



Download This Paper (Delivery.cfm/wp1055.pdf?abstractid=1569952&mirid=1)

Open PDF in Browser (Delivery.cfm/wp1055.pdf?abstractid=1569952&mirid=1&type=2)



Add Paper to My Library

Share:    

FX Swaps: Implications for Financial and Economic Stability

IMF Working Paper No. 10/55

46 Pages

Posted: 15 Mar 2010

Bergljot Barkbu (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1372873)

International Monetary Fund (IMF)

Li Ong (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=45928)

International Monetary Fund (IMF)

Date Written: March 2010

Abstract

The proliferation of foreign exchange (FX) swaps as a source of funding and as a hedging tool has focused attention on the role of the FX swap market in the recent crisis. The turbulence in international money markets spilled over into the FX swap market in the second-half of 2007 and into 2008, giving rise to concerns over the ability of banks to roll over their funding requirements and manage their liquidity risk. The turmoil also raised questions about banks' ability to continue their supply of credit to the local economy, as well as the external financing gap it could create. In this paper, we examine the channels through which FX swap transactions could affect a country's financial and economic stability, and highlight the strategies central banks can employ to mitigate market pressures. While not offering any judgment on the instrument itself, we show that the use of FX swaps for funding and hedging purposes is not infallible, especially during periods of market stress.

Keywords: Balance of payments, Banks, Capital, Central bank role, Credit demand, Credit risk, Currency swaps, Economic stabilization, Exchange rates, Financial institutions, Financial stability, Liquidity management, Reserves, Stabilization measures

[Suggested Citation](#) >[Show Contact Information](#) >

Download This Paper (Delivery.cfm/wp1055.pdf?abstractid=1569952&mirid=1)

Open PDF in Browser (Delivery.cfm/wp1055.pdf?abstractid=1569952&mirid=1&type=2)

33 References

1. Subhash Abhayawansa , Indra Abeysekera
Financial Management , volume 39 Posted: 2005-12
Crossref (https://doi.org/10.4324/9781315556246-3)
2. Philippe Aghion , Philippe Bacchetta , Romain Ranciere , Kenneth Rogoff
Exchange Rate Volatility and Productivity Growth: The Role of Financial Development
Journal of Monetary Economics , volume 56 , issue 4 , p. 494 - 513 Posted: 2009
Crossref (https://doi.org/10.1016/j.jmoneco.2009.03.015)
3. Naohiko Baba (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1069348) , Frank Packer (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=233933)
~~From Turmoil to Crisis: Dislocations in the FX Swap Market Before and After the Failure of Lehman Brothers (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1458296)~~

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze,

improve, and personalize our content and your digital experience. For more information, see our [Cookie](#)

[Policy](#) (https://www.elsevier.com/legal/cookiepolicy)SSRN_ID1458296_code456443.pdf?abstractid=1458296)

★ Add Paper to My Library

[Cookie Settings](#)

Accept all cookies

0 Citations

Fetch Citations



Do you have negative results from your research you’d like to share?

Submit Negative Results (<https://www.ssrn.com/index.cfm/en/Negative-Results/>)

Paper statistics

DOWNLOADS	385
ABSTRACT VIEWS	1,633
RANK	142,826

33 References

PlumX Metrics



https://plu.mx/ssrn/a/?ssrn_id=1569952
Related journals

International Monetary Fund (IMF) Research Paper Series (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=728804)

Follow



Risk Management eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1492472)

Follow



View more >

Feedback

Submit a Paper > (<https://hq.ssrn.com/submissions/CreateNewAbstract.cfm>)

SSRN Quick Links



SSRN Rankings



About SSRN



(<https://www.facebook.com/SSRNcommunity/>)

([https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0)

[https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0)

(<https://twitter.com/SSRN>)

(<http://www.elsevier.com/>)

Copyright (<https://www.ssrn.com/index.cfm/en/dmca-notice-policy/>) Terms and Conditions (<https://www.ssrn.com/index.cfm/en/terms-of-use/>)
Privacy Policy (<https://www.elsevier.com/legal/privacy-policy>)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.
To learn more, visit [Cookie Settings](#).



(<http://www.relx.com/>)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)