



PRESS RELEASE

DATE 2008-12-16
NO. 71
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■ The Riksbank grants loan to Latvia's central bank

The central banks in Sweden and Denmark have decided to enter into swap agreements under which Latvijas Banka, the central bank of Latvia, may borrow up to EUR 500 million in exchange for Latvian lats.

The swap agreements entitle Latvijas Banka to borrow euro against Latvian lats when and if the need arises. The swap agreements of up to EUR 500 million granted by the Riksbank and the National Bank of Denmark provide short-term funding in order to assist the preservation of macroeconomic and financial stability in Latvia. The Riksbank agreement amounts to EUR 375 million.

The Latvian parliament has decided on a number of measures to address the economic problems that the country is facing. These measures are a precondition for the programme for financial assistance from the International Monetary Fund (IMF) that has been drawn up and that the Executive Board of the IMF will decide on in the near future. The bridging loans provided by Sweden and Denmark will support financial stability in Latvia until the IMF programme for Latvia has been decided on.

"It is important that central banks cooperate and assist each other in times of financial crisis. There is also a risk that a financial crisis in Latvia could spread and create unease on the financial markets in Sweden and our neighbouring countries. Ultimately, it could affect the payment system and the Swedish economy. It is therefore in the Riksbank's interest to help to avoid such a situation by entering into a swap agreement with the central bank of Latvia," says the Governor of the Riksbank, Stefan Ingves.

Links to statements from the other central banks:

Danmarks Nationalbank (www.nationalbanken.dk)
Latvijas Banka (www.bank.lv)