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On introduction of supplementary mechanism for liquidity provision | Bank of Russia

Central Bank of Russia

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On introduction of supplementary mechanism for liquidity provision

4 September 2017

Press release

The Bank of Russia has decided to implement since September 1, 2017 a supplementary mechanism for liquidity provision. Banks that have encountered temporary liquidity difficulties may recur to this mechanism after all other liquidity sources are exhausted, including the standard central bank instruments. The new facility is analogous to the internationally widespread emergency liquidity assistance mechanism (ELA). The Bank of Russia will decide on the provision of funds under the ELA framework to a bank taking into account its financial stability, as well as systemic importance.

For the Bank of Russia to consider liquidity provision under the ELA mechanism, a bank has to apply to the relevant supervisory division of the Bank of Russia. The application should comprise in particular the reasons behind the ELA necessity and forecast schedule of liquidity in- and outflows during the term for which the assistance is requested. This schedule should prove the bank's ability to address the liquidity difficulties ("exit strategy"). Also the bank should provide information on the collateral it is going to pledge to receive the liquidity assistance. Its scope is wider than collateral eligible for standard liquidity providing operations of the Bank of Russia. The collateral may comprise in particular the securities not included into the Lombard List, credit claims on non-financial institutions and other types of security.

On the basis of the provided information and the analysis of the bank's solvency the Bank of Russia swiftly decides on the possibility of liquidity provision under the ELA framework. Depending on the collateral the operation in particular may take place in form of repo or/and secured loan.

The liquidity will be provided in rubles for the term not exceeding 90 days. The rate will be Bank of Russia key rate on the day of the transaction plus 1,75 percentage points.

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