

[REDACTED]

[REDACTED]

From a settlement perspective, it is noted that there may be a need for some Eurosystem central banks to open CHF cash accounts with the SNB. In addition, eligible Eurosystem counterparties intending to participate to such operation would have to provide their local NCB with their respective standard settlement instructions for receipt of CHF in advance of the operation. To avoid undue risk for the Eurosystem and in line with the general procedure applied for Eurosystem credit operations (including USD liquidity provision), it is suggested that the EUR/CHF operation be settled on a payment-after-payment basis at the level of Eurosystem NCBs and market counterparties. Such an approach implies that market counterparties would credit the EUR amount due to their respective NCB in advance of such NCB transferring the related CHF.

The FX swaps between the ECB and the SNB would be based on the existing “*Euro-Swiss Franc Swap Agreement*” which would only need some smaller amendments [REDACTED]

[REDACTED]

[REDACTED]

In case the Governing Council approves these CHF providing operations, the SNB and the ECB would need to draft a common press release to be published by Friday, 17 October 2008 at the latest for the first EUR/CHF transaction to be conducted on Monday, 20 October 2008.

The Governing Council is invited to:

a) decide whether

- (i) to offer CHF liquidity providing foreign exchange swaps to Eurosystem counterparties;
- (ii) to also provide access to non euro area central banks from the European Union to this swap transactions (always in the form of swaps of euros against Swiss francs);

b) approve

- (i) the SNB’s request to place the [REDACTED];
- (ii) that there is no need for additional risk control measures;

c) delegate to the Executive Board

- (i) the finalisation of the swap agreement with the Swiss National Bank;
- (ii) the adoption of the Guideline relating to these foreign exchange swap transactions, which will include the tender procedures and any other implementation issue;

(d) take note that, upon Governing Council approval of the proposal, the CHF liquidity providing operations would be announced via a common press release at the latest for the first EUR/CHF transaction to be conducted on Monday, 20 October 2008.