

Communications

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Zurich, 30 November 2011

Coordinated central bank action to address pressures in global money markets

The Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank (ECB), the Federal Reserve and the Swiss National Bank (SNB) 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 ECB and the SNB 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.

Swiss National Bank action

The Swiss National Bank (SNB) has decided, in cooperation with other central banks, to establish a temporary network of reciprocal swap lines. This action will allow the SNB to provide Swiss francs to these central banks when required, as well as enabling the SNB to provide liquidity, should it be needed, in Canadian dollars, British pounds, Japanese yen, and euros (in addition to the existing operations in US dollars). The SNB continues to closely monitor the developments in global money markets.

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The SNB intends to continue conducting US dollar liquidity-providing repo operations at terms of one week and three months. Further information about the US dollar operations and the technical requirements are posted on the SNB website (www.snb.ch/en/ifor/finmkt/id/finmkt_usdollars).

Information on related measures taken by other central banks is available on the following websites:

Bank of Canada (www.bankofcanada.ca)

European Central Bank (www.ecb.int)

Bank of England (www.bankofengland.co.uk)

Federal Reserve System (www.federalreserve.gov)

Bank of Japan (www.boj.or.jp/en/)