



EUROPEAN CENTRAL BANK

EUROSYSTEM

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ECB and the People's Bank of China successfully test bilateral currency swap arrangement

- The European Central Bank (ECB) and the People's Bank China (PBC) successfully test their bilateral currency swap arrangement
- The tests serve to confirm operational readiness and are not a precursor to activation of a swap
- Swap arrangement contributes to global financial stability

The ECB and the PBC have successfully completed tests of their existing bilateral currency swap arrangement. From a Eurosystem perspective, the arrangement serves as a backstop facility to address sudden and temporary disruptions in the renminbi market due to liquidity shortages in euro area banks. Liquidity providing arrangements contribute to global financial stability and the arrangement with the PBC is a recognition of the rapidly growing bilateral trade and investment between the euro area and China.

In October 2013 the ECB and the PBC established a bilateral currency swap arrangement with a maximum size of 350 billion in Chinese renminbi and 45 billion in euro. As part of the ECB's plan to regularly test its operational capabilities, the ECB and the PBC conducted two tests in April 2015 and November 2015 that provided symbolic amounts of euro and renminbi liquidity respectively. These tests also involved a limited number of Chinese and Eurosystem counterparties. The tests were successful and demonstrated the ECB's and the PBC's operational readiness to activate the swap if needed on the basis of bilaterally agreed operational procedures.

The ECB regularly conducts tests of its instruments and operations in order to ensure its operational readiness. The scheduling of such tests is not linked to market conditions and should not be seen as signalling any intention of the central banks to request funds from each other to provide counterparties with liquidity in the respective currency.

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