Principles for Central Bank Currency Swap Facilities between the Central Banks of Denmark, Norway and Sweden

Introduction

1.1 These Principles for Central Bank Currency Swap Facilities between the Central Banks of Denmark, Norway and Sweden (the "**Principles**") are based on the following considerations:

(a) The Parties are all central banks with mandates that include responsibility for contributing to financial stability and the role as lender of last resort in their respective countries.

(b) In recent years, currency swaps or similar loan facilities between central banks have been used on a temporary basis as an efficient way of making non-local currency available for central banks, when the central banks needed such non-local currency to prevent or manage a liquidity crisis situation. It is prudent for central banks to plan ex ante for such situations.

(c) These Principles set out a framework for cooperation regarding the establishment of currency swaps or similar loan facilities between the Parties while recognizing each Party's independence and the institutional and legal framework applicable to each Party, i. a. with respect to monetary policy.

(d) These Principles do not amend or affect the responsibilities specified in the 2018 Memorandum of Understanding on Cooperation and Coordination on cross-border financial stability between relevant Ministries, Central Banks, Financial Supervisory Authorities and Resolution Authorities of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden, the 2008 Memorandum of Understanding on Cross-Border Financial Stability between the financial supervisory authorities, central banks and finance ministries of the European Union and the 2016 Memorandum of Understanding on Cooperation regarding Banks with Cross-Border Establishments between the Central Banks of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.

Definitions

2.1 For the purpose of these Principles, the following definitions are used:

"**Currency Transaction**" means a currency swap transaction performed in currencies issued by the contracting Parties or a loan transaction with a similar economic effect under a Swap Agreement, i.e. resulting in the requested currency being made available by one contracting Party to the other contracting Party on a secured basis.

"**Swap Agreement**" means a legally binding bilateral agreement between two Parties that may be used for Currency Transactions.

"**Parties**" mean the signatories to these Principles, being the central banks of Denmark, Norway and Sweden.

"**Requesting Party**" means a Party requesting another Party to enter into a Currency Transaction.

"**Requested Party**" means a Party receiving a request from another Party to enter into a Currency Transaction.

2.2 In these Principles (unless otherwise provided):

(a) words importing the singular shall include the plural and vice versa; and

(b) references to any provision or law include any amendment of that provision or law.

Objective and Nature of the Principles

3.1 The objective of the Principles is to introduce an appropriate framework for cooperation on Swap Agreements, with the underlying aim of contributing to financial stability in the individual countries and the region as a whole. As such, the Principles are an enhancement of the cooperation on financial stability between the Parties.

3.2 The Parties agree that these legally non-binding Principles are an appropriate instrument for facilitating such cooperation. Accordingly, the Principles are a statement of intent and do not create any legal commitments for any of the Parties, and their provisions cannot give rise to any legal claim from any Party or third party in the course of their practical implementation. The Principles do not prejudge or assume that any particular decisions or remedies should or should not be taken.

3.3 The cooperation between the Parties will take place in accordance with, and without prejudice to, their responsibilities under national legislation and ECB/ESCB rules and procedures. The Principles does not override the Parties' respective institutional responsibilities or restrict their capacity for independent and timely decision-making in their respective fields of competence, notably with regard to their responsibility to contribute to financial stability and to fulfil their role as lender of last resort.

General Principles of Cooperation

4.1 The Parties shall strive to achieve open, full, constructive and timely cooperation in good faith and to the best of their ability with respect to the objective of these Principles.

4.2 The Parties may enter into Swap Agreements for the purpose of making Currency Transactions where the non-local currency received by the Requesting Party is utilised in accordance with its mandate to contribute to financial stability and the role as lender of last resort and subject to their responsibilities under national legislation and ECB/ESCB rules and procedures.

4.3 The Requesting Party shall state the reasons for a request for a Currency Transaction and shall endeavour to share relevant available information and assessments with the Requested Party.

4.4 Each Requested Party shall strive to assist the Requesting Party in case of a request for Currency Transaction.

4.5 Notwithstanding clause 4.4, each Requested Party assesses and decides independently and at their own discretion whether to grant or reject a request for a Currency Transaction, cf. also clause 3.2 and 3.3.

Framework for Swap Agreements

5.1 The Parties consider the following key attributes to be material when entering into a Swap Agreement and defining the scope of application and procedures in line with clause 4:

(a) Details on the Parties' mandate to enter into a Currency Transaction.

(b) Monetary and foreign exchange policy considerations that the Requested Party may need to take into consideration when deciding whether to grant or reject a request for a Currency Transaction.

(c) Duration, amounts, pricing, exchange rates, collateral conditions and possible initial limits for a Currency Transaction.

(d) Transaction and communication procedures and testing thereof.

5.2 If the currency received by the Requesting Party from the Requested Party under a Swap Agreement is applied by the Requesting Party by way of lending it to one or more third parties, the Requesting Party shall bear the full risk for such lending activities and will ensure that they are carried out on pricing terms that are equivalent to, or less favourable than, the pricing terms that apply between Requested Party and the Requesting Party under the Swap Agreement. The bilateral Swap Agreement shall include provisions to this effect.

5.3 Parties that enter into a Swap Agreement shall test their readiness to carry out Currency Transactions with each other on an annual basis.

Confidentiality and Communication

6.1 Any information exchanged and received by virtue of these Principles is subject to the conditions of confidentiality and professional secrecy as far as provided in national legislation and ECB/ESCB rules and procedures. Each Party shall ensure that all persons dealing with, or having access to, such information are bound by the obligation of professional secrecy.

6.2 The Parties are expected to maintain, vis-à-vis third parties, the confidentiality of any request for a Swap Agreement, Currency Transaction, or other information made pursuant to or under these Principles, the contents of such requests, the information received, and the matters arising in the course of cooperation, subject always to applicable national legislation and ECB/ESCB rules and procedures.

6.3 The Parties will as fully as possible coordinate any public statements related to these Principles.

6.4 The Principles or existence of any bilateral Swap Agreements will not be made public unless all the involved Parties agree otherwise. This shall not apply to the Parties' obligations to disclose information if required by applicable law, regulation or any public or governmental authority. Notwithstanding the above, a Party may disclose any of the information mentioned in this paragraph to the IMF and to other central banks.

Governance and Follow-Up

7.1 The Parties may mutually agree to terminate these Principles.

7.2 A Party may unilaterally withdraw from these Principles and the collaborative work on Swap Agreements with 3 - three - months prior written notice to the other Parties. Any such withdrawal shall not affect the Parties' rights and obligations under a Swap Agreement, which shall continue to apply until all amounts payable by each Party under such Swap Agreement have been paid in full.

7.3 Amendments to the Principles can only be made after mutual agreement between the Parties.

7.4 These Principles and the work connected to them will be evaluated at 5 year intervals and for the first time in 2025 at the latest. The results of the evaluation should be presented at a meeting between Parties' Governors or Vice-governors.

Entry into Effect

8.1 These Principles shall enter into effect on 12 November 2020.

Signatories

Danmarks Nationalbank (Denmark)

Norges Bank (Norway)

Sveriges Riksbank (Sweden)