ECB Coordinates With Federal Reserve to Provide Dollars to Euro-Area Banks

By Jeff Black - Sep 15, 2011

The European Central Bank said it will lend dollars to euro-area banks in three separate three-month loans to ensure they have enough of the U.S. currency through the end of the year.

The Frankfurt-based ECB said that, in coordination with the Federal Reserve, the Bank of England, the Bank of Japan and the Swiss National Bank, it will conduct three U.S. dollar liquidity-providing operations with a maturity of approximately three months. The loans are in addition to the bank’s regular seven-day dollar offerings and will be conducted as fixed-rate tenders with full allotment, the ECB said in a statement.

The euro jumped almost a cent against dollar after the announcement and traded at 1.3864 at 3:11 p.m. in Frankfurt.

Two banks this week borrowed dollars from the ECB in its regular seven-day operation, a sign they are finding it difficult to gain access to the U.S. currency in markets. The premium European banks pay to borrow in dollars through the swaps market is close to the highest level in almost three years.

The ECB yesterday allotted $575 million in its regular seven-day liquidity providing operations, without naming the banks who borrowed the cash. French banks Societe Generale SA and BNP Paribas SA said they didn’t borrow dollars from the ECB.

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