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Central Bank Liquidity Swaps Overview

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February 15, 2010

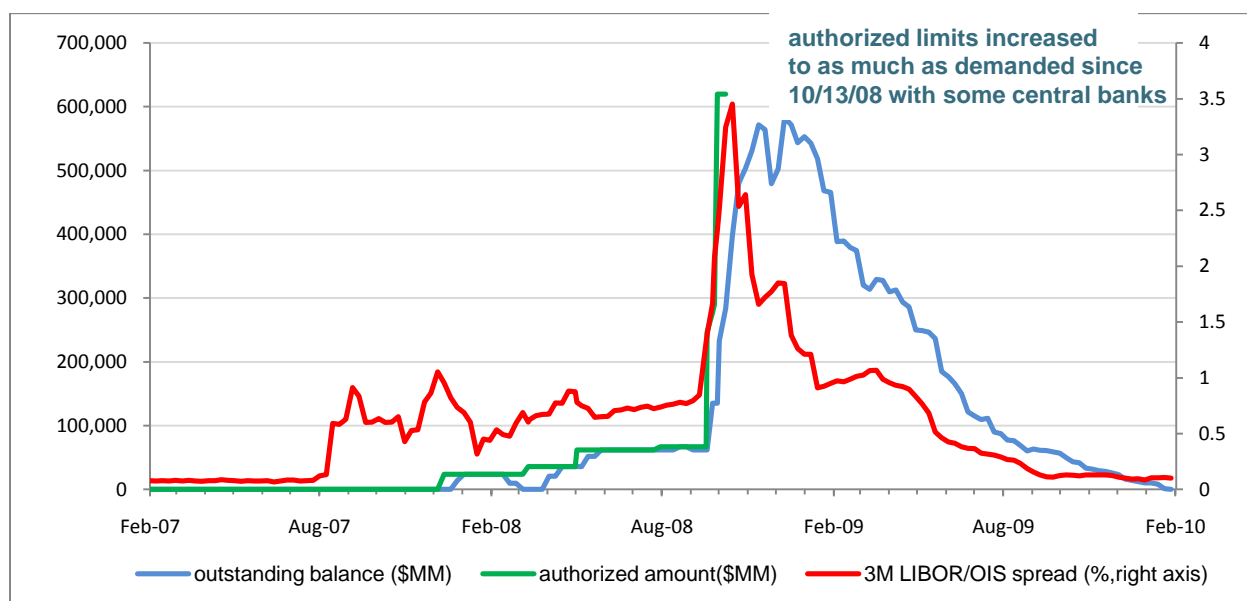
- In coordinating with other central banks to provide liquidity, the Federal Reserve enters into agreements to establish temporary reciprocal currency arrangements (central bank liquidity swap lines) with foreign central banks. The Federal Reserve operates swap lines under the authority of section 14 of the Federal Reserve Act and in compliance with authorizations, policies, and procedures established by the Federal Open Market Committee (FOMC).
- The FOMC initially authorized the dollar liquidity swap lines with the ECB and the SNB on December 12, 2007. Overtime, the FOMC has authorized dollar liquidity swap lines with a total of 14 foreign central banks. These lines provide foreign central banks with the capacity to offer U.S. dollar liquidity to financial institutions in their jurisdictions. These swap lines have experienced several increases and extensions and were eventually effective through February 1, 2010. The total authorized amount in these swap lines had surged from \$67bn (on 7/30/08) to \$620bn (on 9/29/08), before a further expansion by the FOMC to accommodate whatever quantity of USD funding that would be demanded with the BoE, the ECB, and the SNB on 10/13/08. The net amount outstanding drawn by central banks had surged to a high of \$582.76bn toward the end of Q4 of 2008, before declining steadily and substantially.
- The FOMC also authorized foreign-currency liquidity swap lines with the Bank of England, the European Central Bank, the Bank of Japan, and the Swiss National Bank on April 6, 2009. These lines provide the Federal Reserve with the capacity to offer liquidity to U.S. institutions in foreign currency, should a need arise in the future. These lines were initially authorized through October 30, 2009 and had been subsequently extended through February 1, 2010. The Federal Reserve has not drawn on these swap lines.



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USD liquidity swap lines and the LIBOR/OIS spread



Funding pressures in USD markets rose significantly since the end of July 2007, more than four months before the authorization of the dollar liquidity swap lines with other central banks by the FOMC. During the first nine months of the program, demand for USD had been strong enough to have often reached the authorized swap line limits. There had been a number of sizable expansions of the program in September 2008, which drove the total authorized amount to \$620bn on 9/29/08. On October 13, 2008, the FOMC made further expansions to accommodate whatever quantity of USD funding that would be demanded with the BoE, the ECB, and the SNB. The net amount drawn by central banks had surged to a high of \$582.76bn towards the end of Q4 of 2008, before retreating steadily and substantially.



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Authorized amount of USD liquidity swap lines

Total amount and amount by central bank (\$bn)

Total	24	36	62	67	247	277	290	620	as demanded	as demanded	as demanded
	12/12/07	3/11/08	5/2/08	7/30/08	9/18/08	9/24/08	9/26/08	9/29/08	10/13/08	10/28/08	10/29/08
the European Central Bank	20	30	50	55	110	110	120	240	as demanded	as demanded	as demanded
the Swiss National Bank	4	6	12	12	27	27	30	60	as demanded	as demanded	as demanded
the Bank of Japan					60	60	60	120	120	120	120
the Bank of England					40	40	40	80	as demanded	as demanded	as demanded
the Bank of Canada					10	10	10	30	30	30	30
the Reserve Bank of Australia						10	10	30	30	30	30
Sveriges Riksbank						10	10	30	30	30	30
Denmarks Nationalbank						5	5	15	15	15	15
Norges Bank						5	5	15	15	15	15
the Reserve Bank of New Zealand										15	15
the Banco Central do Brazil											30
the Banco de Mexico											30
the Bank of Korea											30
the Monetary Authority of Singapore											30



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Timeline: Central Bank Liquidity Swaps

- **12/12/2007** FOMC authorized USD swap lines with ECB and SNB for up to 6 months.
- **03/11/2008** Existing USD swap lines increased and extended through 09/30/2008.
- **05/02/2008** Existing USD swap lines further increased and extended through 01/30/2009.
- **07/30/2008** Existing USD swap lines with ECB increased to \$55bn.
- **09/18/2008** FOMC authorized a \$180bn expansion of USD swap lines as well as the establishment of three new swap lines through 01/30/2009.
- **09/24/2008** FOMC authorized four new USD swap lines through 01/30/2009.
- **09/26/2008** Existing USD swap lines with ECB and SNB increased.
- **09/29/2008** FOMC authorized a \$330bn expansion of USD swap lines as well as the establishment of four new swap lines. Existing USD swap lines have also been extended through 04/30/2009.
- **10/13/2008** FOMC authorized increases in the sizes of the USD swap lines with the BoE, the ECB, and the SNB to accommodate whatever quantity of USD funding is demanded.
- **10/28/2008** FOMC authorized a USD swap line with the Reserve Bank of New Zealand through 04/30/2009.
- **10/29/2008** FOMC authorized four new USD swap lines, through 04/30/09.
- **02/03/2009** FOMC authorized the extension of all liquidity swap lines, except for that with BoJ, to 10/30/2009.
- **02/19/2009** The Bank of Japan announced an extension of the USD funds-supplying operations through 10/30/2009.
- **04/06/2009** FOMC authorized *foreign currency* liquidity swap lines with BoE, ECB, BoJ and SNB, through 10/30/2009.
- **06/25/2009** FOMC authorized the extension of all liquidity swap lines, except for that with BoJ, to 02/01/2010.
- **07/15/2009** The Bank of Japan announced an extension of the USD funds-supplying operations through 2/1/2010.

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