



Press Release Contact Information:

Bernard Kayden
Online Unsecured loans
Cheap unsecured Loans
Parade house, 135 The Parade High Street,
Watford., Hertfordshire,
United Kingdom
Voice: 008000973 x653
E-Mail: [Email us Here](#)
Website: [Visit Our Website](#)

BoE flags blue to Swapping

The Bank of England has announced for swapping operation to give a relief to the credit crunch which had hit the UK banking system. Initially, the swapping will be worth 50 billion pounds.

/24-7PressRelease/ - LONDON, UK, April 24, 2008 - At last the Bank of England took the necessary steps to ease the effects of credit crunch on the banking system and has offered to swap secure government bonds against riskier mortgage debt. Initially, the swapping will offer 50 billion pounds worth of gilt-edged securities. The size of the swapping operation will depend on how much banks need to get the lending process going again and also on how much they're willing to stump up in costly collateral.

Mervyn King, the governor of the Bank of England assured that "There is no arbitrary limit on swapping." This positive move will add some much-needed support to the banking system. However, the economists are not completely satisfied and cautioned that the swap scheme alone would not be enough to revive a flagging and credit hit economy. "Though the swapping have a positive impact on the money market but it will be too early to predict that it will have any meaningful impact on unlocking mortgage markets," said market economist Lena Komileva.

The swapping operation is the latest move of BoE to deal with the adverse effects of the credit crisis on the UK economy. Central banks around the world have been taking a variety of alternatives to get the frozen markets moving. The USA's Federal Reserve last month unveiled a \$200 billion (100 billion pound) scheme to help mortgage markets.

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