

## **BCRA DISCUSSING LAST DETAILS FOR THE IMPLEMENTATION OF A SWAP WITH CHINA FOR U\$S11 BILLION**

The president of the BCRA, Juan Carlos Fabrega, met with his Chinese counterpart, Zhou Xiaochuan, with the aim of finalizing the details for the launch of a currency swap. The meeting took place in Basel, Switzerland, as part of the bi-monthly meeting of the Bank for International Settlements (BIS, for its acronym in English), which involved more than 50 presidents of central banks around the world. They analyzed the mechanisms to implement the activation of a convertible currency swap which was signed in late July and will allow payment in installments.

The Cabinet Chief Jorge Capitanich said, during one of his usual morning press conferences, at the Government House, that the currency swap agreement signed with the government of China (currency swap) is a "very important tool in the financing of the Government." He also said that it is a non-commercial financial swap that will be implemented in stages, starting in August. The swap will be instrumental in order to shore up sagging foreign reserves held by the Central Bank that so far this year fell more than u\$ 6 billion from more than 44 billion at the end of 2012.

The fall in dollar deposits, capital flight and debt cancellation that the Central Bank had with other central banks are the factors that explain, in essence, the decline in reserves. The losses are due to several concepts: low gold price: u\$ 650 million; payment to bondholders and international institutions u\$ 1.25 billion organisms; cancellation of debts with other Central Banks u\$ 1, 5 billion; outflow of deposits in dollars u\$ 1 billion and unidentified outputs for u\$ 1,6 billion.

China's central bank is the entity that has the world's largest reserves and is today the largest customer of Argentina after Brazil. Under this agreement, those who import products from China could pay them in RMB decompressing the demand for dollars. Argentina was one of the first countries to sign a swap with China, which today maintains similar mechanisms with 18 countries, including Brazil. The interest rate of the operation is between 6 and 7 percent.

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