EUROPEAN CENTRAL BANK

EUROSYSTEM

29 October 2008

TENDER PROCEDURE FOR THE PROVISION OF US DOLLARS TO EUROSYSTEM COUNTERPARTIES THROUGH FX SWAP OPERATIONS

Following a decision by the ECB's Governing Council, the Eurosystem central banks will offer to conduct foreign exchange swap operations with the following characteristics:

Type:	Provision of US dollar (USD) funding to Eurosystem counterparties against euro (EUR) cash via foreign exchange swap operations as set out in Section 3.4 of the General Documentation on Eurosystem monetary policy instruments and procedures[1] (the 'GD'), with the deviations contained in this statement of tender procedure:
Intended volume:	No maximum will be applied and the ECB will satisfy all bids received (i.e. full allotment).
Settlement and maturity:	FX swap operations will be run in parallel with the tenders in which the Eurosystem offers US dollar liquidity against ECB-eligible collateral at a fixed rate with full allotment, i.e. they will have the same maturities and settlement dates (normally T+1 for 7-day operations, T+2 for 28 and 84-day operations). The exact maturity will be indicated in the announcement of each operation.
Type of auction:	Fixed price tender expressed in swap points.
Method of allotment:	Full allotment at the fixed price.
Auction details:	Counterparties must submit bids in USD. The minimum bid amount is equal to USD 5 million; there is no maximum bid amount. Bids exceeding this amount must be expressed as multiples of USD 0.1 million. The general approach to establish the interest rates from which the swap points will be derived is as follows: for the US dollar, the fixed rate of the US dollar repo tender carried out on the same day; for the euro, a market rate which is consistent with the overnight index swap minus a spread. This spread may be changed depending on market developments.

[1] Annex I of Guideline ECB/2000/7 of 31 August 2000 on monetary policy instruments and procedures of the Eurosystem (OJ L 310, 11.12.2000, p. 1) Guideline as last amended by Guideline ECB/2007/10 (OJ L 284, 30.10.2007, p. 34).

The publication of the announcement of the tender and the allotment will take place on wire services at the same time as the US dollar tenders conducted against ECB-eligible collateral.

Eligible counterparties: All institutions which have been selected for foreign exchange operations according to Annex 3 of the GD and which have provided their US dollar standard settlement instructions (SSIs) and a Statement of Acknowledgement (specified below) to their respective NCB in advance of the bid submission are deemed eligible. In addition, counterparties eligible for US dollar repo tenders as referred to above are also deemed eligible for FX swaps.

Risk control measures: An initial margin will be applied to the EUR leg and factored into the spot foreign exchange rate. The initial margin will be 5% for 1-week operations, 10% for 28-day operations and 17% for the 84-day.

The spot foreign exchange rate and the spot foreign exchange rate incorporating the initial margin will be communicated in the tender announcement.

Settlement details: A payment after payment procedure will be applied. On the value date, market counterparties are required to pay EUR funds to their local NCB by 13:00 CET; on receipt, the NCB will submit the corresponding USD payment instruction to the Federal Reserve Bank of New York (FRBNY) as soon as possible thereafter and ideally before 20:00 CET on the settlement date. On the maturity date, market counterparties are required to pay back US dollar funds to the accounts of NCBs at the FRBNY by 16:00 CET. Market counterparties are advised that in case US dollar funds are repaid after 16:00 CET, the respective NCB cannot guarantee return of euros on the maturity date but will aim to do so on a 'best effort' basis.

Legal requirements: The operations set out in this note will take place in principle using existing legal documentation between the respective NCB and its eligible market counterparties. If certain NCB amendments are needed to such legal documentation, the NCBs will implement such amendments for the purpose of such operations.

Market counterparties wishing to participate in any US dollar tender are required, before bidding, to provide to their respective NCB their US dollar SSIs and a Statement of Acknowledgement. In such Statement of Acknowledgement, market counterparties are required to explicitly acknowledge – as a condition of their participation in the tender –

- that they are bound by the conditions of the tender set out in this note and communicated in the tender announcement; and

- the applicability of existing legal documentation between the counterparty and the NCB to the operation in question (unless amendment of the legal documentation is necessary).

The provision of US dollar SSIs by market counterparties to their respective NCB should be effected via SWIFT. The Statement of Acknowledgement may similarly be communicated via SWIFT or in another form as required by applicable national laws.

In the event of non-compliance by a counterparty with the requirements set out in this document, the procedures and sanctions set out in Annex 6 of the GD will be applicable.