Abstract

The subject of this dissertation is an examination of possible determinants of short-term money market interest rates. In particular, the dissertation addressed the issues related to the impact of the monetary policy implementation pursued by the central banks on the level and volatility of money market interest rates in selected countries characterized by structural over-liquidity of the banking sector.

The analysis includes central banks of Poland (*Narodowy Bank Polski,* NBP), Czech Republic (*Ceska Narodni Banka*, CNB) and Hungary (*Magyar Nemzeti Bank*, MNB). This choice was driven by similarities of liquidity structure, geopolitical situation and the level of economic development in these countries. At the same time, despite some analogies in the field of economic and institutional conditions for conducting monetary policy, those central banks use different sets of monetary policy instruments to manage the banking sector liquidity. Moreover, chosen central banks define their operational targets for monetary policy implementation differently.

The aim of the dissertation is, on the one hand, to examine the determinants of interest rate fluctuations in the unsecured interbank depo market in the selected CEE countries. On the other hand, it aims to assess ability of the central banks to influence short-term money market interest rates amid excess liquidity in the banking sector.

Taking into account the objectives of the study, six research hypotheses were formulated. Formal verification of the research hypotheses aimed to confirm the main thesis of the doctoral dissertation, which states that: *In the environment of excess liquidity of the banking sector, the central banks' ability to influence the short-term interest rates in the interbank market is limited by autonomous decisions of commercial banks concerning management of their own liquidity position.*

The dissertation consists an introduction, five chapters and conclusions. The first chapter characterizes functioning of the money market and its structure in the analysed countries. The next two chapters describe in more details institutional environment and market conditions for monetary policy implementation. The fourth chapter describes changes in the monetary

policy operational frameworks that were introduced in response to the escalation of global financial crisis in the second half of 2008 and analyses their impact on the level and the volatility of short-term interest rates on the interbank market. The last chapter contains an empirical study which was conducted to examine main factors influencing the level and volatility of short-term interest rates in the interbank market.

The qualitative and quantitative analysis of the determinates of short-term interest rates and monetary policy implementation allowed to verify most of the formulated research hypotheses. The analysis of the activities of central banks in Poland, the Czech Republic and Hungary forms grounds for conclusion that the use of non-standard monetary policy instruments affects both the level as well as the volatility of short-term interest rates in the interbank market. Estimates of the econometric model parameters have also confirmed a significant impact on the level and volatility of short-term interest rates on the interbank market, among others, of such factors as: the current liquidity situation in the banking sector, the use of deposit and credit facilities by commercial banks, or the use of fine-tuning operations by central banks. The study also confirmed the occurrence of the calendar effect and the existence of a relationship between the level and volatility of money market interest rates and the day of the reserve maintenance period.

Positive verification of research hypotheses allowed to confirm the main thesis of the dissertation and finally reach the conclusion that in the environment of structural liquidity surplus prevailing in the banking system, the central banks may affect short-term interest rates in the unsecured interbank depo market. However, this impact is limited by the autonomous decisions taken by interbank market participants regarding the scale and the structure of use of liquidity absorbing instruments offered by the central bank. The demand of commercial banks for the monetary policy instruments (used by central bank to absorb excess liquidity from the banking sector) is influenced by a number of different factors that are beyond the direct control of central banks.