

Communications

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Swiss National Bank and European Central Bank cooperate to provide Swiss franc liquidity

The increased tensions in international money markets have also led to upward pressure on short-term Swiss Franc money market rates. At the same time, Swiss franc funding needs of banks with no direct access to Swiss National Bank operations have increased, notably in the euro area. Therefore, the Swiss National Bank (SNB) and the European Central Bank (ECB) are jointly announcing measures to improve liquidity in short-term Swiss franc money markets.

Each Monday, starting on 20 October 2008, the SNB and the Eurosystem will conduct EUR/CHF foreign exchange swaps providing Swiss francs against euro with a term of 7 days at a fixed price. The fixed price and the maximum amounts allotted by SNB and ECB will be announced before the operation. If the aggregate amount of bids exceeds the maximum amounts, the allocation is carried out on a pro rata basis. The SNB and ECB have entered into a temporary swap arrangement through which the ECB can access Swiss franc liquidity to provide the Swiss franc funding that is allotted to banks in its jurisdiction. This measure will be in place as long as needed, at least until January 2009.

The foreign exchange swap transaction is conducted as follows: the SNB and the Eurosystem will buy EUR against CHF in the near leg of the transaction and will simultaneously sell EUR against CHF in the far leg. The price, i.e., the swap points, will be calculated by using the rate applied in main refinancing operations of the ECB (currently 3.75%) and the SNB 1-week repo rate plus 25 basis points. This corresponds to an interest rate for the additional Swiss franc funding of 25 basis points above the SNB's 1-week repo rate.

Further information about the EUR/CHF foreign exchange swaps of the SNB and the ECB is provided in separate instruction sheets available on the respective websites (<http://www.ecb.int>; <http://www.snb.ch>)