



# Monetary Policy Implementation in Australia

The Reserve Bank implements monetary policy by keeping the cash rate as close as possible to the target.



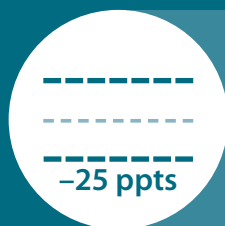
It does this by conducting money market transactions. These 'open market operations' are typically conducted as auctions.

Open market operations increase or decrease the amount of cash held by banks.



The Reserve Bank also helps banks manage cash under terms where lending and deposit rates form a corridor of 0.25 percentage points above and below the cash rate target. The corridor helps keep the cash rate close to target.

The Reserve Bank lends cash to banks at an interest rate 0.25 percentage points above the cash rate target. Banks would not borrow cash at a higher rate, so there is no market above this lending rate.



Banks deposit cash with the Reserve Bank at 0.25 percentage points below the cash rate target. Banks do not lend cash at a lower rate, so there is no market below this deposit rate.