



Memorandum Basis for Decision

DATE: 11 September 2015
DEPARTMENT: Financial Stability

SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel +46 8 787 00 00
Fax +46 8 21 05 31
registratorn@riksbank.se
www.riksbank.se

REF. NO. AFS 2015-360

■ Dollar facility for National Bank of Ukraine

Decision by the Executive Board

The Executive Board decides that

- The Riksbank will conclude an agreement with the National Bank of Ukraine (NBU), essentially in line with the conditions presented in [Appendix 1](#),
- Stefan Ingves and Per Jansson, each with the right to appoint another board member in his place, are jointly assigned the task of signing an agreement with the NBU on behalf of the Riksbank in accordance with [Appendix 1](#), following the adjustments deemed necessary, and
- Stefan Ingves and Per Jansson, each with the right to appoint another board member in his place, are jointly entitled to decide whether an individual transaction shall be made or not following a request from the NBU in accordance with the agreement.

Background

Since March 2015, Ukraine has been receiving financial support from the International Monetary Fund (IMF) via an Extended Fund Facility Programme which will run for 4 years. The IMF's Executive Board approved the programme's initial review on 31 July 2015. The Riksbank has received a request from the NBU, which wishes to know whether the Riksbank is willing to provide a swap facility in USD as short-term funding support to strengthen confidence in the economic reform programme in Ukraine.

Considerations

Financial support from the international community will be decisive for Ukraine's prospects of succeeding with its economic reform programme. The IMF has encouraged a number of bilateral lenders to contribute financial support as a complement to the previously agreed funding package. An agreement between Sveriges Riksbank and the NBU would thereby contribute towards increasing confidence in this programme.

■ A full-scale crisis in Ukraine risks spreading to Sweden's neighbouring area and having a negative impact on the Swedish economy. While Sweden's direct economic and financial links with Ukraine are of a limited nature, the indirect effects could still be substantial. It is therefore in the Riksbank's interests, as part of a large international funding package, to help increase confidence in the economic reform programme in Ukraine by arranging a swap facility in USD.

The Riksbank's swap agreement with the National Bank of Ukraine is closely linked to the conditionality laid down by the IMF and is in line with the Swedish tradition of supplying emergency liquidity assistance to foreign central banks beset by financial disruptions.

However, a swap facility always involves risks. In the present case, the economic situation in Ukraine is uncertain. The situation is also being exacerbated by geopolitical factors. The possibility of a suspension of payments cannot, therefore, be disregarded, even if loan losses between central banks have been rare historically.

An overall assessment implies that a swap facility from the Riksbank would contribute towards removing the threat to international monetary stability caused by Ukraine's financial structural problems and the disruptions to the country's balance of payments.

It is therefore deemed to be important for the Riksbank to enter into an agreement with the NBU. The more detailed terms and conditions of the agreement are given in [Appendix 1](#). Two members of the Executive Board should be jointly assigned the task of signing agreements on behalf of the Riksbank in accordance with Appendix 1, following any adjustments deemed necessary. Furthermore, two Executive Board members should jointly be entitled to decide whether an individual transaction shall be made or not following a request from the NBU in accordance with the agreement.