

Central Bank Raises Forex Swap Limit to \$10Bln

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Russia's Central Bank said on Friday it had raised the limit on foreign exchange swap operations to \$10 billion from \$2 billion for Dec. 19 to alleviate a shortage of rubles in the money market.

Interbank overnight ruble rates climbed to around 25 percent on Friday, far above the bank's 17 percent benchmark interest rate, as banks scrambled for rubles to balance up their books for the day and manage their liquidity needs.

To bring market rates back into line with the benchmark rate, the Central Bank will allow lenders to hand in more dollars and will lend them rubles in return.

"This measure contributes to narrowing the spread between the interbank market rates and the Bank of Russia key rate," the Central Bank said in a statement.

The Central Bank has been limiting ruble liquidity in recent months to underpin the currency, which has nearly halved in value against the dollar this year. But this has led to ruble shortages among lenders, who are required to keep a certain amount of liquid cash on hand.

The bank had said a week ago that it would keep the limit on forex swap operations to an equivalent of \$2 billion a day for Dec. 15–21.

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