



[REDACTED]
THE EXECUTIVE BOARD

3 November 2008
CONFIDENTIAL

REQUEST FOR A EUR REPO AGREEMENT FROM NATIONAL BANK OF POLAND (NBP)

On 10 October 2008 the President of the National Bank of Poland (NBP), Mr Skrzypek, issued a letter to the ECB President [REDACTED] to help the latter dealing with potential difficulties the Polish banking sector may face in foreign currency financing.

The ECB President replied that, in line with the principles recently agreed upon by the Governing Council, the ECB would only be prepared to discuss a potential repurchase transaction agreement with the NBP in order to provide euro liquidity assistance to the Polish banking sector.

On 28 October 2008, Mr Skrzypek wrote again to the ECB President agreeing to a potential repurchase transaction agreement between the NBP and ECB and describing some of the current market disruptions in Poland. The NBP suggested a maximum amount for a potential repo agreement of EUR 10 billion on 30 October 2008, when it also sent additional information about market disfunctioning in Poland and about the overall package of measures decided by the authorities to deal with current difficulties, as in the enclosed material.

On 20 October 2008 the Governing Council established the series of principles on liquidity assistance by the ECB to non-euro area EU countries. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] In this regard, in order to be consistent with the precedent set by the recent repo agreement established between the ECB and Magyar Nemzeti Bank (MNB) and the above mentioned principles, the ECB could offer the NBP a repo agreement broadly based on the existing one with MNB.

The information provided in the annexes and reported by the NBP suggests that various market segments are currently experiencing disorderly conditions. The FX swap market, which is a key source of inter-bank funding in Poland, is experiencing severe disruptions due to the lowering/elimination of interbank credit lines. In order to restore orderly market conditions, the NBP introduced on 23 October 1-week USD/PLN and EUR/PLN FX swap operations and 3-month PLN repo operations. The NBP and the Swiss National Bank are also in advanced stage of negotiation for a EUR/CHF swap. Significant foreign capital outflows are also contributing to disorderly conditions in the PLN government securities market and the Polish equity and FX spot markets.

[REDACTED]

[REDACTED]

As mentioned already, the NBP has suggested a maximum amount for a potential repo agreement of EUR 10 billion. This amount is consistent with amounts previously established with other non-euro area EU central banks.

The Governing Council is invited to:

- (a) **assess the information provided by NBP to be sufficient to fulfil the pre-condition [REDACTED]**
[REDACTED]
[REDACTED];
- (b) **decide that the ECB should offer a repo agreement to the NBP for total amount of EUR 10 billion, broadly based on the repo agreement with MNB, and that the rules regarding collateral would be the ones applied in the agreement with MNB;**
- (c) **delegate the responsibility for the finalisation, signature and implementation of this potential agreement with the NBP, to the Executive Board, with the possibility that the Executive Board may further delegate this competence among its members.**