

# Memorandum

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## ■ Swap agreement with Eesti Pank

### *Background*

It is the intention of Eesti Pank and the Riksbank to extend their cooperation in the field of financial stability by entering into a swap agreement. The agreement will entitle Eesti Pank to receive Swedish krona against Estonian kroons and aims to improve Eesti Pank's ability to safeguard financial stability in Estonia. The facility is a preventive measure and may be used by Eesti Pank if and when the need arises.

### *Considerations*

There is a risk that a financial crisis in Estonia 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 Estonia. This may ultimately have a negative impact on the payment system and the monetary policy transmission mechanism, with serious consequences for the Swedish economy. It is therefore in the Riksbank's interest to assist in preventing such a development by signing a swap agreement with Eesti Pank.

### *Proposed decision*

It is proposed that the Executive Board decides that:

1. A draft agreement with Eesti Pank shall be drawn up in accordance with the principles presented in appendices 1 – 7,
2. Two Executive Board members are together given the right to
  - a) decide on the detailed wording of the agreement conditions in accordance with the principles referred to in point 1, and
  - b) enter into such an agreement with Eesti Pank.
3. A new decision is required by the Executive Board for the Riksbank to enter into a swap transaction under the agreement.