

# Central bank liquidity lines

Liquidity lines between central banks are well-established instruments in the central banking policy toolkit, aimed at alleviating tensions in international funding markets. They are framework agreements that enable central banks to receive currencies issued by other central banks in exchange for some form of collateral based on predefined terms. Two basic types of financial instrument can be used to establish a liquidity line: a swap agreement and a repurchase agreement.

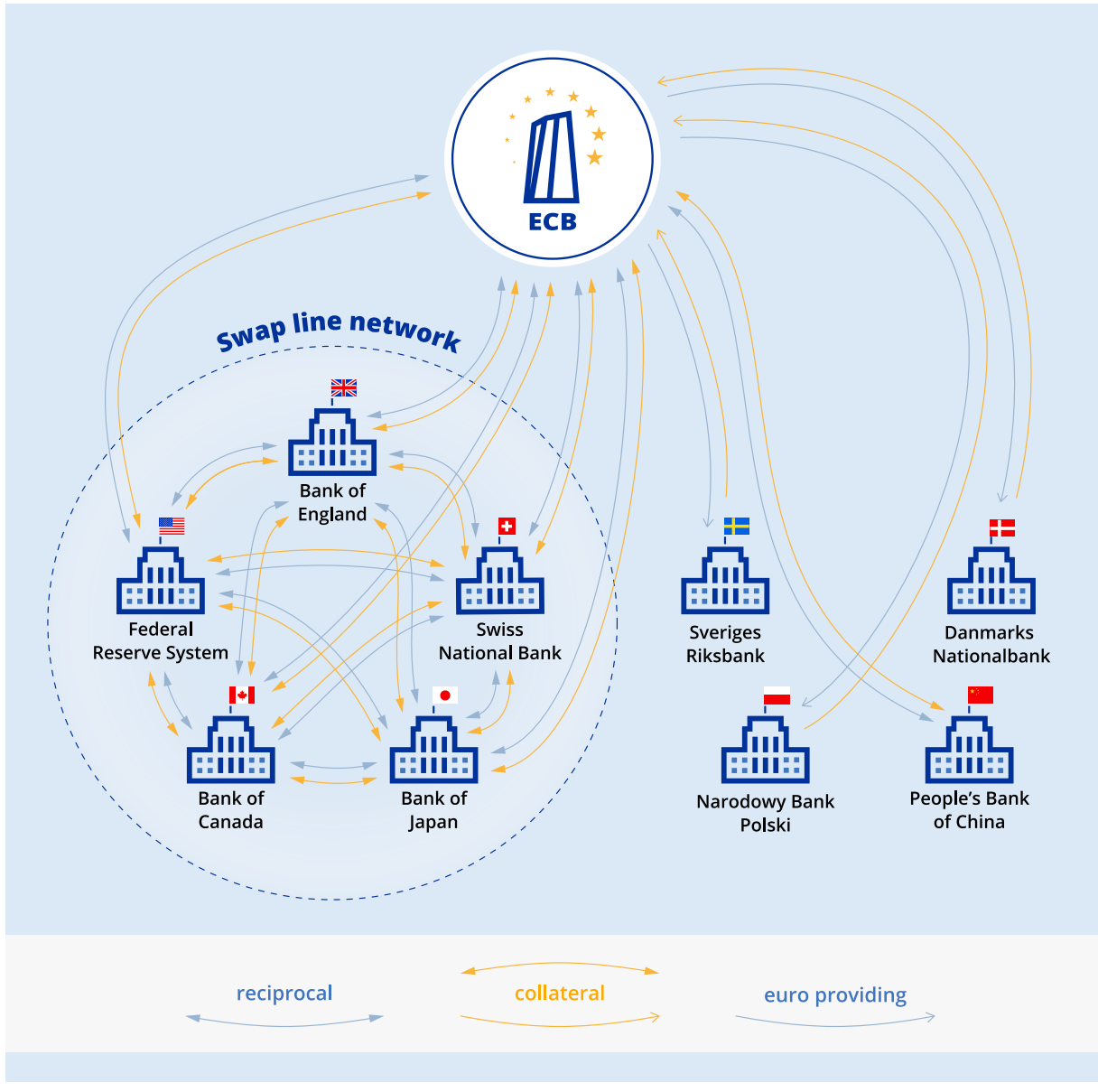
Swap and repo lines have been increasingly used by the ECB and other major central banks since the global financial crisis in 2008-09. The ECB is part of a swap-line network consisting of standing bilateral arrangements with five other major central banks (the Bank of Canada, the Bank of Japan, the Swiss National Bank, the Bank of England and the Federal Reserve System). In response to the coronavirus (COVID-19) crisis, the ECB swiftly reactivated existing swap lines with a number of central banks and also set up new ones. In addition to this, the ECB set up new bilateral repo lines with several non-euro area central banks.

## Currency swap agreements

Currency swap agreements between two central banks are contractual agreements in which the borrowing central bank obtains the currency of another in exchange for its own currency, which is provided as collateral. Both central banks are contracted to reverse the transaction and repay the borrowed currency plus a contractually agreed interest rate on a specified date.

**Figure 1**  
Swap lines

The ECB provides euro against foreign currencies, which are accepted as collateral. Under reciprocal swap lines, the ECB may also receive foreign currency by providing euro as collateral.



Source: ECB.

Notes: Illustration of the agreements in place as at December 2022. For the current list of agreements under the ECB's main framework see the table further down.

Many of the ECB's swap agreements are reciprocal. This means that the ECB is able to (i) provide euro to a central bank while receiving foreign currency as collateral, and (ii) receive foreign currency from the issuing central bank while providing euro as collateral, whichever of the two is necessary in

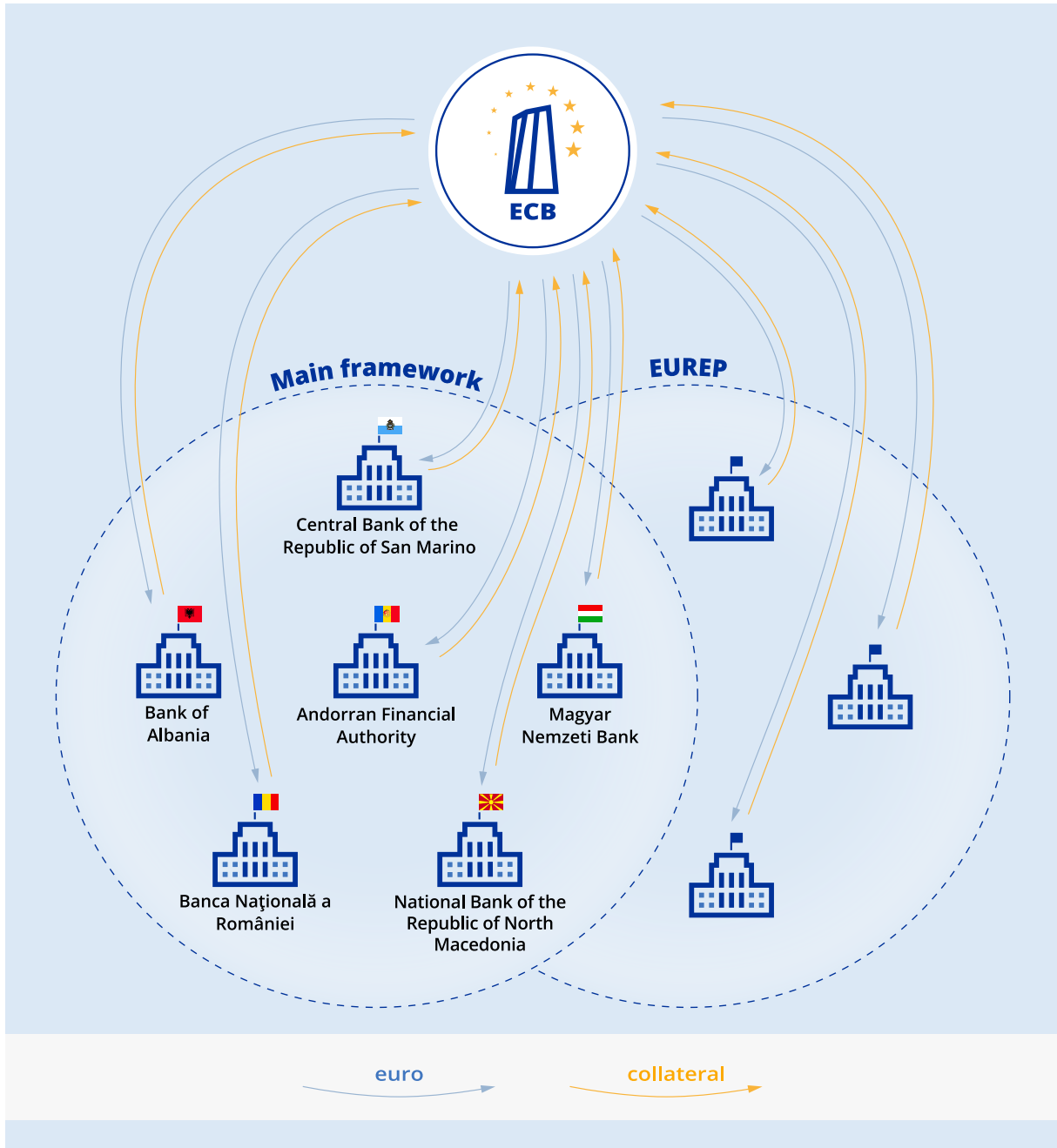
given circumstances. However, some ECB swap agreements only envisage the ECB providing euro to another central bank in exchange for foreign currency, issued by the requesting central bank, pledged as collateral with the ECB.

## **Repurchase agreements**

Repurchase agreements are contractual agreements in which the borrowing central bank obtains foreign currency, for a specified period and at a contractually agreed interest rate, in exchange for financial assets denominated in that same currency provided as collateral to the lending central bank. Under all ECB repo agreements, the ECB provides euro to a non-euro area central bank and receives euro-denominated financial assets as collateral.

**Figure 2**  
Repo lines

**The ECB provides euro against adequate euro-denominated collateral accepted by the ECB.**



Source: ECB.

Notes: Illustration of the agreements in place as at December 2022. For the current list of agreements under the ECB's main framework see the table further down.

**What is the purpose of swap and repo lines?**

The Eurosystem's swap and repo lines are used as monetary policy instruments and as stabilising tools in times of stress on the global financial markets.

When the ECB provides euro to non-euro area central banks, the liquidity lines address possible euro liquidity needs in non-euro area countries in the event of market dysfunctions. They therefore prevent spillback effects on euro area financial markets and economies that might adversely impact the smooth transmission of the ECB's monetary policy. The lines also prevent euro liquidity shortages from turning into financial stability risks.

When the ECB receives foreign currency from another central bank (e.g. US dollars from the Federal Reserve System) and provides euro as collateral, the liquidity lines ensure the continuous provision of loans in foreign currency. This prevents abrupt deleveraging, extreme price movements and interruptions in the flow of credit resulting from tensions in international funding markets.

## **ECB main framework and Eurosystem repo facility for central banks (EUREP)**

The ECB has a main framework within which it uses strict criteria to assess the conditions under which to grant swap and repo lines to non-euro area central banks. This framework comprises the above-mentioned bilateral swap and repo lines. The ECB's Governing Council assesses incoming requests for liquidity lines on a case-by-case basis. Some ECB swap agreements are standing agreements with no end date, although the parties are able to terminate them at any time. Other arrangements have a predefined end date but can be prolonged by mutual agreement.

Complementing its main framework, in June 2020 the ECB established the Eurosystem repo facility for central banks (EUREP). The EUREP aims to broaden access to the Eurosystem's liquidity arrangements to a large range of central banks around the world, beyond the swap and repo lines established under the ECB's main framework.

The euro-providing swap and repo lines are backstop facilities and have been deployed to address possible euro liquidity needs in the event of market dysfunctions outside the euro area, which could adversely impact the smooth transmission of the ECB's monetary policy. The EUREP was designed initially for use as a temporary and precautionary facility in the context of the coronavirus shock; currently it is being used in response to the uncertain environment caused by the Russian invasion of Ukraine and the risk of regional spillovers that could adversely affect euro area financial markets. The EUREP facility will be available until 15 January 2024.

### **FAQ on EUREP**

Non-euro area counterpart	Type of arrangement	Maximum borrowable amount (in EUR million)	Expiry date	Reciprocal
Danmarks Nationalbank	Swap line	24,000	Standing	No
Sveriges Riksbank	Swap line	10,000	Standing	No
Bank of Canada	Swap line	Unlimited	Standing	Yes
People's Bank of China**	Swap line	45,000	08 October 2025	Yes
Bank of Japan	Swap line	Unlimited	Standing	Yes
Swiss National Bank	Swap line	Unlimited	Standing	Yes
Bank of England	Swap line	Unlimited	Standing	Yes
Federal Reserve System	Swap line	Unlimited	Standing	Yes
Narodowy Bank Polski	Swap line	10,000	15 January 2024	No
Magyar Nemzeti Bank	Repo line	4,000	15 January 2024	No
Banca Națională a României	Repo line	4,500	15 January 2024	No
Bank of Albania	Repo line	400	15 January 2024	No
Andorran Financial Authority	Repo line	35	15 January 2024	No
National Bank of the Republic of North Macedonia	Repo line	400	15 January 2024	No

\* The table does not include repo lines established with non-euro area central banks under the EUREP, for which the ECB does not disclose its counterparties.

\*\* Maximum borrowable amount is set to CNY 350 billion when CNY is provided to the ECB.

Non-euro area counterpart	Type of arrangement	Maximum borrowable amount (in EUR million)	Expiry date	Reciprocal
Central Bank of the Republic of San Marino	Repo line	100	15 January 2024	No

\* The table does not include repo lines established with non-euro area central banks under the EUREP, for which the ECB does not disclose its counterparties.

\*\* Maximum borrowable amount is set to CNY 350 billion when CNY is provided to the ECB.

## Data

The dataset below is published weekly. It provides data on the aggregate daily amount of liquidity provided across all central bank liquidity lines established under the main framework and the EUREP, denominated in euro, as from January 2020.

- > [History of liquidity provided across all central bank liquidity lines \(in euro millions\)](#) last update: 6 June 2023

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