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Russia's Central Bank to Limit Ruble Liquidity to Bolster Currency

By The Moscow Times

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The Russian Central Bank said Tuesday it was limiting banking sector ruble liquidity by temporarily cutting the size of its foreign exchange swap operations to the equivalent of $2 billion a day.

The limit applies to operations between Nov. 12 and Nov. 30.

Ruble liquidity refers to short-term funds that the Central Bank makes available to the banking sector. Limiting it should lend support to the ruble, by reducing funds available for conversion into foreign currencies.

"Further out, the Central Bank will assess the amount of ruble liquidity provision through currency swap operations, taking into account the situation on the currency market," the Central Bank said in a statement.

After the statement, the ruble briefly trimmed its losses by firming almost 1 percent, but at 1415 GMT it was down 1.8 percent at 46.68 against the dollar on the day.

Central Bank governor Elvira Nabiullina said Monday that the bank was considering limiting ruble liquidity provision to prevent "games" on the currency market.

The bank said in emailed comments that Tuesday's decision was part of the "more conservative approach for providing ruble liquidity" announced on Monday.

"In case of speculative pressure on the currency market, a limit on the volume of foreign currency swaps, together with other measures of the Bank of Russia, allows to stabilize the situation," it said.

The ruble has lost over 25 percent of its value against the dollar since mid-year, battered by the Ukraine crisis and Western sanctions on Russia for its involvement in it.

Russian officials, including President Vladimir Putin, have said the ruble's recent slide has been caused in large part by speculative market moves, and argued there have been no fundamental reasons for the currency's further decline.

The Central Bank conducts daily foreign exchange swaps at fixed rates to limit fluctuations in money market rates.

On Monday, the Central Bank abandoned the ruble's floating corridor against a dollar-euro currency basket, allowing the ruble to float freely in the market.

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