

Memorandum

DATUM: 2008-12-15



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Euro facility for Latvijas Banka

Background

Latvia has requested financial assistance from the IMF in the form of a stand-by arrangement that will run for a period of 27 months. Negotiations on bilateral international support to cover the medium-term financing gap are in progress. The Riksbank has been asked by Latvijas Banka, the central bank of Latvia, whether it is willing to provide a swap facility in euro while awaiting the implementation of the IMF programme.

Considerations

There is a risk that a financial crisis in Latvia will spread and create unease on the financial markets in Sweden and our neighbouring countries. Above all there is a risk that a crisis will have a negative impact on international confidence in the financial markets in the region and in the Nordic banks that are heavily involved in Latvia. This may ultimately have a negative impact on the payment system and the Swedish economy. It is therefore in the Riksbank's interest to assist in preventing such a development by signing a swap agreement with Latvijas Banka.

Proposed decision

It is proposed that the Executive Board decide that

- The Riksbank will conclude an agreement with Latvijas Banka essentially in line with the conditions presented in [Appendix 1](#),
- Stefan Ingves is given the task, together with another member of the Executive Board and on behalf of the Riksbank, of signing an agreement with Latvijas Banka in accordance with Appendix 1, with the amendments that are judged to be required following negotiations with Latvijas Banka and the other central banks involved in the arrangement,
- Two Executive Board members are together entitled to decide whether an individual transaction shall be made or not following a request from Latvijas Banka in accordance with the agreement.