< Transaction Data (Released December 1, 2010)

Regulatory Reform

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Central Bank Liquidity Swap Lines

Note: For current information on the Central Bank Liquidity Swaps established in 2020, visit Central Bank Liquidity Swaps.

Background

Because of the role that the U.S. dollar plays in global financial markets, strains in dollar funding markets overseas can disrupt financial conditions in the United States. To address severe strains in global short-term dollar funding markets, the Federal Reserve established temporary central bank liquidity swap lines (also referred to as reciprocal currency arrangements) with a number of foreign central banks. Foreign central banks then could draw on those lines to provide dollar liquidity to institutions in their jurisdictions. In the swap transactions, the Federal Reserve deals only with the foreign central bank. Moreover, as explained below, the transaction is structured so that the Federal Reserve does not bear any foreign exchange risk. In May 201 dollar swap lines were re-established with certain foreign central banks because of the re-emergence of strains in dollar funding markets.

Reserve could have received foreign currency liquidity from foreign central banks in order to lend to U.S. institutions, were also established. These swap lines are discussed in further detail below.

Liquidity swap lines were established under the authority of Section 14 of the Federal Reserve Act and in compliance with authorizations, policies, and procedures established by the Federal Open Market Committee (FOMC). The lines are administered by the Federal Reserve Bank of New York.

Dollar Liquidity Swap Lines

When a foreign central bank draws on its dollar liquidity swap line with the Federal Reserve, the foreign central bank sells a specified amount of its currency to the Federal Reserve in exchange for dollars at the prevailing market exchange rate. At the same time, the Federal Reserve and the foreign central bank enter into an agreement for a second transaction that obligates the foreign central bank to buy back its currency on a specified future date, which could be the next day or as much as three months later, at the same exchange rate used in the initial leg of the transaction. Because both legs of the transaction are conducted at the same exchange rate, the recorded value of the foreign currency amount is not affected by changes in the market exchange rate, and the Federal Reserve bears no exchange rate risk. At the conclusion of the second leg of the transaction, the foreign central bank pays interest to the Federal Reserve on the dollars drawn.

The foreign central bank lends the dollars it obtained via the swap line to institutions in its jurisdiction. The foreign central bank is obligated to return the dollars to the Federal Reserve under the terms of the agreement; the Federal Reserve is not a counterparty to the loan extended by the foreign central bank to depository institutions. The foreign central bank therefore bears the credit risk associated with the loans that it makes to institutions in its jurisdiction.

The FOMC authorized temporary dollar liquidity swap arrangements with 14 foreign central banks between December 12, 2007, and October 29, 2008. The arrangements expired on February 1, 2010. All transactions were executed in full, in accordance with the terms of the swap arrangements.

In May 2010, in response to the re-emergence of strains in short-term dollar funding markets abroad, the FOMC re-authorized dollar liquidity swap lines with five foreign central banks through January 2011. Since May 2010, the authorization for these lines has been extended several times, and the current authorization runs through February 1, 2014. See the press release.

Foreign Currency Liquidity Swap Lines

Foreign currency liquidity swap lines were designed to provide the Federal Reserve with the ability to address financial strains by providing foreign currency-denominated liquidity to U.S. institutions should a need arise. Although the lines were established and ready to be drawn upon, the Federal Reserve did not need to use them, and none of the lines was activated.

central banks on April 6, 2009, the arrangements expired on February 1, 2010. As noted, the Federal Reserve did not draw on these swap lines.

On November 30, 2011, the Federal Open Market Committee authorized foreign currency swap arrangements between the Federal Reserve and the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, and the Swiss National Bank. In addition, these foreign central banks also established bilateral swap arrangements with one another. These swap lines were authorized as a contingency measure, so that central banks can offer liquidity in foreign currencies if market conditions warrant such actions. These lines are authorized through February 1, 2014. To date, the Federal Reserve has not drawn on these swap lines.

Data

- Excel (121 KB) | Accessible (31 KB ZIP)
  CSV Data (68 KB) | CSV Definitions and Notes (2 KB)

Visit the Excel viewer for more information. Filter and sort features have been added to the column headers in the Excel spreadsheet to assist you with searching and to allow for the creation of custom datasets. Click on the arrow button in each column header to view and select the different filter and sort features.
Compressed (ZIP) files are available through 7-zip. Download the free 7-zip compression utility

The following information on dollar liquidity swap transactions is provided:

Data Description	
Central bank counterparty	The foreign central bank that is the counterparty for the dollar liquidity or foreign currency swap line
Tenor	Number of days that the liquidity swap is outstanding
Trade date	Date on which the details of the swap transaction were agreed upon
Settlement date	Date on which the U.S. dollars are extended to the foreign central bank in exchange for the receipt of foreign currency
Maturity date	Date on which the U.S. dollars are returned to the Federal Reserve and foreign currency is returned to the foreign central bank
Amount extended	The U.S. dollar amount extended to the foreign central bank on settlement date, in millions of dollars
Interest rate	The rate at which interest is payable by the foreign central bank on the proceeds of the swap transaction
Foreign currency	The denomination of the currency received by the Federal Reserve at the settlement date in exchange for U.S. dollars

	received by the Federal Reserve at settlement date and returned to the foreign central bank at maturity
Exchange rate units	The units in which the exchange rate is quoted, dollars per foreign currency or foreign currency per dollar
Foreign currency amount received	The foreign currency amount received by the Federal Reserve on settlement date and returned to the foreign central bank on maturity date

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