



BANK OF ENGLAND

News release

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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, the Federal Reserve, and the Swiss National Bank 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 U.S. dollar liquidity swap arrangements by 50 basis points so that the new rate will be the U.S. dollar overnight index swap (OIS) rate plus 50 basis points. This pricing will be applied to all operations conducted from 5 December 2011. The authorization of these swap arrangements has been extended to 1 February 2013. In addition, the Bank of England, the Bank of Japan, the European Central Bank, and the Swiss National Bank 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 U.S. 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. The swap lines are available until 1 February 2013.

The introduction of the network of temporary swap lines will enable the Bank of England to provide sterling to the other central banks if required, as well as enabling the Bank of England to provide liquidity, should it be needed, in Japanese yen, euro, Swiss francs and Canadian dollars (in addition to the existing operations in U.S. dollars).

The Bank will continue its weekly tenders of U.S. dollar funding at fixed interest rates each Wednesday until further notice, with counterparties able to borrow unlimited amounts against eligible collateral. The rate at which tenders are conducted will be reduced to OIS+50bps (from OIS+100bps) beginning with the next

weekly tender on 7 December. The three-month tender scheduled for 7 December and subsequent three-month tenders will also be conducted at OIS+50bps.

In the U.S. dollar repo operations, counterparties are permitted to borrow any amount against eligible collateral. Further details can be found in the Market Notice at <http://www.bankofengland.co.uk/markets/marketnotice111130.pdf>. These operations are subject to the terms of the Sterling Monetary Framework Documentation, available here <http://www.bankofengland.co.uk/markets/money/documentation.htm>, as supplemented and amended by the Supplementary Terms, which can be found on the Bank of England website at <http://www.bankofengland.co.uk/markets/other/dollarrepo/index.htm>. The US dollar term repo operations use the Narrow and Wider OMO Collateral pools, details of which can be found at <http://www.bankofengland.co.uk/markets/other/dollarrepo/eligiblecollateral.htm>.

Information on related actions being taken by other central banks

Information on the actions to be taken by other central banks is available on the following websites:

Bank of Canada (<http://www.bankofcanada.ca>)
Bank of Japan (<http://www.boj.or.jp/en>)
European Central Bank (<http://www.ecb.int>)
Swiss National Bank (<http://www.snb.ch>)
Federal Reserve (<http://www.federalreserve.gov>)