



EUROPEAN CENTRAL BANK

EUROSYSTEM

██████████
THE EXECUTIVE BOARD

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CONFIDENTIAL

SWAP AGREEMENT BETWEEN THE ECB AND SVERIGES RIKSBANK

Following a request of Sveriges Riksbank, a draft swap agreement has been prepared at the level of the ECB's and Sveriges Riksbank's market operations and legal departments. A draft of the agreement is provided herewith (██████████).

The aim of the swap agreement, as stated in the agreement, is "*to facilitate the functioning of financial markets and provide liquidity in EUR in case of adverse developments in the markets*". ██████████

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The following points may be noted as regards the draft swap agreement:

- The draft swap agreement foresees a maximum amount of EUR 10 billion which can be drawn by Sveriges Riksbank. In exchange for the euro amounts it would receive, under the swap agreement Sveriges Riksbank would provide a Swedish kronor amount to the ECB.
- The draft agreement stipulates that, the ECB shall respond to any request made by Sveriges Riksbank to initiate a swap transaction at the latest on the business day following the receipt of such request. Value date is on the same day or the latest the day after.
- Sveriges Riksbank indicated that it would like the swap agreement, once agreed, to be actually signed. This would be similar to the approach followed by the ECB with other central banks with which swap agreements were agreed and signed (Swiss National Bank and Bank of Japan), and would contrast with the approach followed in other cases when swap agreements were prepared in order to be ready in case of need but not signed in advance (for example, with the Bank of England). Indeed, this draft swap agreement has been closely modelled on the text of the existing swap agreement with the Swiss National Bank and is also similar to the one with the Bank of Japan.

Furthermore, the following remarks may be made as regards the possible follow up:

- Sveriges Riksbank has indicated that it would consider using its euro-denominated assets before resorting to the swap agreement. At the end of September 2007, Sveriges Riksbank held around EUR [REDACTED] of euro-denominated assets in its foreign reserves.
- The signature of the swap agreement may be seen a favourable development in line with the objective of co-operation among central banks, similar to what was done with the Bank of Japan and the Swiss National Bank.
- It is not intended to make the text of the swap agreement or the fact that the ECB and Sveriges Riksbank have signed such an agreement public.
- In case the swap agreement was activated and some euro amounts were drawn by Sveriges Riksbank, such amounts would be taken into account in the ECB's liquidity management.
- The effect of the arrangement on the balance sheet of the ECB would be similar to that of other swap arrangements executed in the past. As long as the arrangement is not activated, there would be no impact for the ECB balance sheet and no requirement to record the arrangement as an off-balance sheet item. In the case of a drawing under the arrangement, however, the ECB's foreign reserve holdings, as recorded in the balance sheet, would increase and the net claims within the Eurosystem would be impacted by the spot leg of the euro side of the transaction. The forward leg would be recorded off balance sheet.

The *Governing Council* is invited to take note of the conclusion of a swap agreement between the ECB and Sveriges Riksbank.