

# Coordinated central bank action to address pressures in global money markets

30 November 2011

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 US dollar liquidity swap arrangements by 50 basis points so that the new rate will be the US dollar Overnight Index Swap (OIS) rate plus 50 basis points. This pricing will be applied to all operations conducted from 5 December 2011. The authorisation 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 US 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 authorised through 1 February 2013.

## **European Central Bank Decision**

The Governing Council of the European Central Bank (ECB) decided in co-operation with other central banks the establishment of a temporary network of reciprocal swap lines. This action will enable the Eurosystem to provide euro to those central banks when required, as well as enabling the Eurosystem to provide liquidity operations, should they be needed, in Japanese yen, sterling, Swiss francs and Canadian dollars (in addition to the existing operations in US dollars).

The ECB will regularly conduct US dollar liquidity-providing operations with a maturity of approximately one week and three months at the new pricing. The schedule for these operations, which will take the form of repurchase operations against eligible collateral and will be carried out as fixed-rate tender procedures with full allotment, will be published today on the ECB's website.

In addition, the initial margin for three-month US dollar operations will be reduced from currently 20% to 12% and weekly updates of the EUR/USD exchange rate will be introduced in order to carry out margin calls. Those changes will be effective as of the operations to be conducted on 7 December 2011. Further details about the operations will be made available in the respective modified tender procedure via the ECB's Website.

Information on the actions to be taken by other central banks is available on the following websites:

Bank of Canada (<http://www.bankofcanada.ca>)

Bank of England (<http://www.bankofengland.co.uk>)

Bank of Japan (<http://www.boj.or.jp/en>)

Federal Reserve (<http://www.federalreserve.gov>)

Swiss National Bank (<http://www.snb.ch>)

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