

Coordinated Central Bank Action to Address Pressures in Global Money Markets

Notice - Wednesday, November 30, 2011, 08:00 (ET)

The Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, the Federal Reserve and the Swiss National Bank are today announcing coordinated actions to enhance their capacity to provide liquidity support to the global financial system. The purpose of these actions is to ease strains in financial markets and thereby mitigate the effects of such strains on the supply of credit to households and businesses and so help foster economic activity.

These central banks have agreed to lower the pricing on the existing temporary U.S. dollar liquidity swap arrangements by 50 basis points so that the new rate will be the U.S. dollar overnight index swap (OIS) rate plus 50 basis points. This pricing will be applied to all operations conducted from 5 December 2011. The authorization of these swap arrangements has been extended to 1 February 2013. In addition, the Bank of England, the Bank of Japan, the European Central Bank, and the Swiss National Bank will continue to offer three-month tenders until further notice.

As a contingency measure, these central banks have also agreed to establish temporary bilateral liquidity swap arrangements, so that liquidity can be provided in each jurisdiction, in any of their currencies, should market conditions so warrant. At present, there is no need to offer liquidity in non-domestic currencies other than the U.S. dollar, but the central banks judge it prudent to make the necessary arrangements so that liquidity support operations could be put into place quickly should the need arise. These swap lines are authorized through 1 February 2013.

Bank of Canada Action

The Bank of Canada and the U.S. Federal Reserve have agreed to extend the US \$30 billion **swap facility** (reciprocal currency arrangement) through 1 February 2013 and adjust the pricing to the U.S. dollar OIS rate plus 50 basis points. This swap facility was set to expire on 1 August 2012.

The introduction of the expanded network of temporary swap lines will enable the Bank of Canada, should the need arise, to provide Canadian dollars to the other central banks, and to provide liquidity in Japanese yen, euros, U.K. pounds sterling, Swiss francs and U.S. dollars (via the existing U.S. dollar swap facility) to financial institutions in Canada.

The Bank of Canada judges that it is not necessary for it to draw or offer operations on any of these swap facilities at this time, but that it is prudent to have these agreements in place. Should these facilities be drawn on, the details of the liquidity facilities provided would depend on the specific market circumstances at the time.

The Bank of Canada continues to closely monitor developments in global financial markets and remains committed to providing liquidity as required to support the stability of the Canadian financial system and the functioning of financial markets.

Information on related actions being taken by other central banks

Information on the actions taken by other central banks is available at the following websites.

U.S. Federal Reserve Board

Bank of England

European Central Bank

Bank of Japan

Swiss National Bank

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