

Answer on Question #40633 – Economics – Macroeconomics

Lender of last resort is the role of the central bank as a lender to which banks can seek liquidity in those cases where there are no other sources of funds for conventional or near normal conditions. At its discretion, the central bank can lend to an individual organization or the market in general. To minimize moral risk, the central bank will keep the uncertainty of its intentions until the moment when certain circumstances do not provide it with a reason to issue a credit. Sometimes such loans are called emergency liquidity assistance.