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Monetary Policy Financial Markets Expand Hide

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Monetary Policy Instruments

The main monetary policy instruments available to the National Bank pursuant to the regulations in force are: money market operations, interbank market operations, standing facilities and required reserves.

Money market operations [1]of the National Bank of Moldova are conducted following the NBM initiative with eligible participants to manage the liquidity in the market, to target the interest rates and to adjust the monetary policy stance. The National Bank of Moldova conducts open market operations through the following instruments: repo/reverse repo operations against eligible assets; outright transactions (outright SS purchases/sales on the market); credit operations against eligible assets as collateral; issuance of NBM certificates; collection of fixed-term deposits.

Interbank market operations [2] are the foreign exchange interventions conducted in strict correspondence with the foreign exchange policy objectives. The National Bank of Moldova uses as foreign exchange intervention tools direct operations (spot purchases or sales of foreign currency against Moldovan Lei) and fine-tuning operations (foreign exchange swaps), which are reversible instruments and does not impact the monetary aggregates over a long term.

Standing facilities [3] represent the facilities offered by NBM to licensed banks upon their request. NBM offers the overnight credit facility and the overnight deposit facility.

Required reserves [4] represent banks' funds in Moldovan lei and freely convertible currency (USD and EUR), held on accounts opened with the NBM. The main functions of required reserves held in MDL are the monetary control (in close correlation with liquidity management by the NBM) and the influence of demand for money. The main role of required reserves in freely convertible currency is to mitigate the expansion of foreign exchange loans.

Tags

money market operations [5]

REPO [6]

standing facilities [7]

required reserves [8]

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[1] https://bnm.md/en/content/open-market-operations [2] https://bnm.md/en/content/activity-nbm-foreign-exchange-market [3] https://bnm.md/en/content/standing-facilities [4] https://bnm.md/en/content/required-reserves [5] https://bnm.md/en/search?hashtags[0]=money market operations [6] https://bnm.md/en/search?hashtags[0]=REPO [7] https://bnm.md/en/search?hashtags[0]=standing facilities [8] https://bnm.md/en/search?hashtags[0]=required reserves