



RESERVE BANK OF AUSTRALIA

Teacher Immersion Event 2024

H.C. Coombs Centre, Kirribilli
19 July 2024

Education



RESERVE BANK OF AUSTRALIA

Monetary Policy Implementation

Gigi Lovicu and Ben Jackman

(Domestic Markets Department, RBA)

Education



The plan

- The banking system in a nutshell.
- The cash market and teaching the ‘corridor system’.
- How the pandemic changed *everything*.
- The future: a new approach to MPI.
- Bonus: A day in the life of an MPI ‘dealer’.



How does the banking system work?

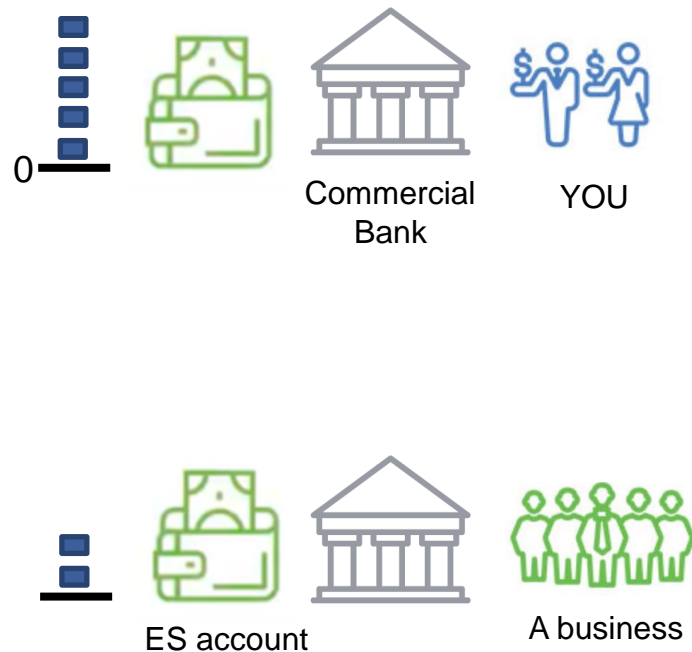
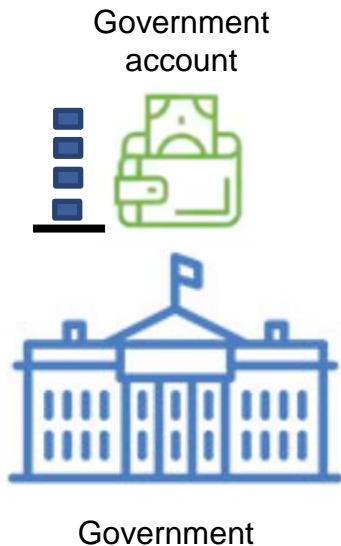
- RBA is the 'banker of banks' (and the federal government).
- Banks + government make payments to each other via the RBA.



Terminology we will need

- Exchange Settlement (ES) balances
- Cash market

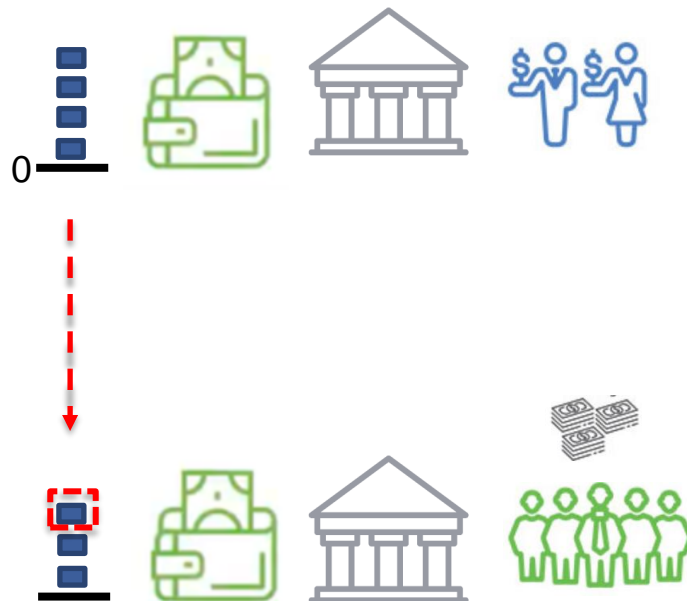
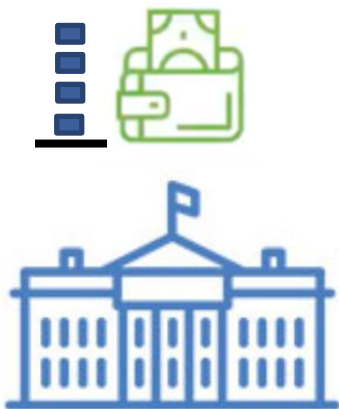
The banking system



You pay a business

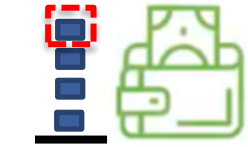


You pay a business

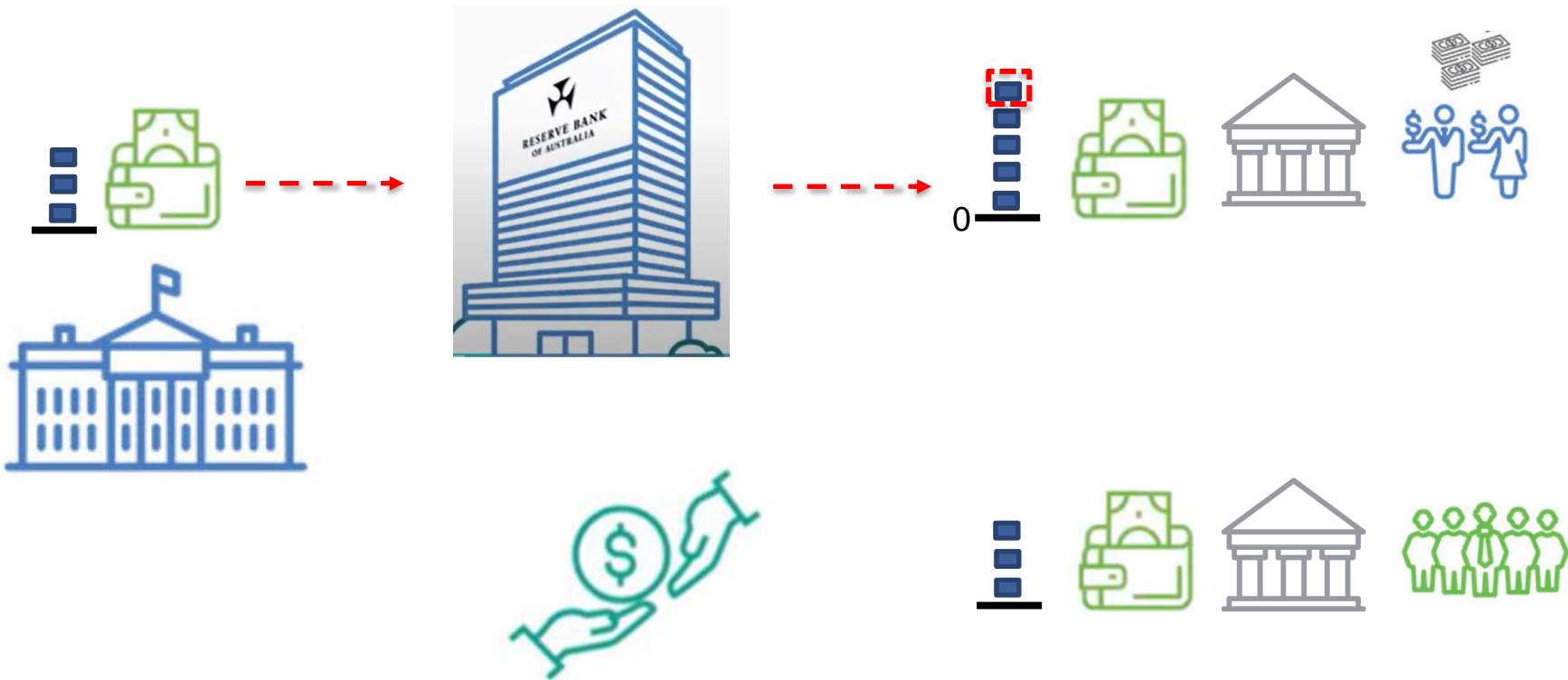




The government pays you



The government pays you



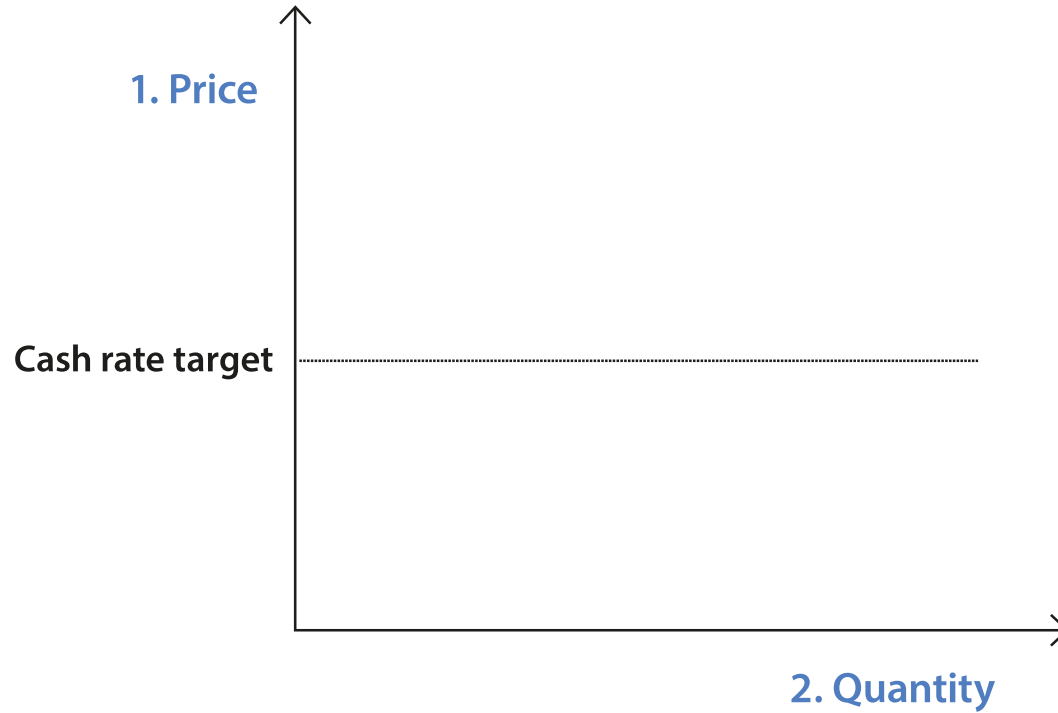


The Australian Cash Market



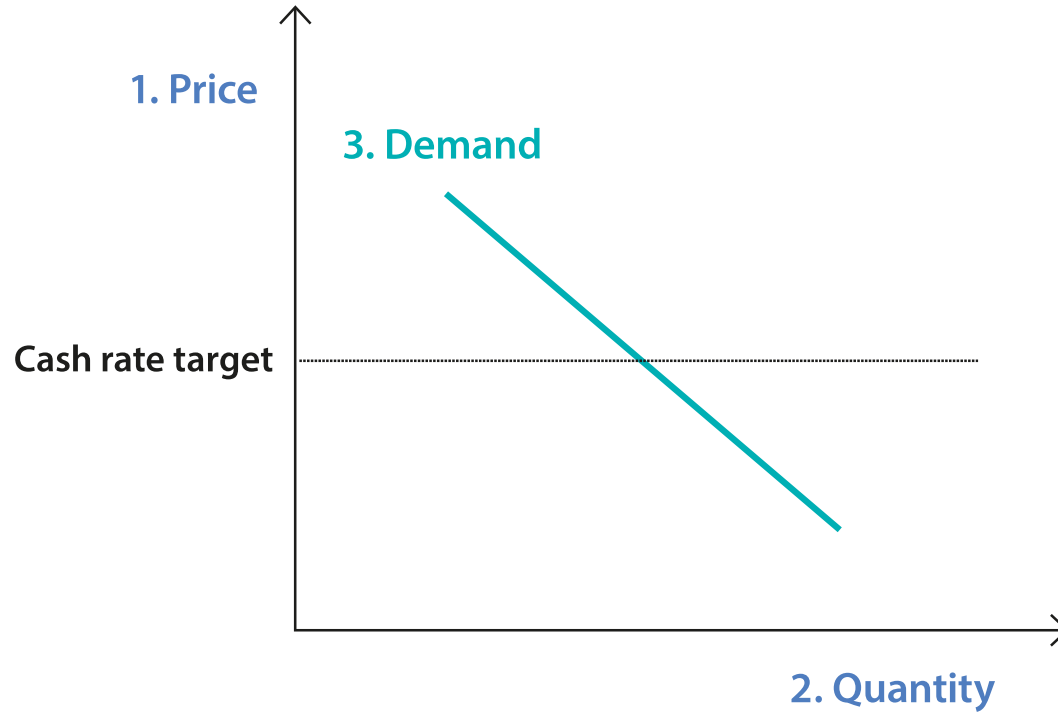


The Australian Cash Market



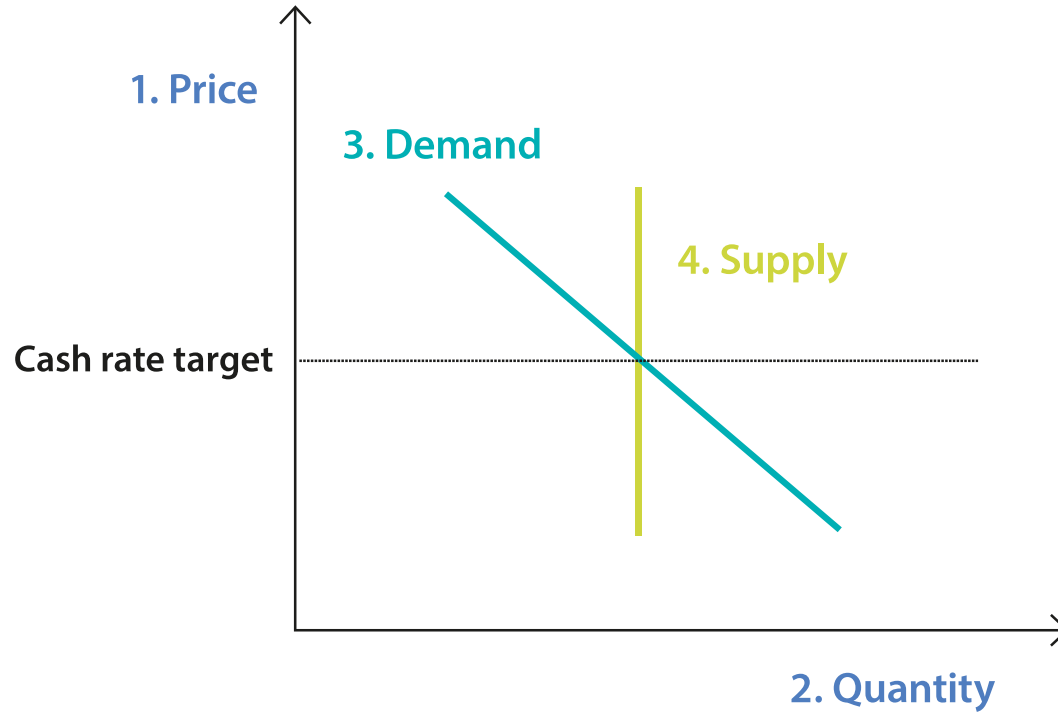


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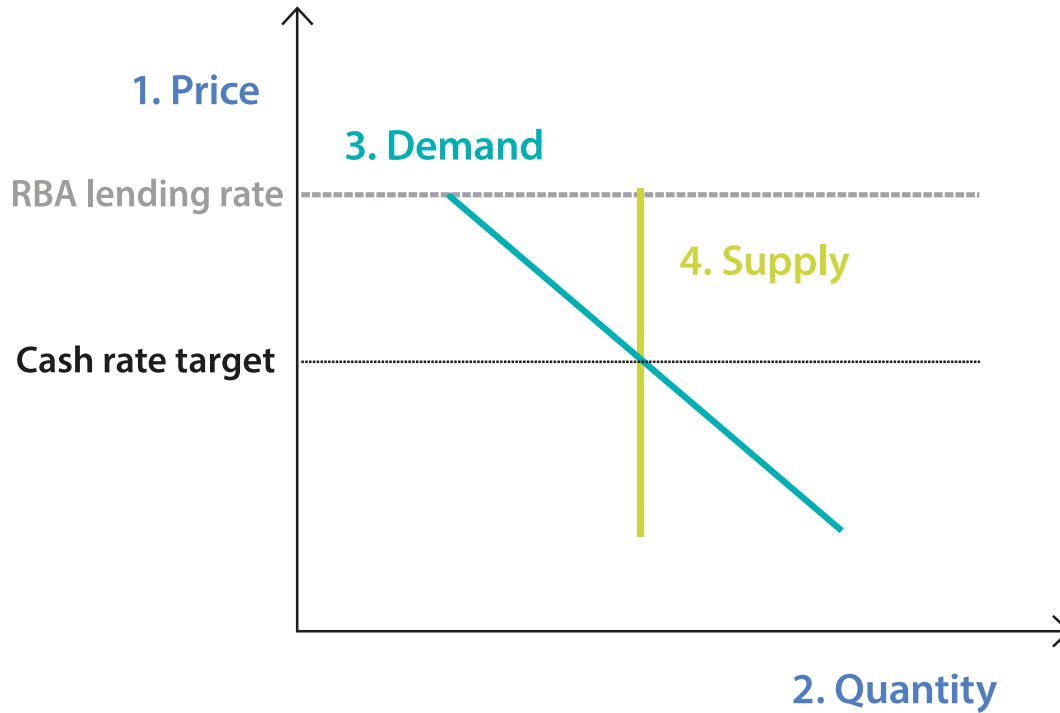


The Australian Cash Market



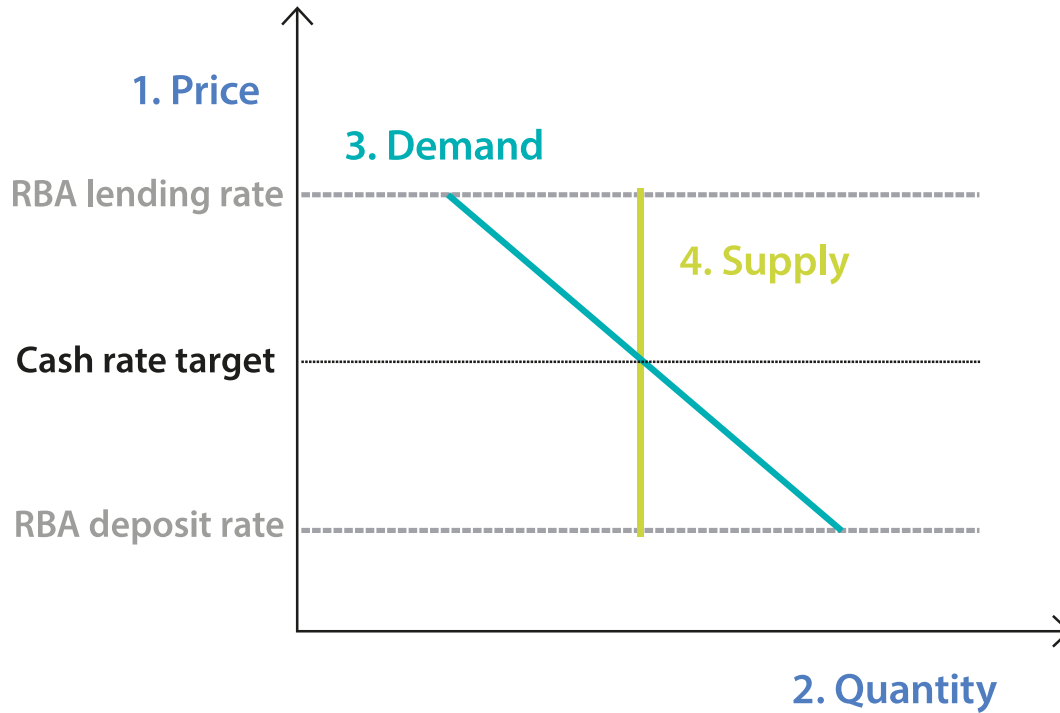


The Australian Cash Market



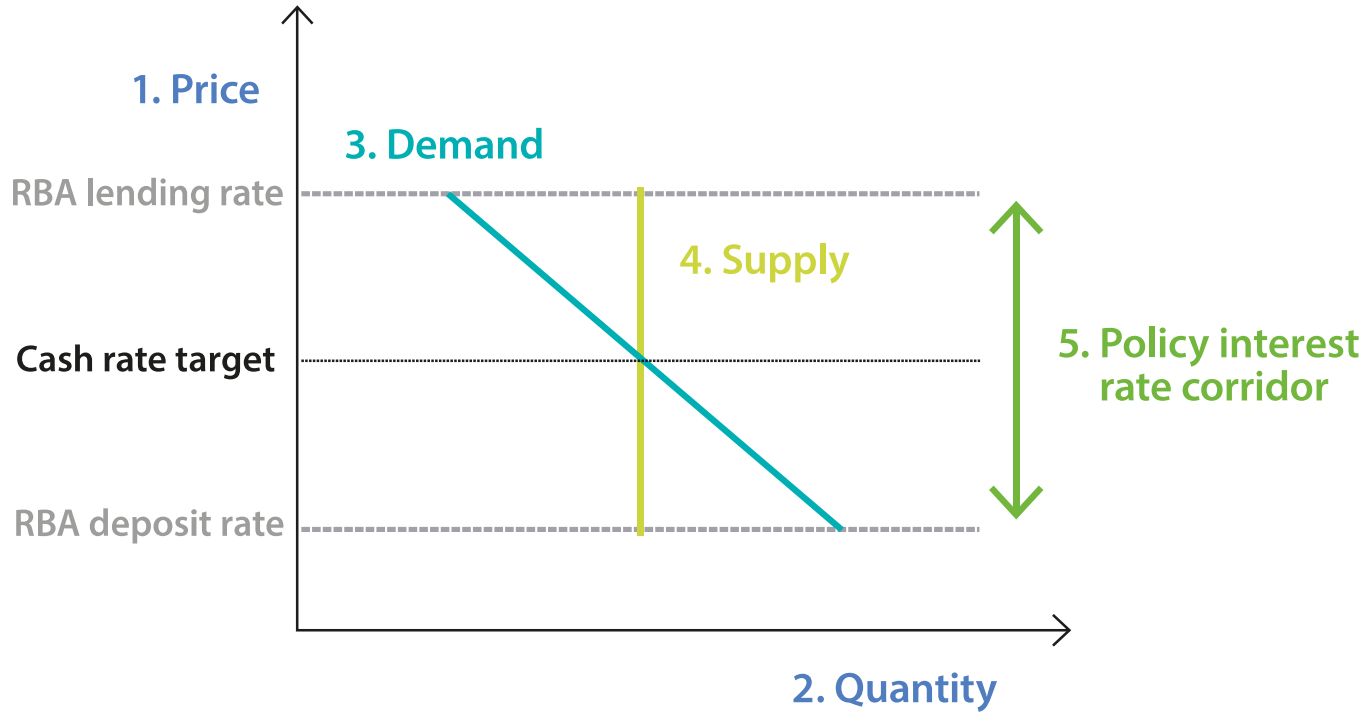


The Australian Cash Market





The Australian Cash Market

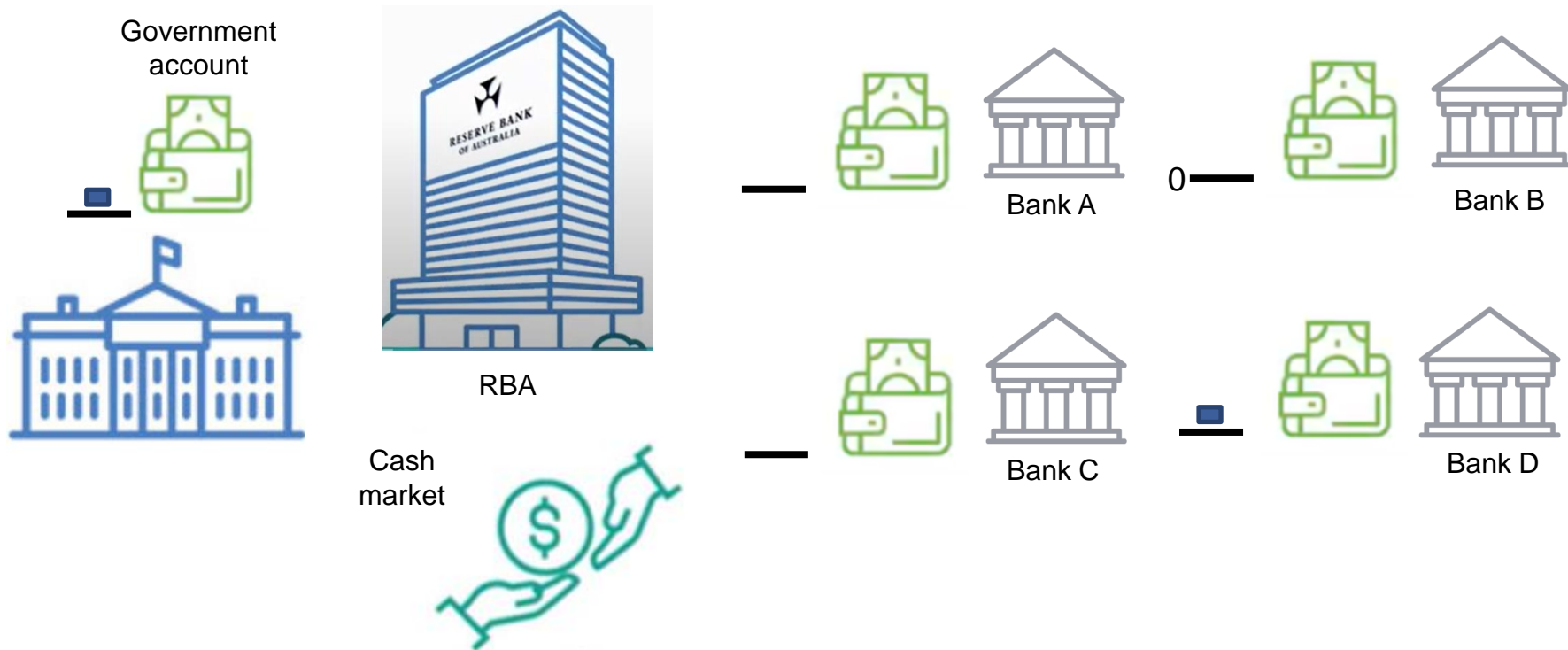




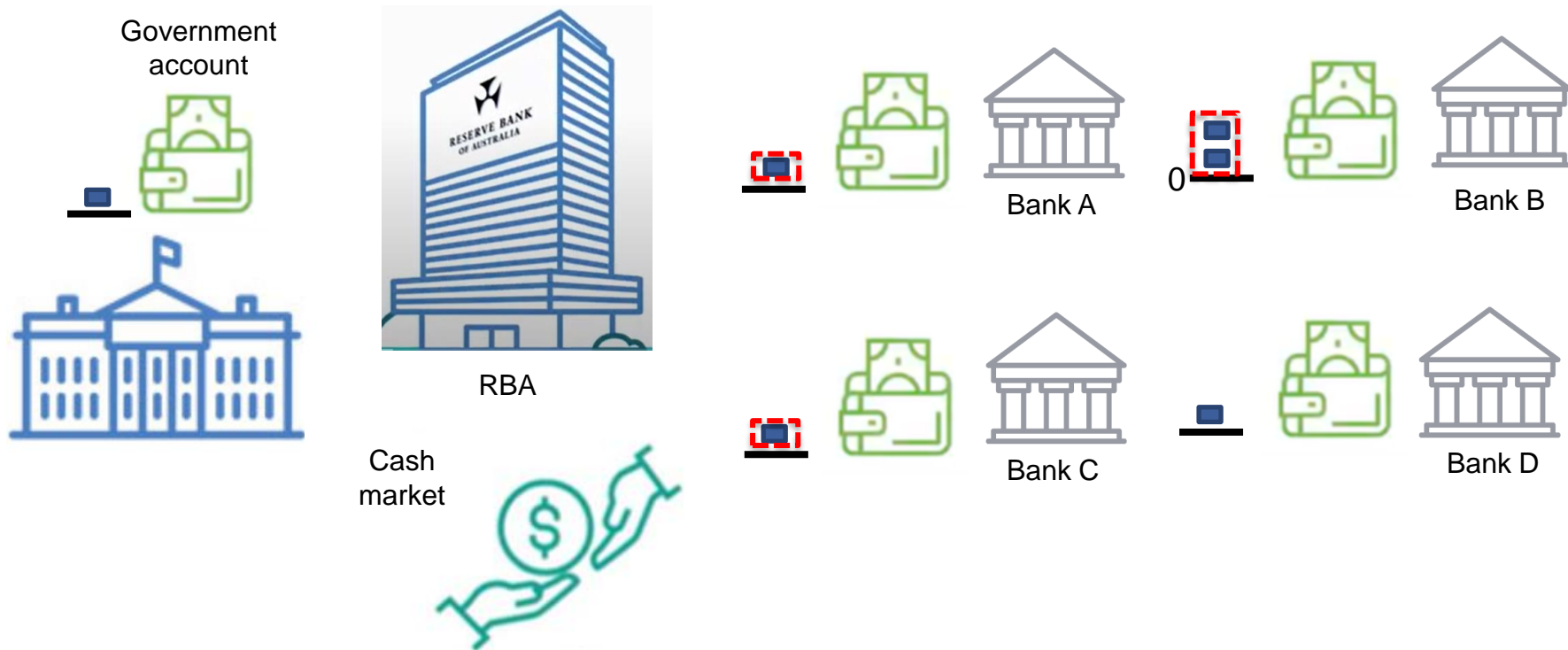
Terminology we will need

- Exchange Settlement (ES) balances
- Cash market
- Open market operations (OMO)
 - Repurchase agreement (repo)

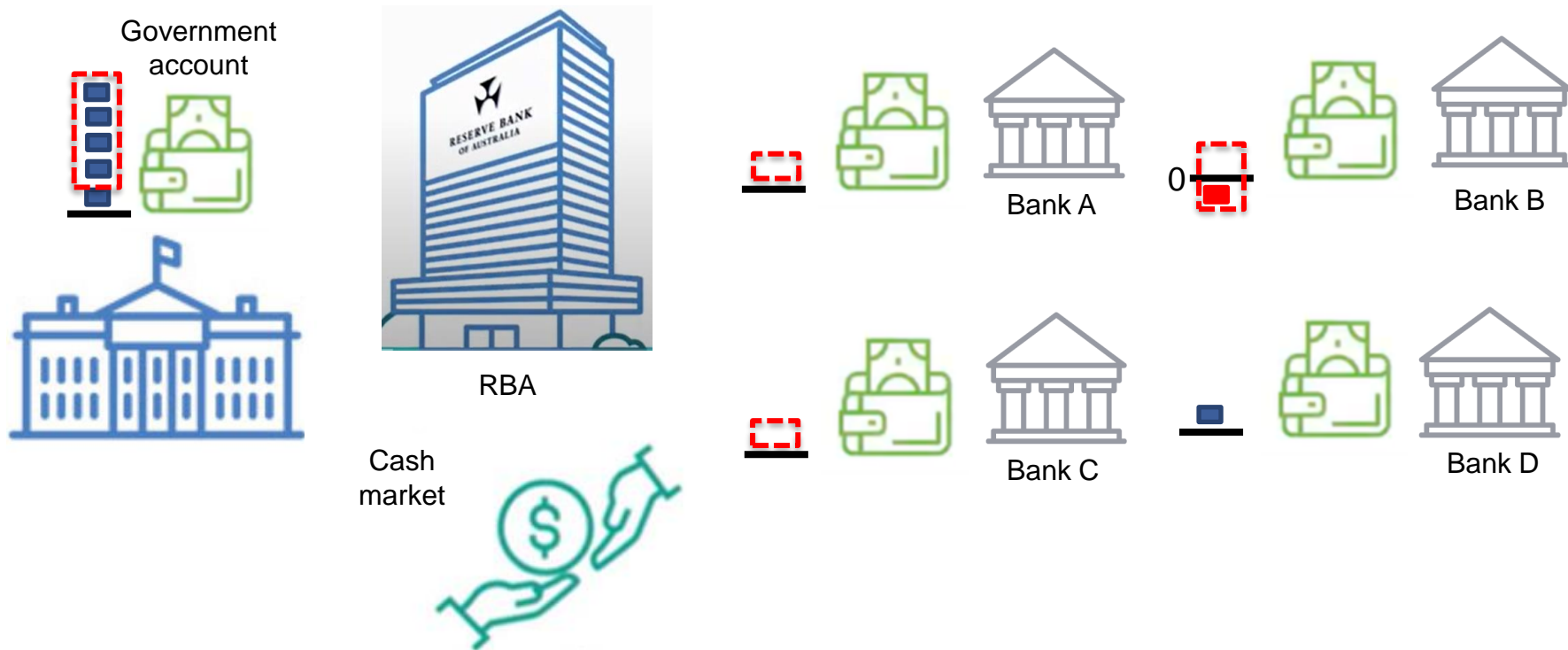
A typical day in the corridor system



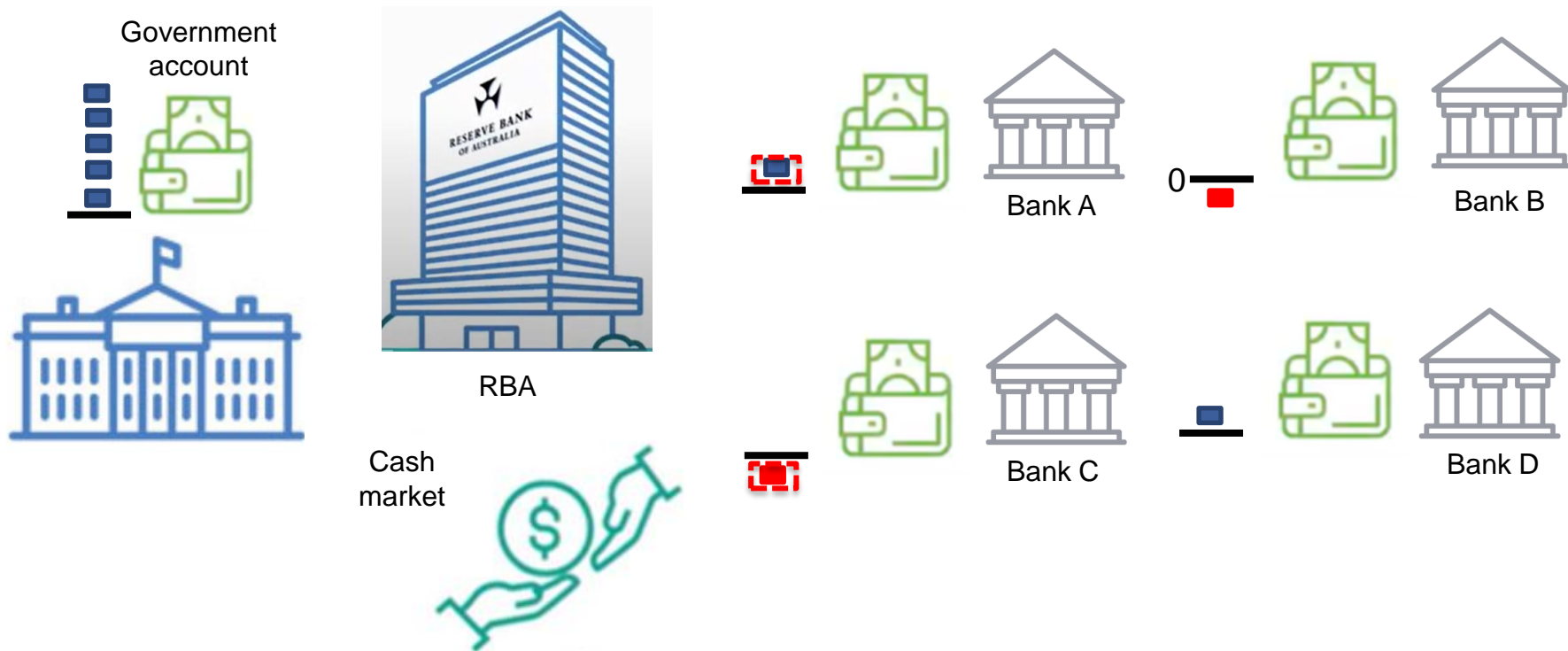
A typical day in the corridor system



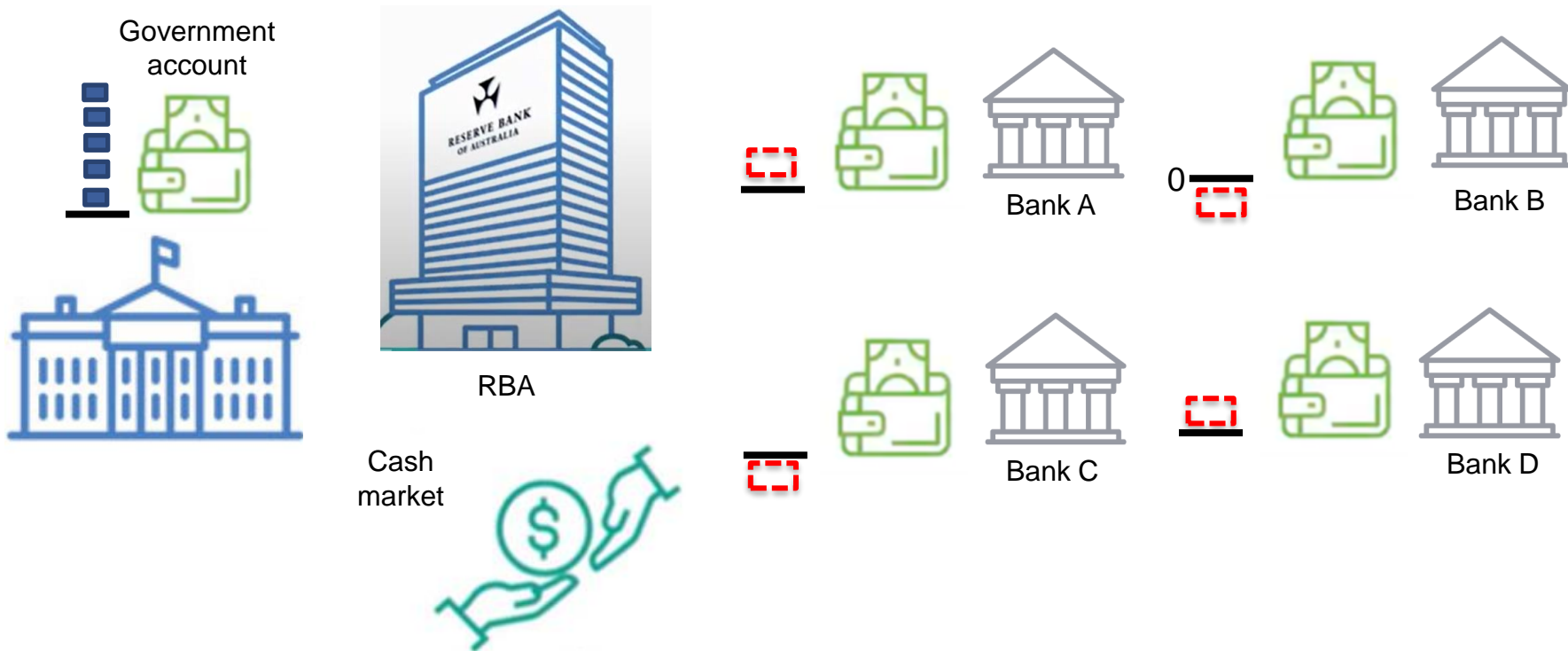
A typical day in the corridor system



A typical day in the corridor system

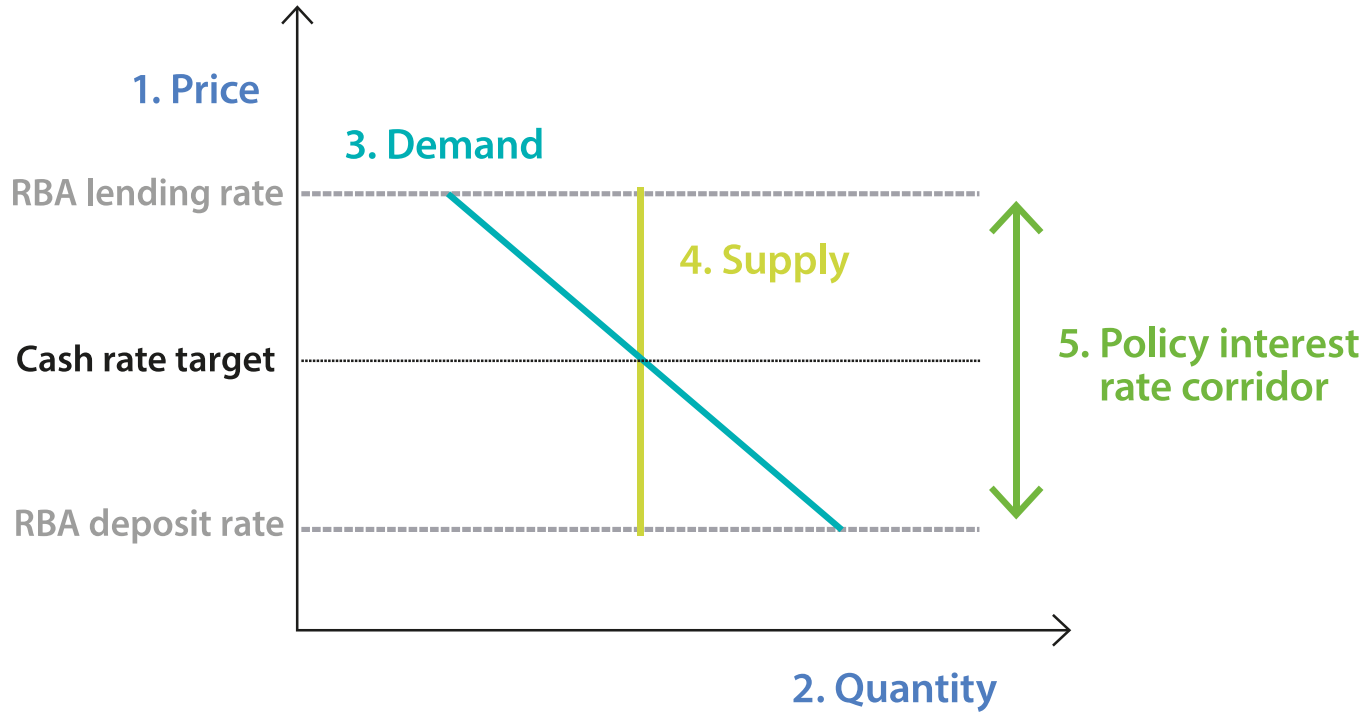


A typical day in the corridor system





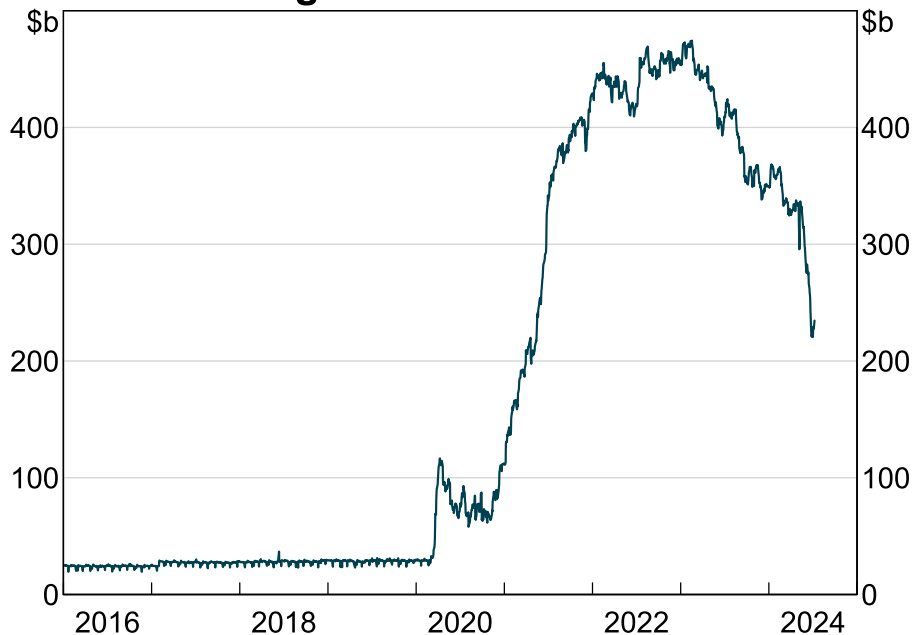
The Australian Cash Market





How did the pandemic change the system?

Exchange Settlement Balances*



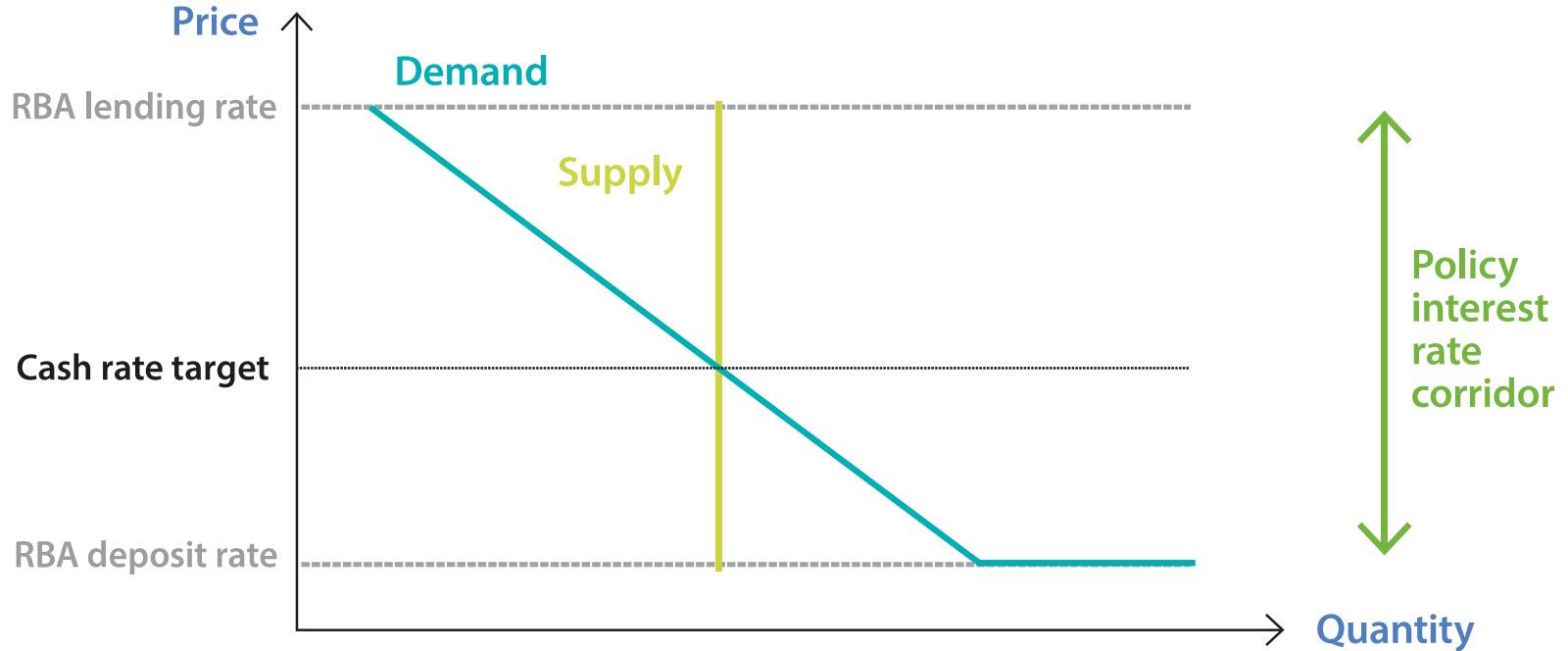
- Bond purchases
- Term funding facility
- Yield target

ALL ↑ ES balances

* Includes minimum required balances to meet after-hours payments.

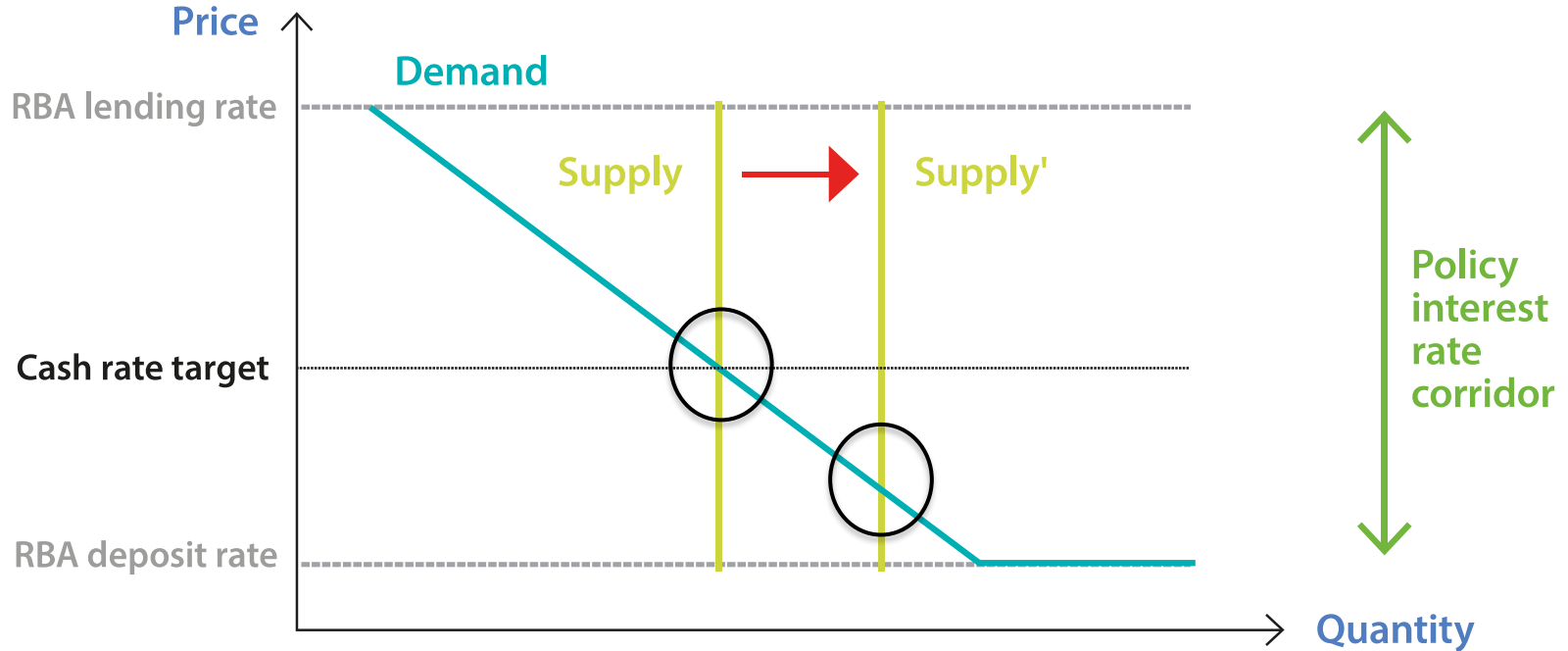


The Australian Cash Market



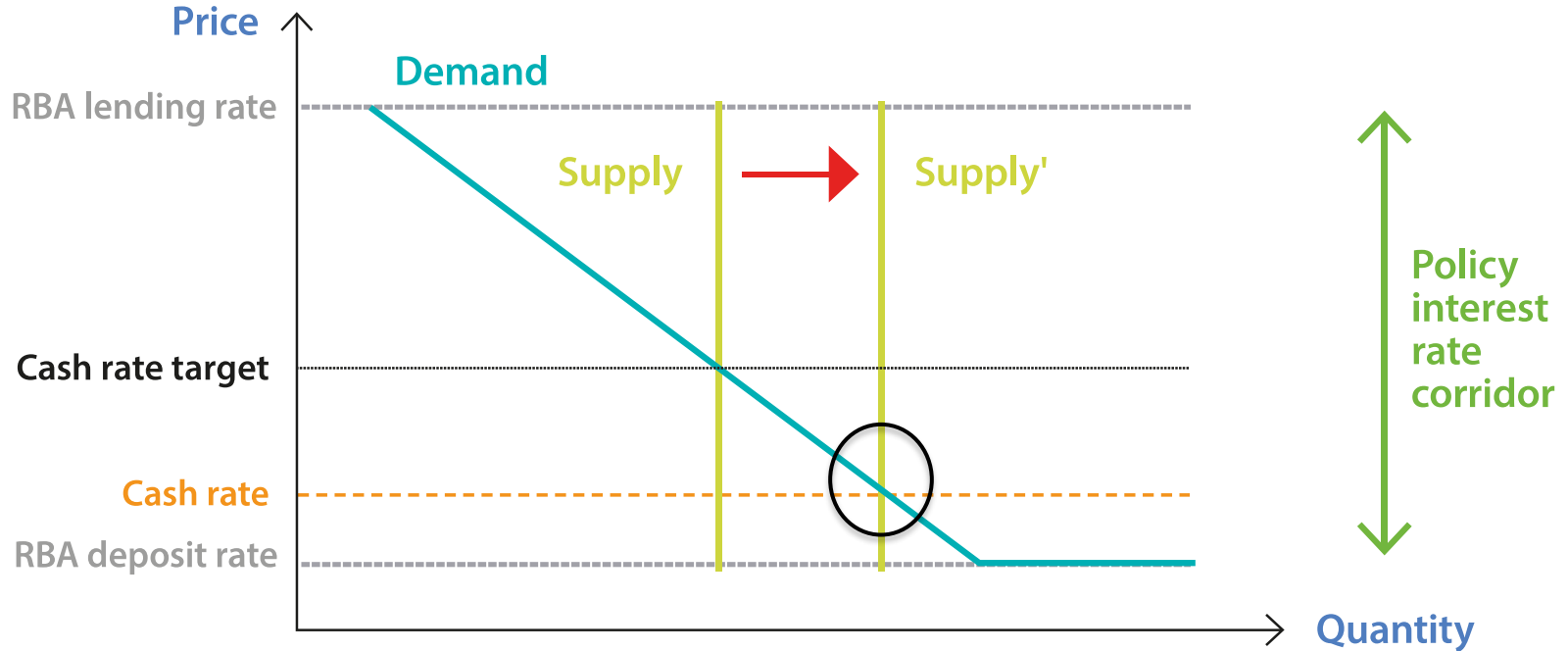


The Australian Cash Market

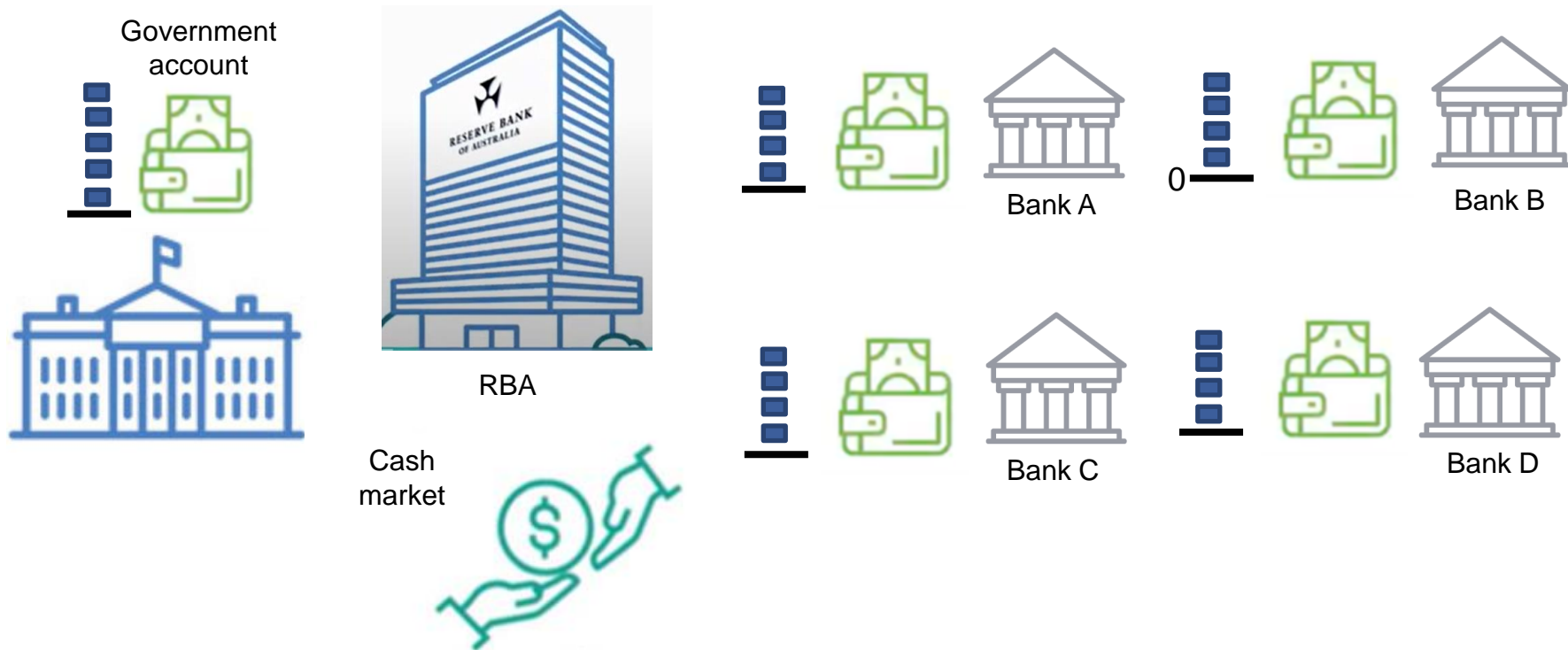




The Australian Cash Market



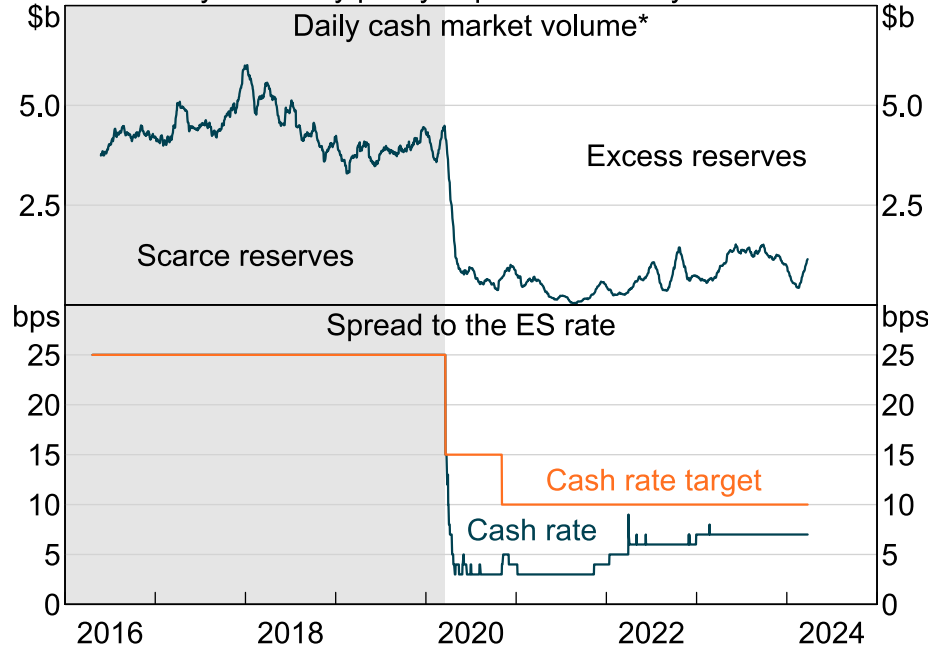
Post-pandemic - excess reserves





Cash Market

By monetary policy implementation system*

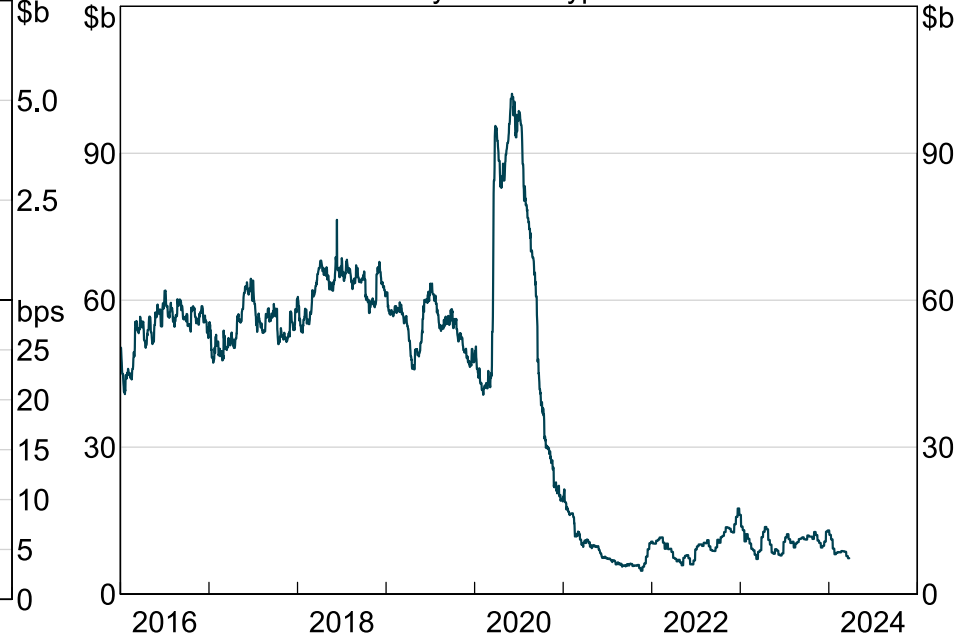


* Rolling 30-day average.

Source: RBA.

OMO Outstanding

By auction type*



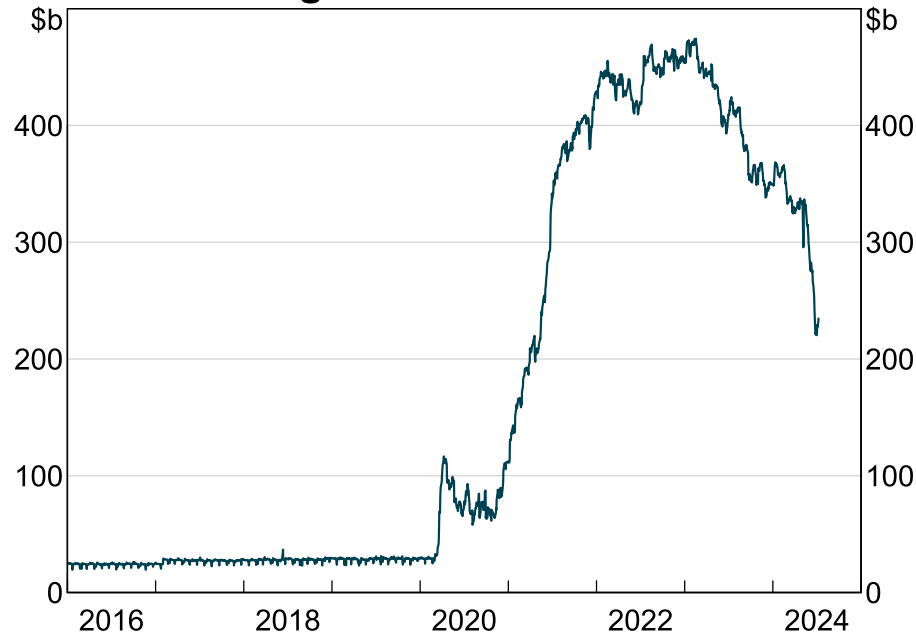
* Auction sizes increased in March 2020 in response to the COVID-19 pandemic.

Source: RBA.



After the pandemic?

Exchange Settlement Balances*

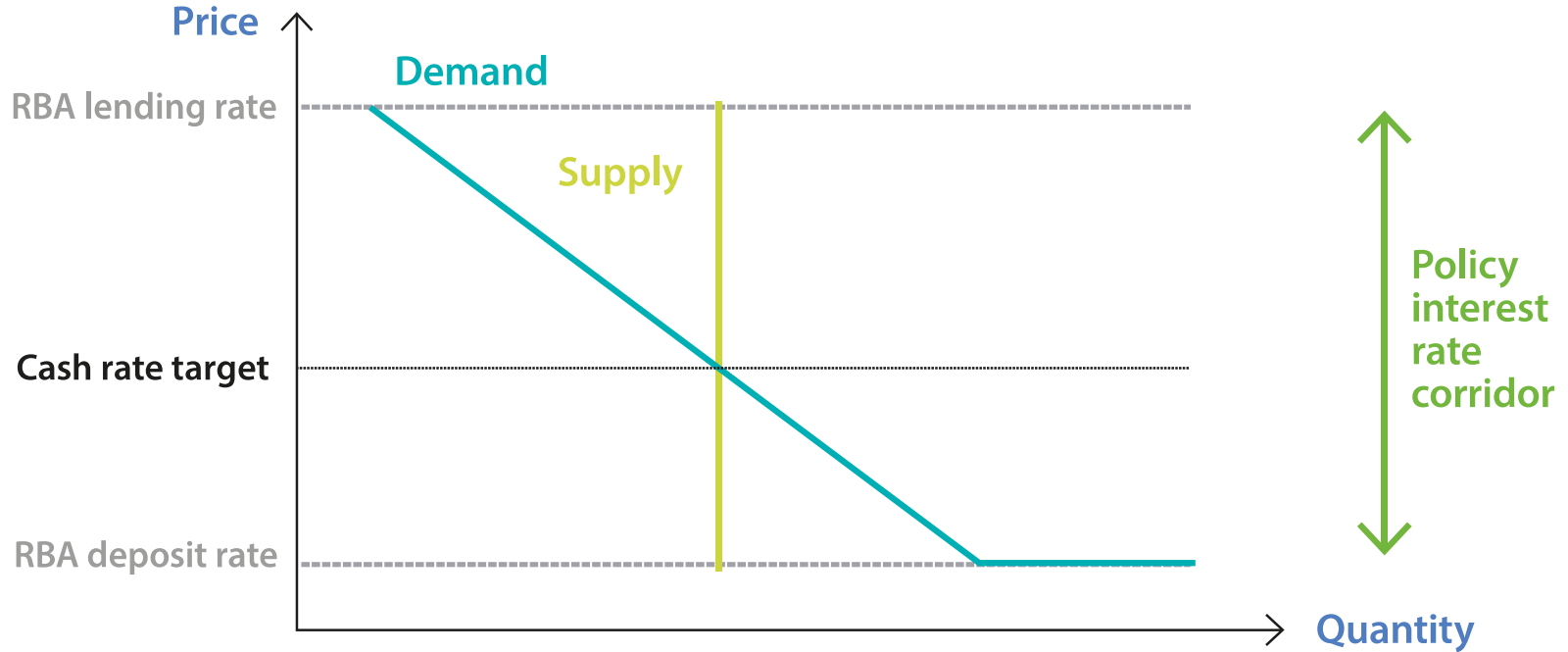


* Includes minimum required balances to meet after-hours payments.

Source: RBA

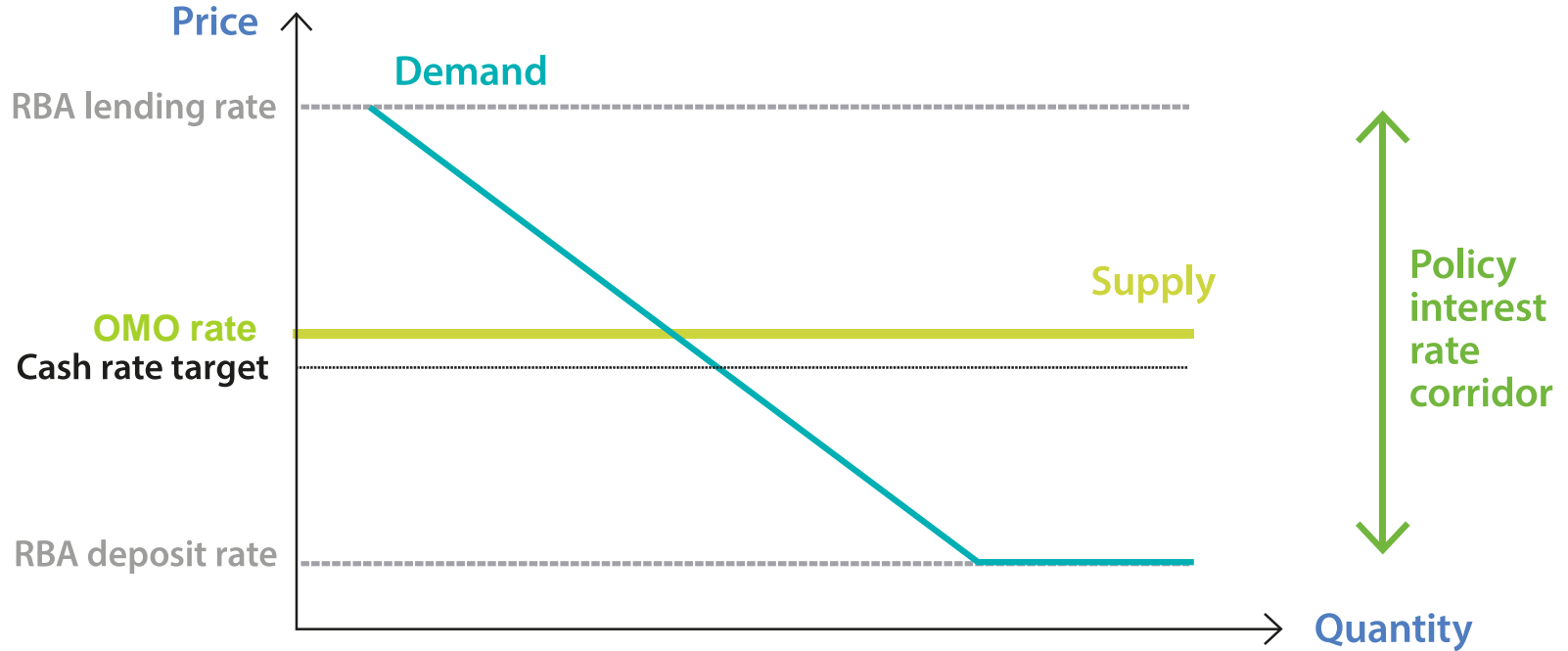


The Australian Cash Market





The Australian Cash Market

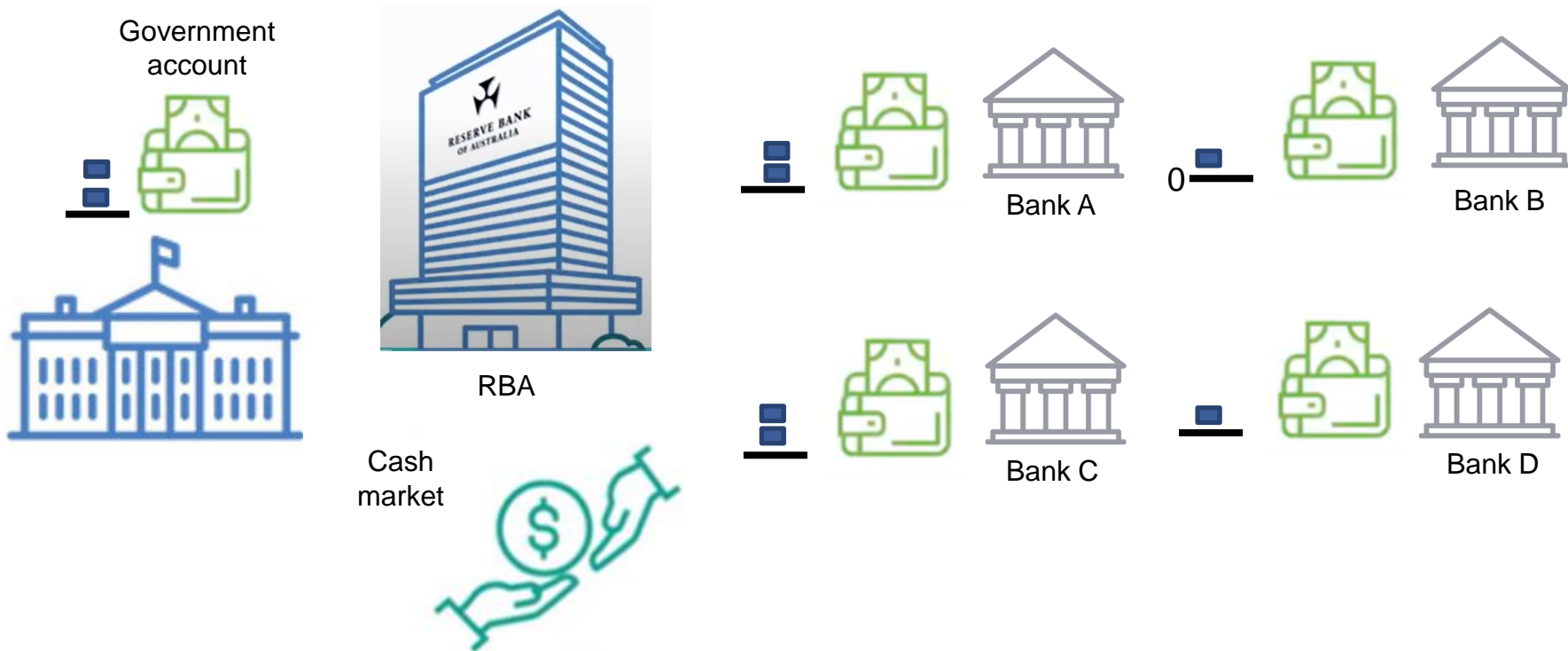




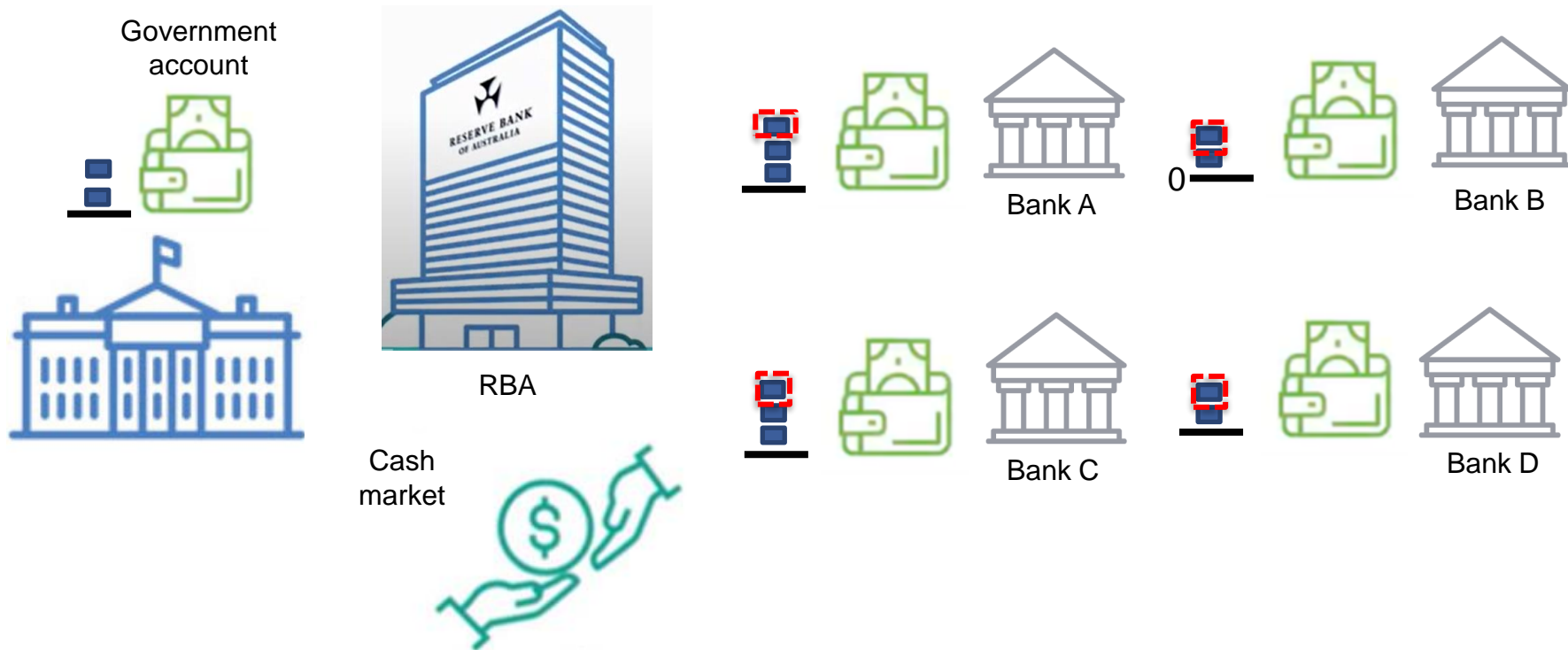
Terminology we will need

- Exchange Settlement (ES) balances
- Cash market
- Open market operations (OMO)
 - **Full allotment** repurchase agreement (repo)

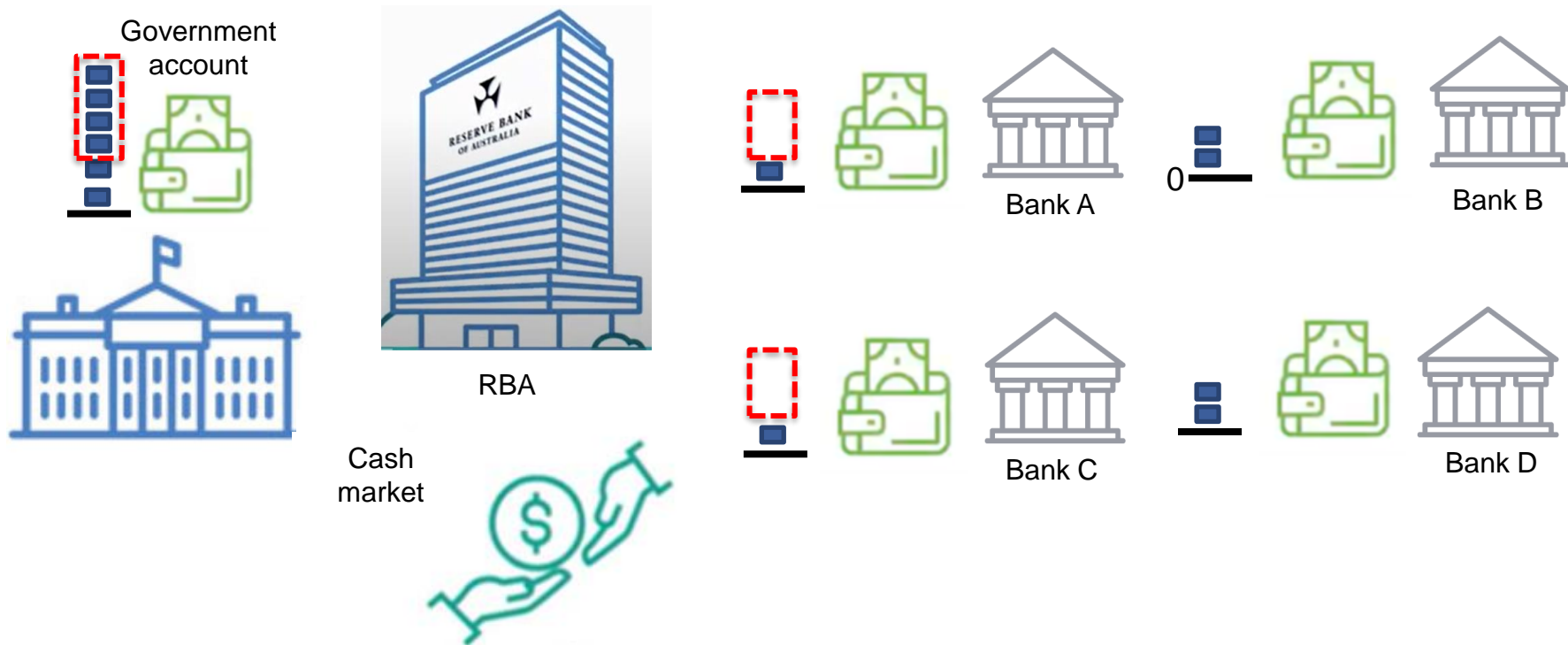
A typical day in the full-allotment system



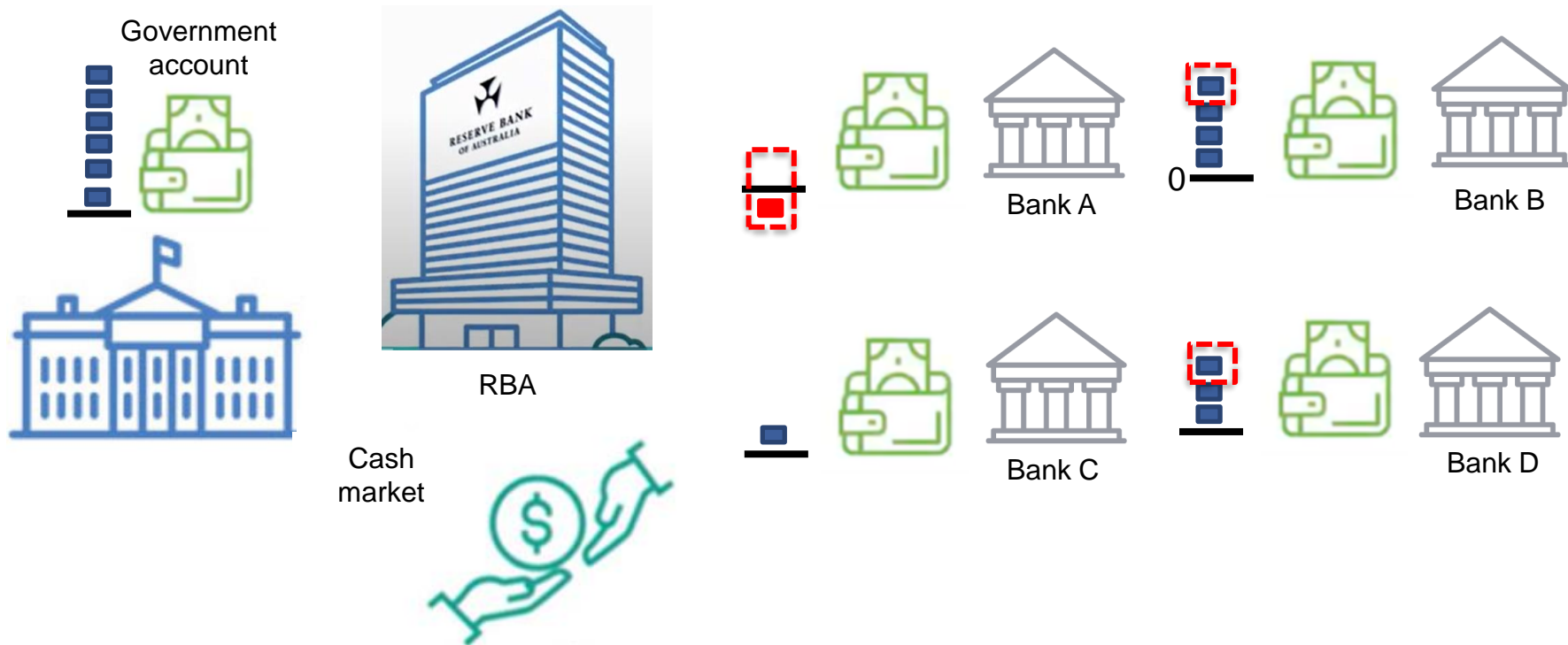
A typical day in the full-allotment system



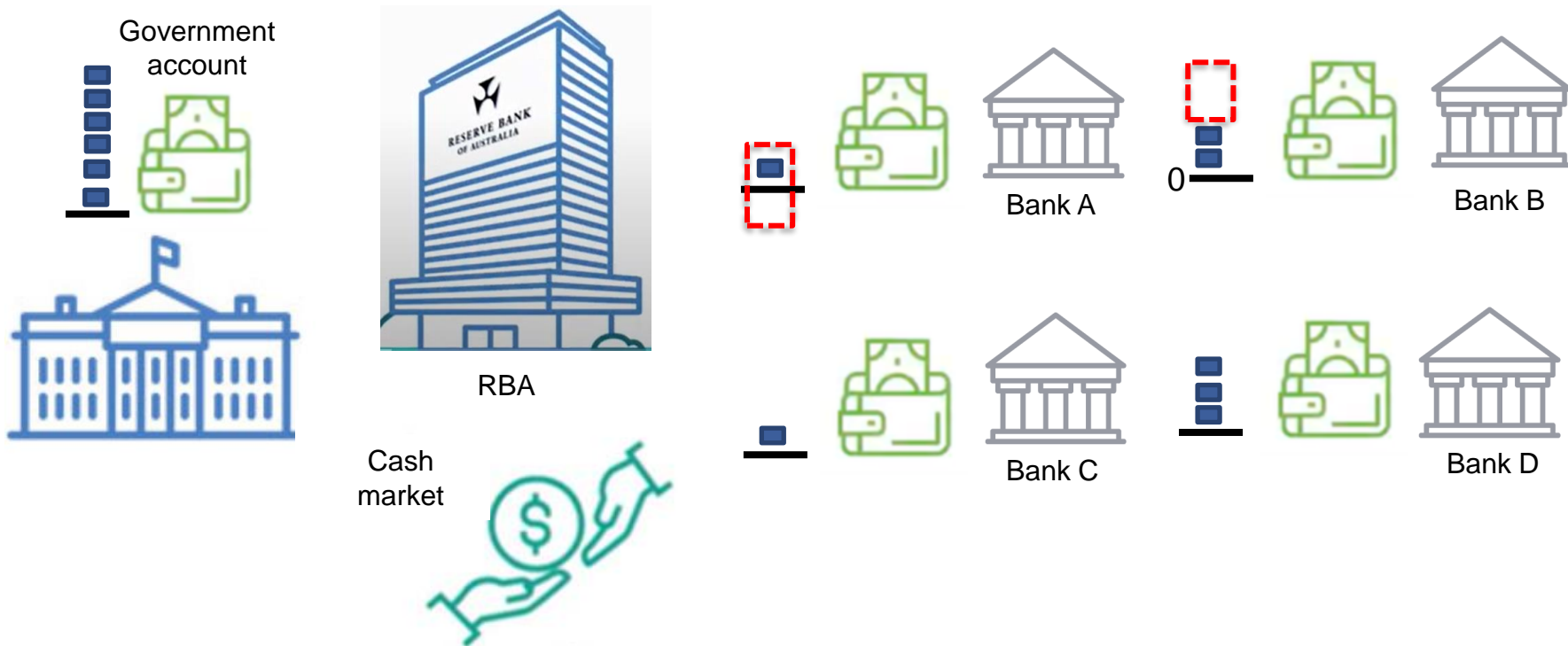
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A typical day in the full-allotment system

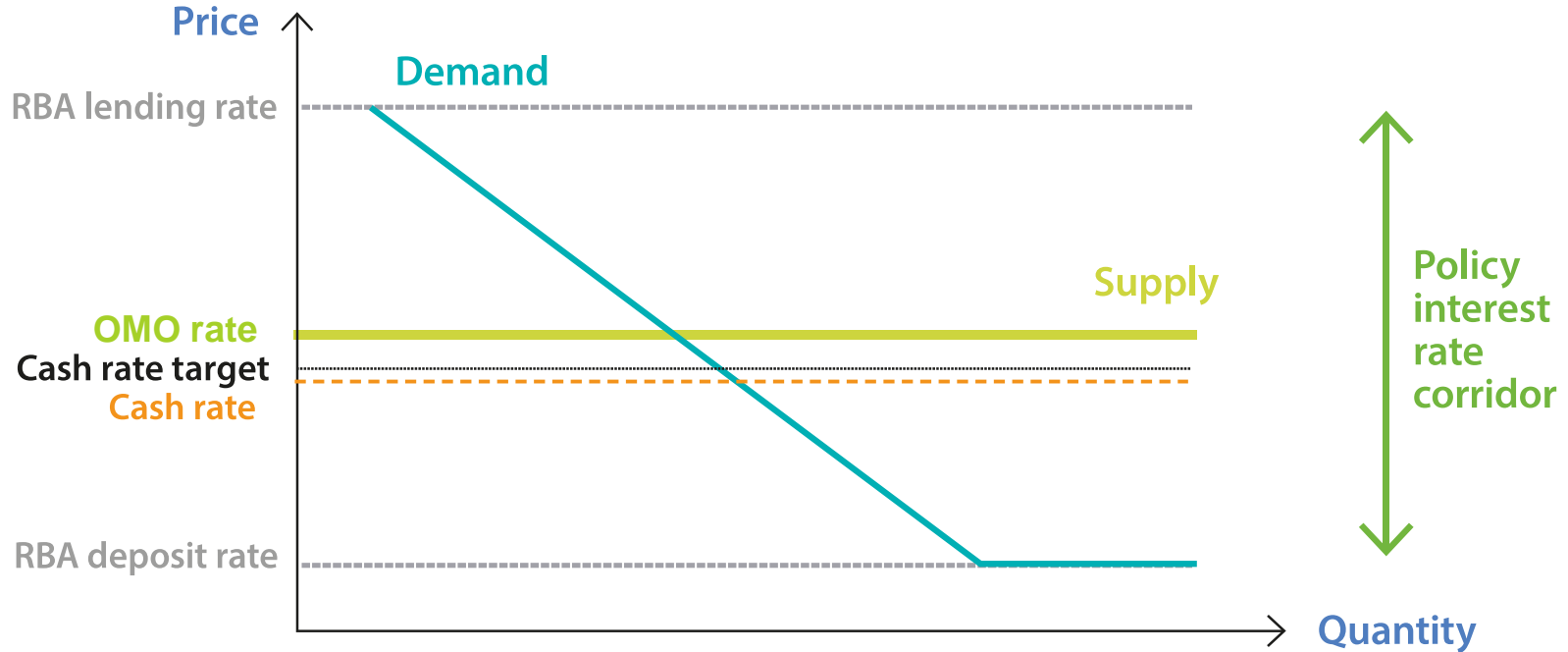


A typical day in the full-allotment system





The Australian Cash Market





When will we be in the new MPI system?

- We don't know exactly.
- We are currently deciding the details of our system.
- Resources are coming soon!



Bonus: a day in the life of a dealer

- Market intelligence
- Market monitoring
- Trading with counterparties

Contact Us



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