

Stressed USD Liquidity for Banks in Asia

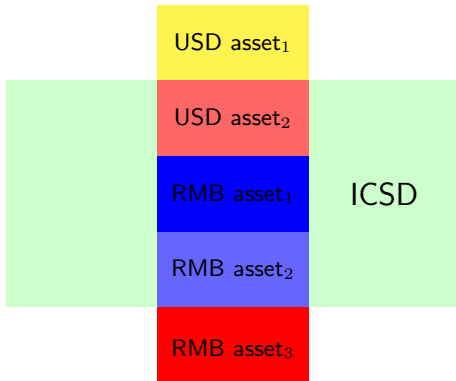
CB Swap Lines and Repo Pools, and the Role of ICSDs

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APCF Virtual Webinar
Achieving Financial Stability in the Post-Covid19 Era

December, 2020

Segmentation of pledgeable assets



Collateral must be pledgeable to the funding source through an ICSD. Haircuts force banks to obtain some unsecured funding. Unsecured USD funding can become so expensive that banks would be willing to pay the penalty rate at the CB swap line to get secured USD funding directly from the PBC.

CB swap lines support liquidity, depending on ICSDs

- ▶ h_S : haircut for swap line funding.
- ▶ r_S : rate for swapline funding.
- ▶ c_A : haircut for best alternative funding.
- ▶ r_A : rate for best alternative secured funding.
- ▶ r_U : unsecured funding rate.
- ▶ Choice of funding source:

$$\operatorname{argmin}_{A,S} \{(1 - h_S)r_S + h_S r_U, (1 - h_A)r_A + h r_U\}.$$

References

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