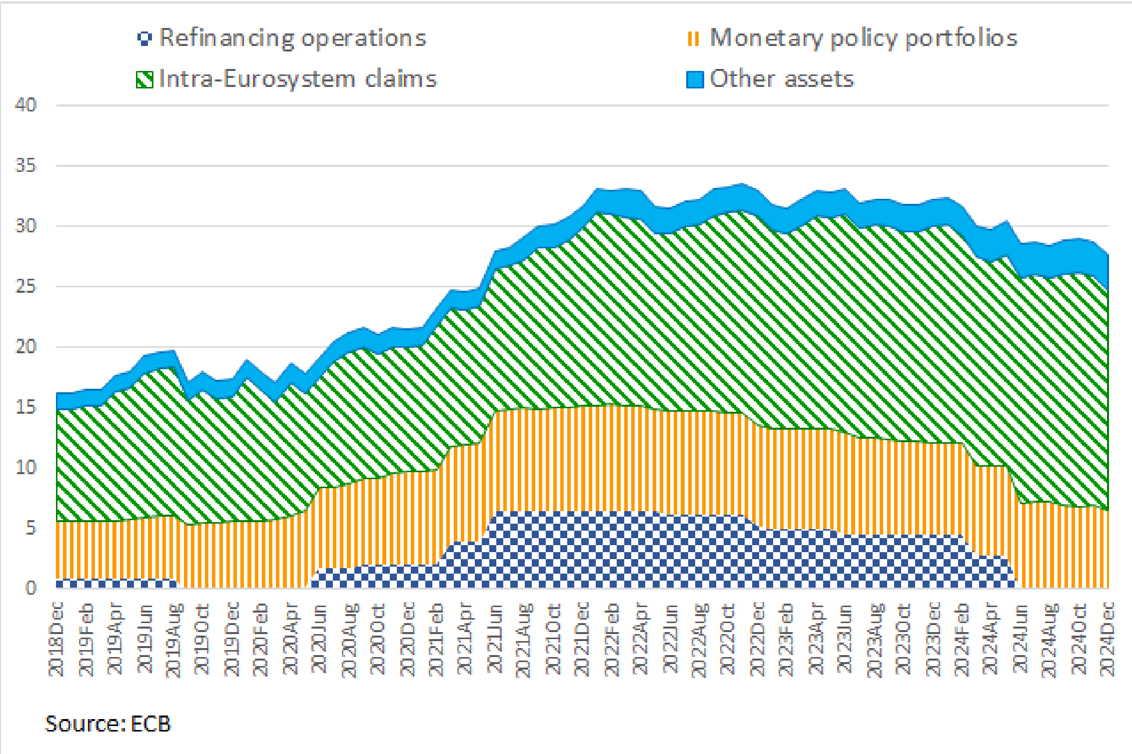
The report is structured as follows: Section 2 discusses the developments in the CBC's balance sheet, explaining how it has been shaped by various monetary policy instruments. Section 3 provides a liquidity analysis, highlighting the factors that influenced liquidity in Cyprus during the review period. Section 4 outlines the developments in the Minimum Reserve Requirement (MRR) alongside excess liquidity. Section 5 provides an overview of the progress related to collateral mobilisation from monetary policy counterparties in Cyprus. Finally, Section 6 discusses the developments in the consolidated banking sector balance sheet in Cyprus and how it has been shaped by monetary policy operations.

2. CBC BALANCE SHEET DEVELOPMENTS

The monetary policy normalisation trajectory of the Eurosystem during 2024 led to a decline in the CBC's balance sheet size, which decreased from €33.1 billion as at end of 2023 to €28.6 billion as at end 2024.

The composition of the CBC's assets is illustrated in Chart 1 below. Assets relating to the implementation of monetary policy include the monetary policy portfolios, which decreased from €7.6 billion to €6.5 billion during 2024, and the refinancing operations to CY monetary policy counterparties, which were €4.5 billion at the beginning and zero at the end of the year in review. The biggest asset on the CBC's balance sheet comprises of the Intra-Eurosystem claims in TARGET, which are stemming from the CBC's and the Cypriot banking sector's operations with other Eurosystem jurisdictions. During 2024, these claims increased from €17.8 billion to €18.5 billion. A small increase was also observed in other assets, which are not related to monetary policy implementation and include, among others, securities held in the CBC's investment portfolios and CBC's gold holdings, the latter solely due to revaluation gains.

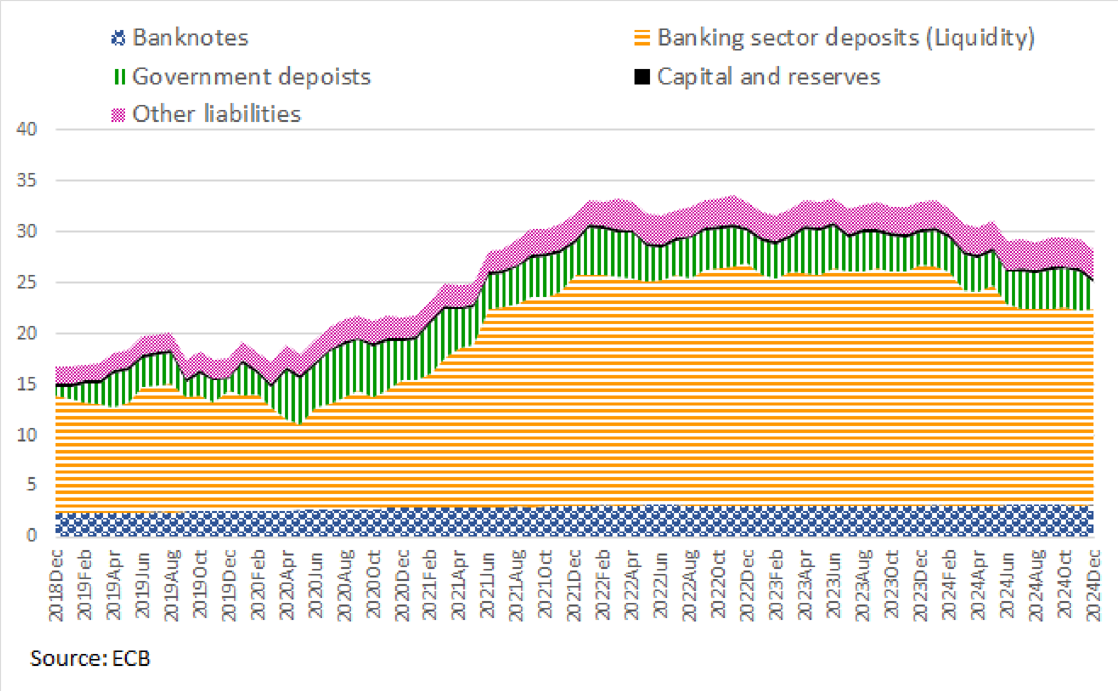
Chart 1 - CBC's assets (EUR billion)



The composition of the CBC's liabilities is presented in Chart 2 below. The biggest liability item on the CBC's balance sheet are the deposits of monetary policy counterparties with the CBC, referred to as 'liquidity'. Counterparties maintain accounts at the CBC for monetary policy implementation purposes, such as meeting minimum reserve requirements and accessing standing facilities. These deposits decreased from €23.7 billion at the end of 2023 to €19.2 billion at the end of 2024.

Other major, non-monetary policy liability items include the banknotes in circulation, which increased slightly from €3.1 billion to €3.2 billion, and government deposits held with the CBC, which decreased from €3.2 billion to €2.6 billion. Other liabilities consist of deposits from different entities at the CBC not related to monetary policy, such as deposits denominated in foreign currency.

Chart 2 - CBC's liabilities (EUR billion)



The share of the stylised balance sheet items as a percentage of the size of the balance sheet is provided in Table 1 below.

Table 1 -Stylised composition of CBC balance sheet at end of 2022, 2023, 2024
(% of total assets/liabilities)

ASSETS	**2022**	**2023**	**2024**
Monetary policy portfolios	25.2	23.1	22.6
Refinancing operations	15.7	13.6	0
Intra Eurosystem claims	51.9	54	64.2
Other assets	6.4	6.9	10
LIABILITIES	**2022**	**2023**	**2024**
Banknotes	9.3	9.3	11.3
Banking sector deposits	71.6	71.8	67.2
Government deposits	9.5	9.6	9.1
Capital and other liabilities	8.6	8.9	11.2

3. LIQUIDITY ANALYSIS

Monetary policy implementation involves controlling the supply of liquidity within the Eurosystem. By managing liquidity, the Eurosystem can influence money market rates and, consequently, financing conditions in the economy. The supply of liquidity in the Eurosystem is provided in a decentralised manner by each NCB. Liquidity is created from liquidity providing operations (refinancing operations, monetary policy portfolios and marginal lending facility) conducted by each NCB. The liquidity created is deposited by the monetary policy counterparties of the Eurosystem at their respective NCB.

In addition to the abovementioned liquidity providing operations, which aim directly at controlling the supply of liquidity for monetary policy purposes, all NCB operations conducted for purposes other than monetary policy implementation, also affect liquidity. All these other operations can either absorb or provide liquidity from the banking system and are referred to as the ‘autonomous factors’. In net terms, the autonomous factors on the CBC’s balance sheet and the Eurosystem as a whole were liquidity absorbing during 2024, as well as during recent years.

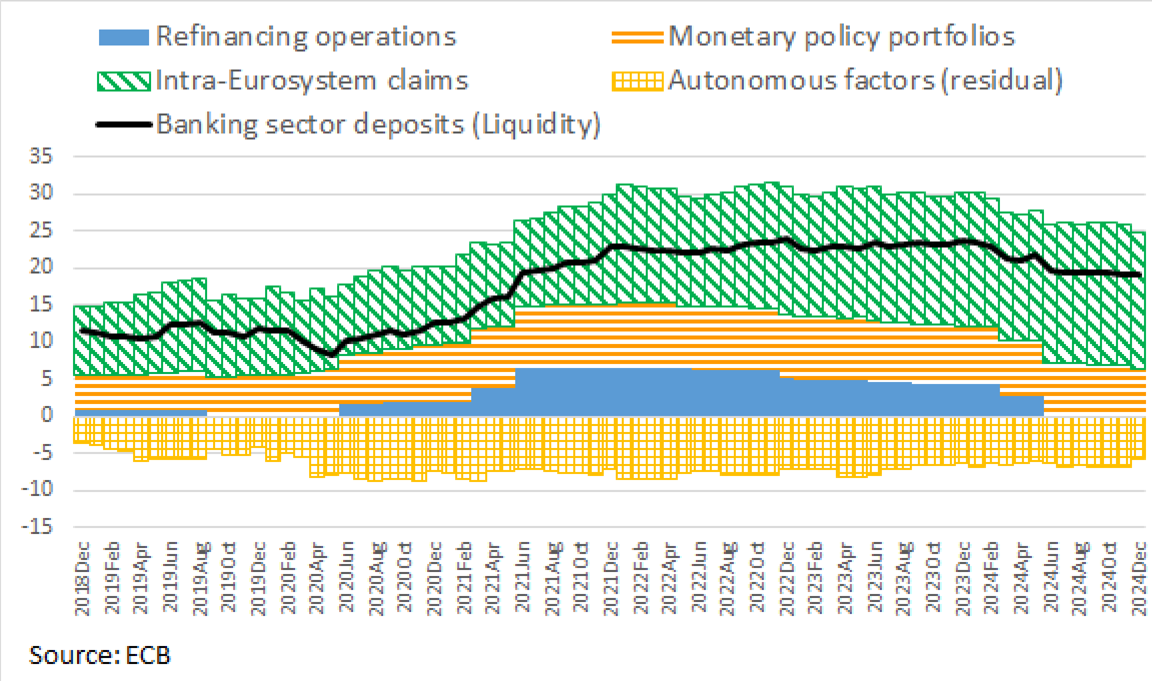
Liquidity created by each NCB is redistributed across euro area countries through interbank transfers between euro area banks. This means that, some countries end up with more liquidity than their NCB has created through liquidity providing operations, while others have less. These liquidity movements between euro area countries are reflected as Intra-Eurosystem claims in TARGET on each NCB’s balance sheet. In the case of the CBC, Intra-Eurosystem claims in TARGET are positive; the liquidity in the Cypriot banking system is exceeding the liquidity created by the CBC. This liquidity relationship is shown by the identity below:

Liquidity = Asset purchases + Refinancing Operations + MLF + Intra-Eurosystem claims - Autonomous Factors

The composition of liquidity determinants in Cyprus over the past few years is shown in Chart 3 below. As mentioned in Section 2, liquidity decreased from €23.7 billion to €19.2 billion. This decline in liquidity is primarily due to a reduction in outstanding refinancing operations to CY monetary policy counterparties by €4.5 billion and a decrease in CBC’s monetary policy portfolios by €1.2 billion. Intra-Eurosystem claims in TARGET, contributed to an increase in liquidity by €0.5 billion, but this was not sufficient to offset the reduction in liquidity caused by the decline in abovementioned monetary policy assets. The remaining balance sheet items, referred to as ‘autonomous factors’, were reduced by €0.7 billion in net terms, absorbing as a result less liquidity than at the end of 2023. Again, this was not enough to offset the reduction in liquidity caused by the decline in abovementioned monetary policy assets. Despite the reduction in liquidity, the overall level of liquidity in the banking system in Cyprus remained abundant (for more analysis see Section 4).

In summary, total liquidity at the end of 2024 was €19,2 billion: €18.3 billion from Intra-Eurosystem claims and €6.5 billion from monetary policy portfolios. AFs absorbed €5.6 billion of liquidity (29% of the total liquidity) resulting in liquidity of €19.2 billion.

Chart 3 – CBC Liquidity composition (EUR billion)



3.1. Liquidity providing operations

Liquidity providing operations can be distinguished into refinancing operations, marginal lending facility and monetary policy purchases under the asset purchase programmes:

- Refinancing operations: The regular refinancing operations, covering the main refinancing operations (MROs) and longer-term refinancing operations (LTROs), provide 1-week and 3-month liquidity, respectively, at the MRO rate[1]. The ECB preserves favourable borrowing conditions for banks and stimulates bank lending to the real economy by offering banks long-term funding at attractive conditions. All refinancing operations are executed as reverse transactions secured by ECB-eligible collateral (see Section 5) and accessible to any bank meeting the counterparty eligibility criteria (see Section 6). Some banks rely on these operations for the fulfilment of the minimum reserve requirement, because they are not active in the money market. Other banks participate in MROs during month-ends and in LTROs at quarter-ends, in order to improve their regulatory metrics, such as the Liquidity Coverage Ratio. Also, some banks participate in credit operations to cover for events not anticipated in their funding plans.

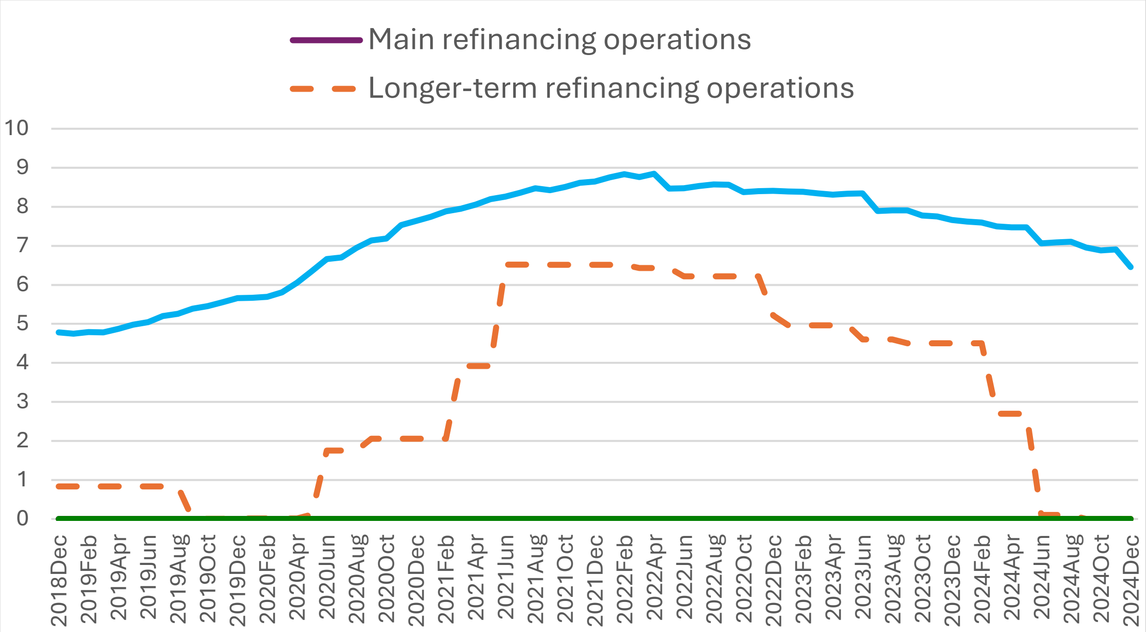
- Marginal lending facility (MLF): It serves as an overnight liquidity facility. The facility is designed to cover specific liquidity shortfalls caused either by market developments or by technical issues affecting the settlement of counterparties' payments when counterparties are not able to find alternative funding on the market or lack the infrastructure for secured operations. During 2024, there was not any recourse from CY monetary policy counterparties to refinancing operations or the MLF, reflecting the continued presence of abundant excess liquidity.

[1] From 2009 to 2021, the Eurosystem complemented its regular operations with Targeted Longer-Term Refinancing Operations (TLTROs) attracting the largest participation.

- Monetary policy portfolios: The ECB's asset purchase programmes, as part of a package of non-standard monetary policy measures[2] along with the aforementioned TLTROs, were initiated in mid-2014 to support the monetary policy transmission mechanism and provide the amount of policy accommodation needed to ensure price stability. As regards the PEPP[3] portfolio, principal payments from maturing securities in the first half of 2024 continued to be fully reinvested. In the second half of the year, the PEPP portfolio recorded a steady and predictable decline, with reinvestments ceasing at the end of 2024.

All the liquidity providing operations executed by the CBC are illustrated in Chart 4 below. During 2024, banks repaid their TLTRO borrowings using their own excess liquidity leading to a reduction in TLTROs by €4.5 billion, and an analogous reduction on the CBC's liability side of the monetary policy deposits. Monetary policy portfolio holdings decreased from €7.6 billion to €6.5 billion, as bonds in APP and PEPP portfolios were maturing and reinvestments of maturing securities in PEPP were reduced mid-year.

Chart 4: Monetary policy assets (EUR billions)



Source: ECB

3.2. Intra – Eurosystem claims in TARGET

CBC's intra-Eurosystem claims increased from €17.8 billion to €18.4 billion during 2024, continuing their upward trend.

Possible sources of liquidity inflows from other euro area countries that contribute to the rise in intra-Eurosystem claims include:

- Net increase in public debt financed from abroad

[2] Asset purchases were also conducted by the ECB in previous years (from 2009 onwards) for purposes other than the provision of liquidity for monetary expansion.

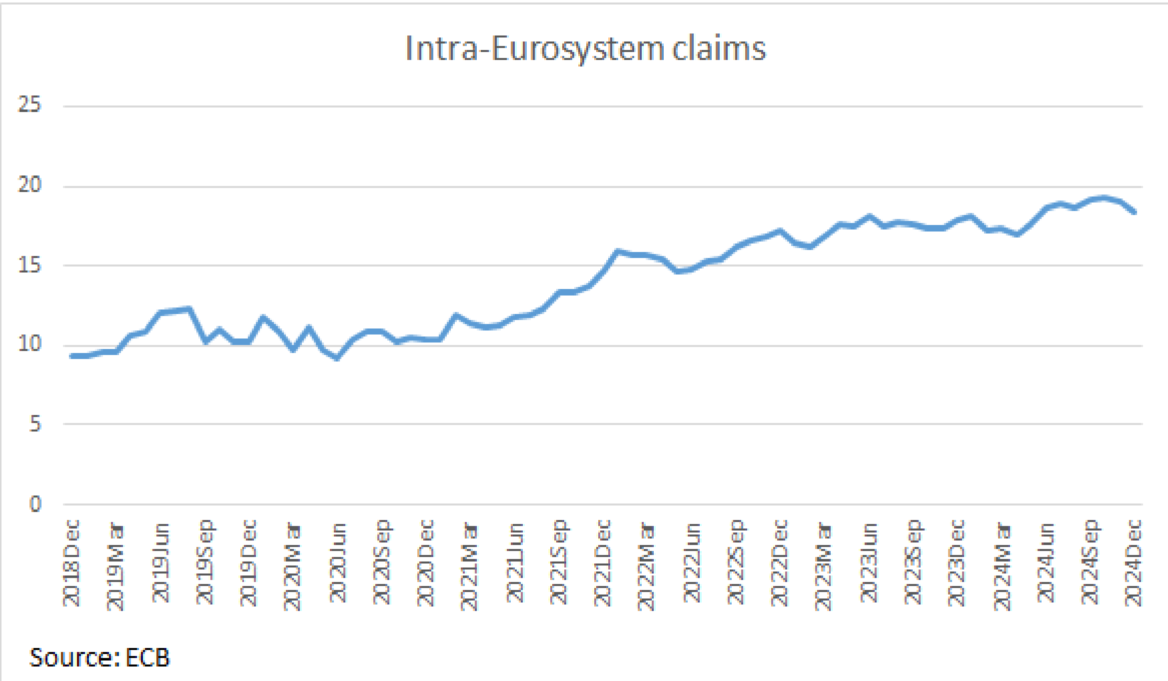
[3]The Eurosystem started to purchase securities under the Asset Purchase Programme (APP) in October 2014. This was complemented by the Pandemic Emergency Purchase Programme (PEPP) in 2020 as a response to the pandemic. During 2024, the APP portfolio was declining at a gradual and predictable pace, as reinvestments of maturing securities had been discontinued since July 2023.

- Repatriation of residents' funds
- Increase in foreign direct investment
- Issuance of debt and equity by local banks, financed by foreign investors
- Sale of non-performing loans by local banks to foreign investors
- Other balance of payments factors

In addition to the reverse of the above, other factors which can lead to a decrease of intra-Eurosystem claims include:

- CBC asset purchases in investment portfolios of bonds issued in euro and held by foreigners
- CBC asset purchases in investment portfolios of foreign securities via an increase of the CBC's position in foreign currency
- Investments abroad by resident entities

Chart 5: Intra-Eurosystem claims (EUR billion)

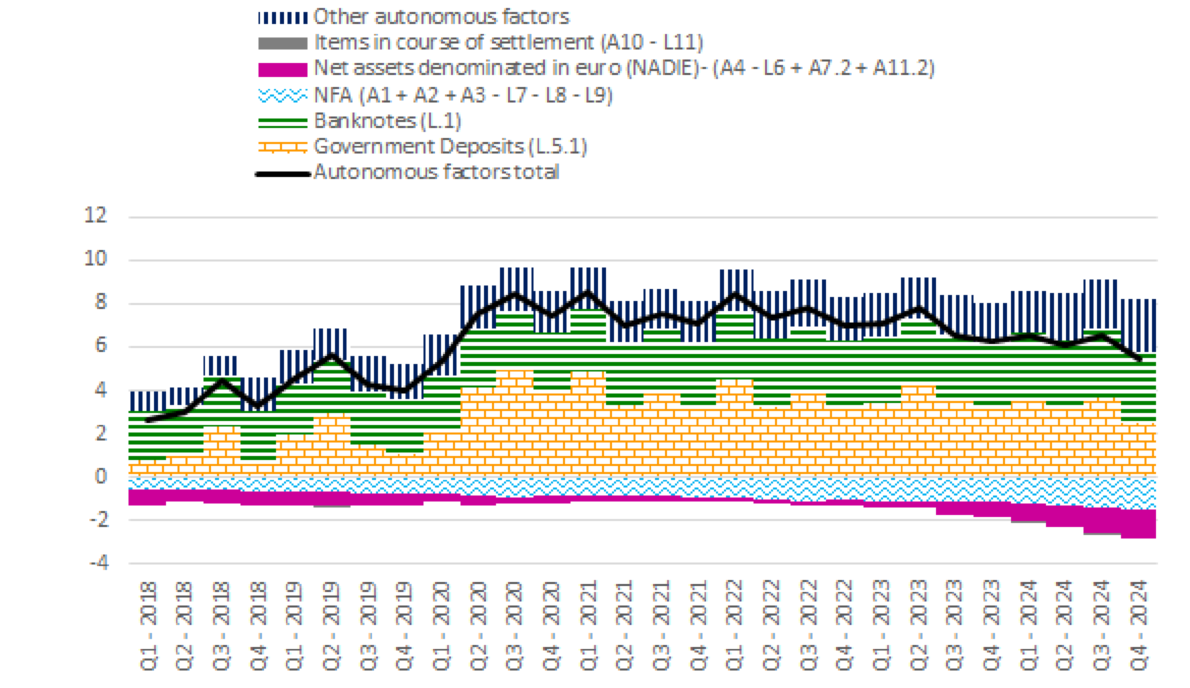


3.3. Autonomous factors

Autonomous factors (AFs) are all items in the CBC's balance sheet which affect liquidity but are not directly related with the implementation of monetary policy. AFs can be distinguished into 6 categories, the biggest ones on the CBC's balance sheet being government deposits and banknotes in circulation. The composition of AFs on the CBC's balance sheet over the past few years is provided below in Chart 6.

Government deposits, banknotes, and some other autonomous factors are depicted above on the positive side of the graph, indicating that they absorb liquidity from the banking system. Conversely, the so-called net assets denominated in euro (NADIE) and net foreign assets (NFA) are on the negative side, meaning that they provide liquidity to the banking system. In net terms, autonomous factors (AFs), in 2024 and in recent years, are liquidity absorbers.

Chart 6 – Autonomous Factors composition (EUR billion)



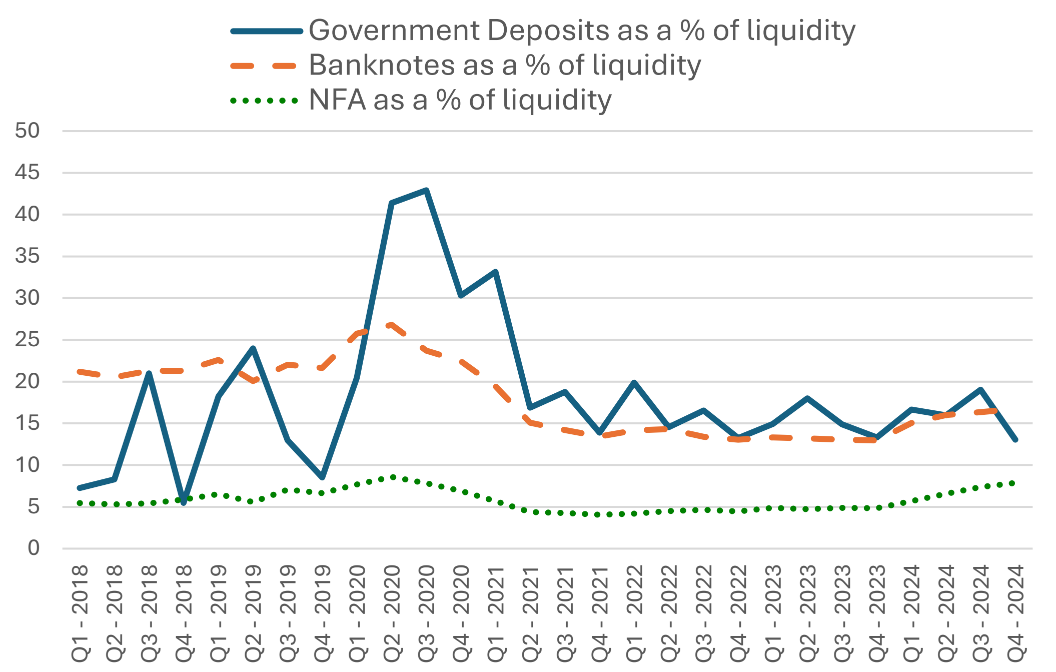
Source: CBC

During 2024, net AFs decreased from €6.2 billion to €5.4 billion, indicating a reduction in liquidity absorption. This decrease in AFs can primarily be attributed to a drop in government deposits held with the CBC from €3.2 billion to €2.5 billion, as well as increases in NFA (from €1.2 billion to €1.5 billion) and NADIE (from €0.7 billion to €1.3 billion).

AFs are important for the monetary policy implementation in the Eurosystem, particularly in a liquidity-scarce environment, as any sudden shift in AFs can affect liquidity and, consequently, money market rates. In the current abundant liquidity regime, shifts in AFs do not have significant effects on money market rates. However, as liquidity decreases, the role of AFs becomes more important.

The significance of each component in AFs can be assessed by its size relative to the liquidity in the system as well as the intensity of its fluctuations. Chart 7 depicts the three major AFs as a percentage of liquidity in Cyprus. As illustrated, the most significant factors during the last quarter of 2024 were government deposits (13.1%) and banknotes in circulation (16.7%). Among the two, government deposits exhibit the biggest daily fluctuations, having an immediate impact on liquidity in the banking system. Government deposits are influenced by various government decisions, such as the schedule of debt issuance and the trajectory of government debt repayments.

Chart 7 – Major Autonomous Factors as a percentage of liquidity (%)



Source: CBC

4. MINIMUM RESERVE REQUIREMENT AND EXCESS LIQUIDITY

The Minimum Reserve Requirement (MRR) is the level of reserve balances that monetary policy counterparties are required to hold with the CBC on average over a maintenance period[4]. Those reserve balances are determined on the basis of certain liabilities on a counterparty's balance sheet, which are reported to the CBC prior to the start of each maintenance period and constitute the reserve base. Generally, an increase in deposits (banks' liabilities) leads to an increase in MRR. The MRR of each counterparty is determined by applying the reserve coefficient, currently set at 1%, on certain short-term liabilities of the reserve base.

Initially, the Eurosystem's minimum reserve system was set to create or enlarge the structural liquidity deficit of the euro area banking system and aid in steering money market interest rates in the corridor system. However, after the Global Financial Crisis, non-standard monetary policy measures led to an increase in liquidity and there was no longer a need for a structural liquidity deficit. As a result, this role of the MRR has become less relevant, however they still constitute a requirement for counterparty eligibility to the Eurosystem's monetary policy operations.

Traditionally, the MRR balances have been remunerated at the MRO rate. As of 20 September 2023, the remuneration of MRR balances is 0%. The rationale behind this remuneration level lies in preserving the effectiveness of the ECB's monetary policy transmission, while improving the efficiency of monetary policy by reducing the overall amount of interest that needs to be paid on reserves in order to implement the appropriate stance.

In Cyprus, the MRR total for all counterparties increased from €500.3 million at the end of the last maintenance period (MP) in 2023 to €526.7 million at the end of the last MP in 2024.

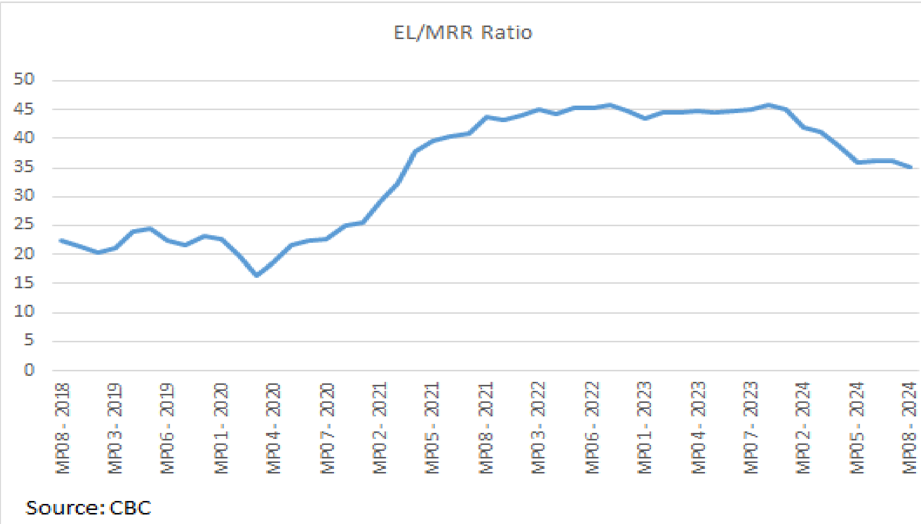
Excess liquidity (EL) is defined as commercial bank deposits at the CBC either in their current account (CA) or deposit facility (DF), over and above the MRR, minus any overnight credit from the MLF. This is shown by the identity below:

$$EL = CA + DF - MRR - MLF$$

During 2024 EL in Cyprus was reduced from €22.9 billion to €18.5 billion due to the increase in total MRR, along with the reduction in total liquidity (CA + DF). The reduction of liquidity is mainly attributed to TLTRO repayments along with the increase in MRR. As a result, during 2024 there was a decrease in the EL/MRR ratio from 46 to 36 as depicted in Chart 8.

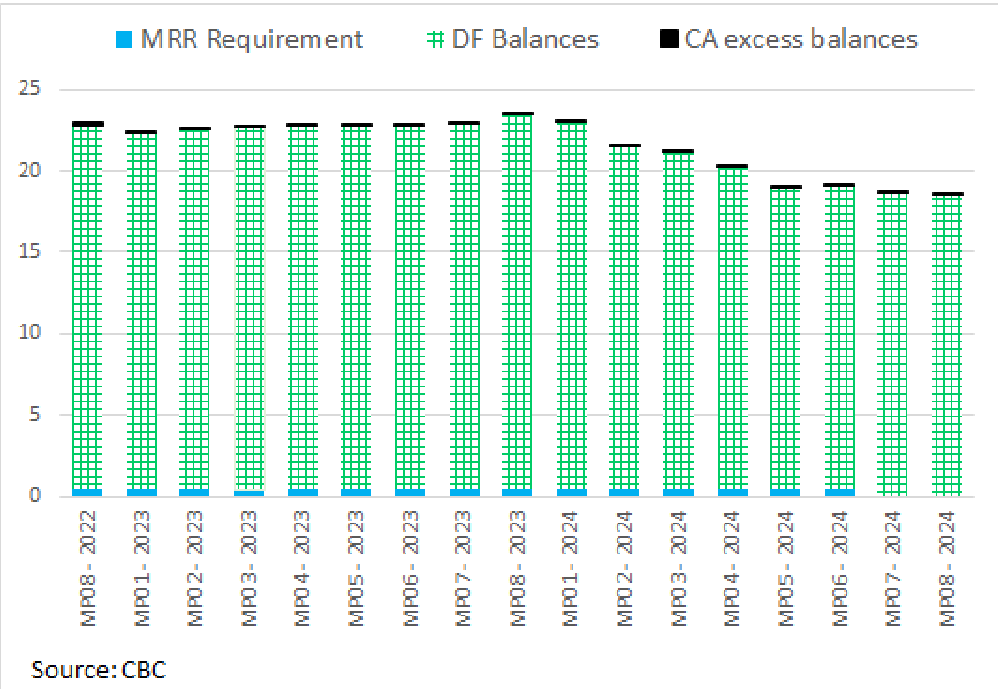
[4] Maintenance periods typically last around 6 weeks and refer to the reserve maintenance period set by the ECB during which banks in the euro area must hold a certain average amount of minimum reserves with their NCBs.

Chart 8 – EL/MRR Ratio



Deposits with the CBC placed in counterparties' current accounts that exceed the MRR are remunerated at either 0% or the Deposit Facility Rate (DFR), whichever is lower. With the DFR in positive territory since 2022, it has become attractive for banks to place liquidity in the DF and minimise excess liquidity held in their current accounts beyond what is required for their MRR. Banks earn the positive DFR by transferring excess liquidity to the DF, and they can do that provided they meet the necessary counterparty eligibility criteria (as outlined in Section 6). The allocation of liquidity between the DF and current account from CY counterparties over the past two years is shown below in Chart 9:

Chart 9 – Current account and deposit facility balances (EUR billions)



As mentioned, the majority of excess liquidity is deposited at the DF to benefit from the positive DFR, while a small amount of excess liquidity over and above the MRR is still maintained in the current account as a buffer for the compliance of the provisions for MRR (in case of changes in the liabilities used as a base for their calculation).

5. ELIGIBLE ASSETS

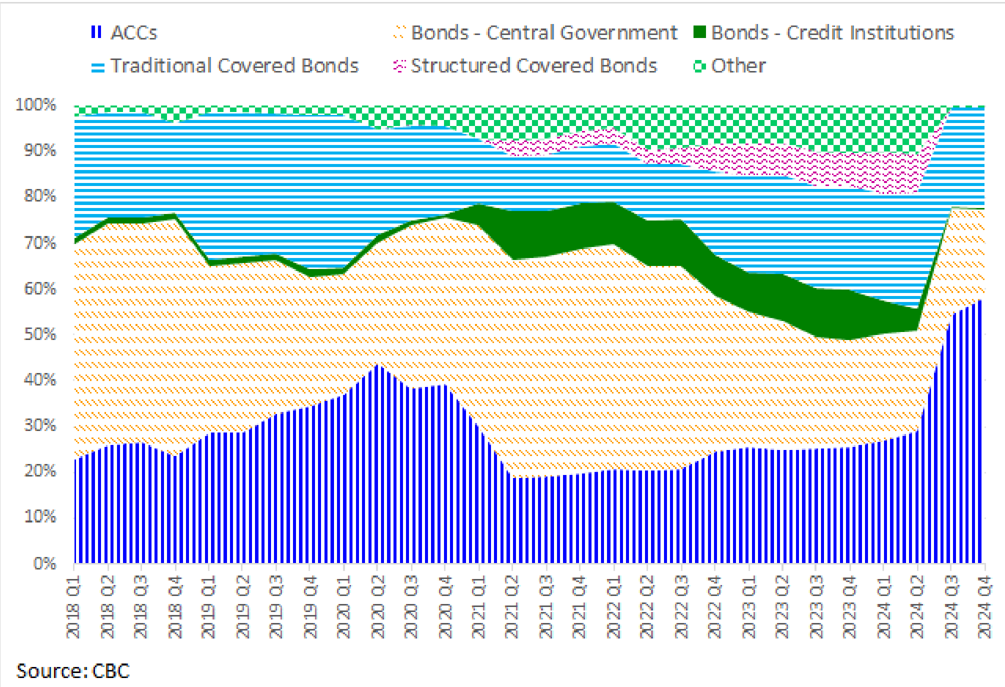
The Eurosystem collateral framework regulates the collateralisation of Eurosystem credit operations and provides a second layer of protection against counterparty default (in addition to the Eurosystem's counterparty framework). The Eurosystem provides credit only against adequate collateral. Typically, collateral refers to marketable financial securities, such as bonds, or other types of assets, such as non-marketable assets or cash. The term "eligible asset" is used for assets that are accepted as collateral by the Eurosystem.

Eligible assets can be distinguished into marketable and non-marketable assets. Marketable assets include assets such as central and local government debt instruments, covered bank bonds, credit institutions debt instruments, asset backed securities etc. Non-marketable assets include, amongst others, fixed-term deposits from eligible counterparties and credit claims.

In addition to the general collateral framework mentioned above, since the Global Financial Crisis, the Eurosystem has operated a temporary framework which comprised crisis-related collateral easing measures. This has included the eligibility of asset types which are not eligible under the general framework such as 'private individuals and pools of credit claims backed by real estate assets as eligible debtor and asset types for additional credit claims', the so-called ACCs, and 'individual credit claims with a credit quality below credit quality step 3'. On 29 November 2024 the ECB Governing Council decided the phasing out of these temporary crisis-related collateral easing measures, including the discontinuation of some asset types which were eligible under the temporary framework.

The composition of pledged collateral at the CBC is shown in Chart 10 below. The most used types of collateral pledged at the CBC in the last quarter of 2024 were central government bonds (19.2%), traditional covered bonds (22.2%) and ACCs (58.1%)[5].

Chart 10 – Percentages of total collateral



[5] It is noted that ACCs are still eligible under the temporary collateral framework and will be phased out by end 2025.

6. ELIGIBLE COUNTERPARTIES

The counterparty framework provides criteria on the basis of which credit institutions are granted access to Eurosystem monetary policy operations (MPOs). Monetary policy eligible counterparties (MPEC) are defined as counterparties having access to either liquidity-providing operations and/or liquidity absorbing operations, as well as standing facilities.

The framework is designed to ensure that a broad range of counterparties is able to participate in monetary policy operations, while protecting the Eurosystem from the risk of a counterparty defaulting.

To qualify as an eligible counterparty, an institution needs to:

(1) be subject to Eurosystem's minimum reserve requirements;
(2) be supervised by competent authorities;
(3) be financially sound; and
(4) fulfil operational requirements of the local NCB to participate in MPOs. Access to Eurosystem MPOs is granted by the relevant NCB to counterparties that fulfil eligibility criteria in line with the decentralised monetary policy implementation in the euro area.

The first requirement allows euro area credit institutions to have access to monetary policy operations, fostering the transmission of monetary policy. The second and third requirements provide the Eurosystem with a first layer of risk protection (the second layer consisting of collateral). Financial soundness requires an assessment by the Eurosystem which may take into account, as a minimum, prudential information on capital, leverage and liquidity ratios as well as the methods used for in-kind recapitalisation when a credit institution is subject to it (e.g. debt to equity swaps and transfers of non-performing loans).

In 2004 the number of MPEC with access to credit operations in Cyprus remained stable at ten (10). The list with the counterparties is shown below:

	Credit Institution	Subsidiaries, branches or parent companies
Local authorised credit institutions in Cyprus	Ancoria Bank Limited	NA
	Astrobank Public Company Limited	
	Bank of Cyprus Public Company Ltd	
	Cyprus Development Bank Public Company Limited	
	Housing Finance Corporation	
Subsidiaries of foreign credit institutions from E.U. Member States	Alpha Bank Cyprus Ltd	Parent company in Eurozone (Greece)
	Eurobank Cyprus Ltd	Parent company in Eurozone (Greece)
	Hellenic Bank Public Company Limited	Parent company in Eurozone (Greece)
	National Bank of Greece (Cyprus) Ltd	Parent company in Eurozone (Greece)
Subsidiaries of foreign credit institutions from non E.U. Member States	Societe Generale Bank-Cyprus Limited	Non-E.U. parent company

Source: CBC

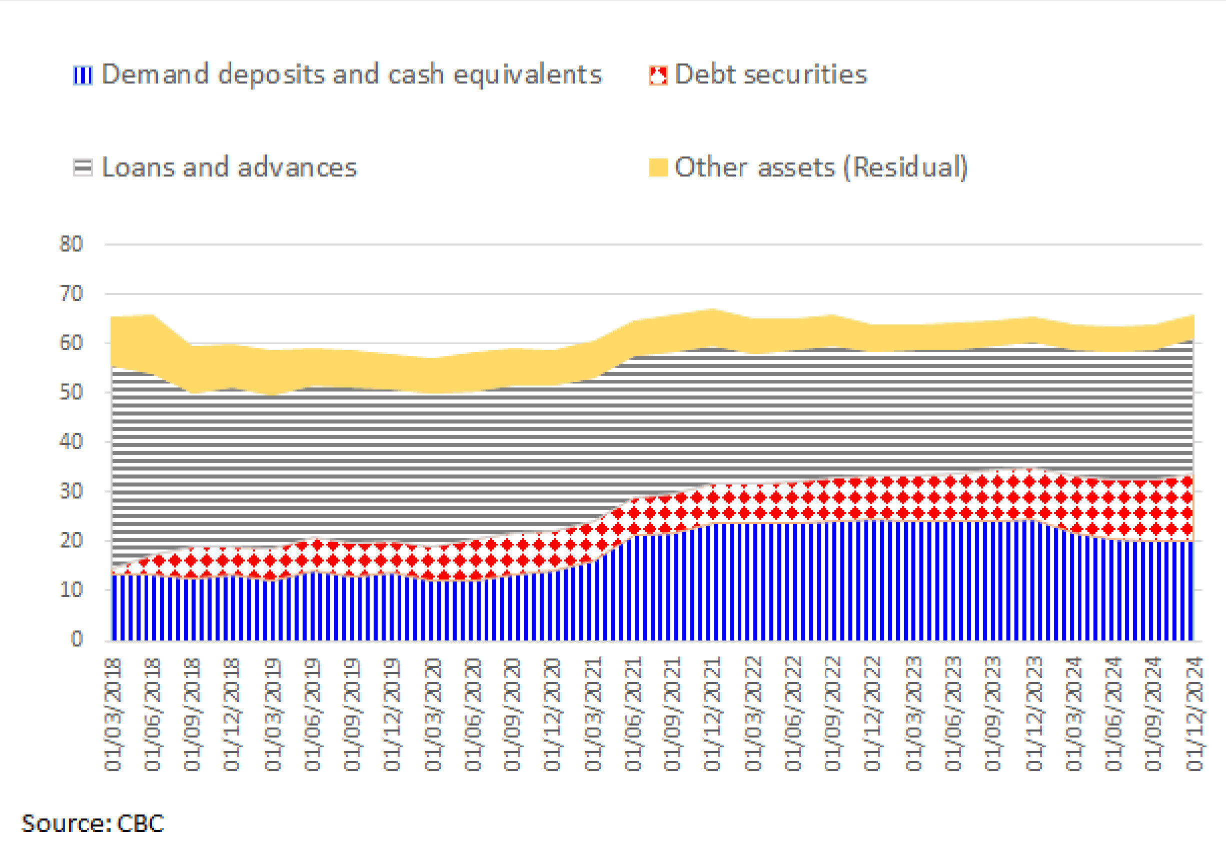
6.1. Aggregate Banking Sector Developments

This section presents the 2024 consolidated balance sheet developments of the banking sector in Cyprus[6].

Aggregate banking sector assets increased from €65.2 billion as at end 2023 to €65.6 billion as at end 2024, due to increases in debt securities holdings and loans/advances. As already mentioned, during the same period there were also TLTRO repayments via the use of excess liquidity, which resulted in a reduction of bank deposits held with the CBC.

The composition of banking sector assets is shown in Chart 11. The most significant categories of assets are loans, deposits and cash equivalents, and debt securities. During 2024 loans increased from €25.3 billion to €27.6 billion, while deposits and cash equivalents decreased from €24.5 billion to €20.4 billion, largely due to the repayment of TLTROs.

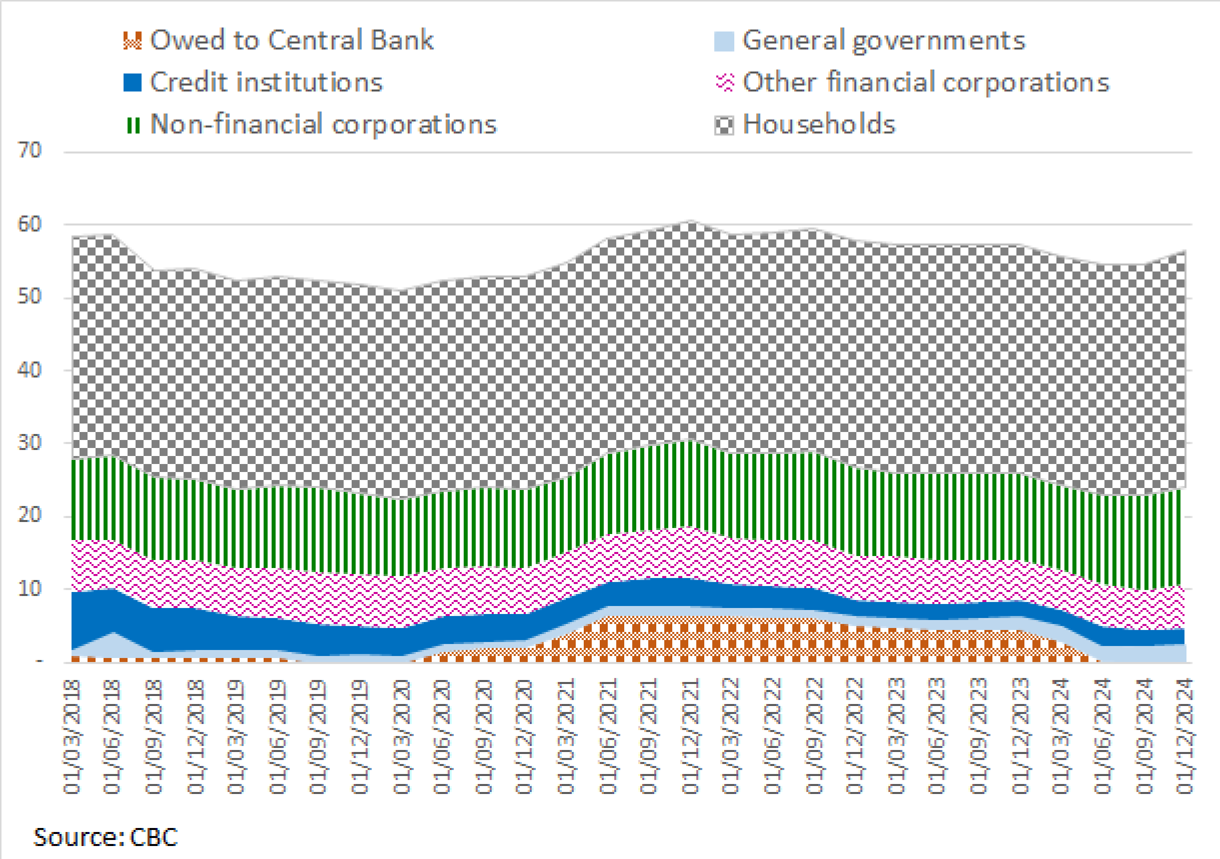
Chart 11 – Banking Sector Assets (EUR billions)



In terms of liabilities, the total amount of deposits accounts for 95% of total liabilities during the last quarter of 2024 and were by far the main source of financing for the banking sector. Debt securities make up 3%, while other liabilities account for 2%. Total liabilities decreased from €60.1 billion to €59.4 billion during 2024 mainly due to the reduction in deposits. Demand deposits include current accounts and overnight deposits, deposits with agreed maturity, deposits redeemable at notice, and repurchase agreements. The composition of deposits is shown in Chart 12 below.

[6] Aggregate data for all domestic and foreign credit institutions operating in Cyprus on a consolidated basis. A list of all banks operating in Cyprus can be found on the Central Bank of Cyprus (CBC) website under the following link:
https://www.centralbank.cy/en/licensing-supervision/banks/register-of-credit-institutions-operating-in-cyprus

Chart 12 – Composition of banking sector deposits (EUR billions)



The majority of demand deposits are owned by households and non-financial corporations. Deposits owed to the CBC consist of the monetary policy credit operations and have been reduced to zero due to the repayment of TLTROs.

7. CONCLUSIONS

Similarly with the rest of the Eurosystem, Cyprus's banking sector operated in an environment characterized by ample liquidity in 2024, with the deposit facility rate being the key ECB rate for guiding the euro short-term reference rate (€STR). Refinancing operations were therefore not further used by the banking sector during the year, following the repayment of LTROs midway through 2024. Monetary policy portfolios at the same time were reduced, since investments in maturing securities were not renewed. Furthermore, collateral placed with the CBC consisted of ACCs, government bonds and traditional covered bonds. Intra-Eurosystem claims constituted the main component of liquidity, while the importance of "autonomous factors" in the current excess liquidity environment remains limited. Banks' excess liquidity was predominantly placed in the deposit facility at the CBC, as opposed to the current account, due to the higher remuneration associated with the former.