

## RULE FOR THE ADMINISTRATION OF SWESTR

DECISION DATE:	14 December 2023
DECISION BY:	The Executive Board
POSITION:	The Executive Board
RESPONSIBLE DEPARTMENT:	Markets Department
RESPONSIBLE MANAGER:	Head of the Markets Department
DOCUMENT REGISTRATION NUMBER:	2023-01290
INFORMATION CLASS:	RB PUBLIC

# Rule for the administration of SWESTR

## Content and purpose

This rule aims to clarify the roles of the Markets Department and Monetary Policy Department regarding the operationalisation of the Riksbank's responsibility as administrator of SWESTR as well as of average rates and index based on SWESTR.

The rule also establishes the design of the reference rate SWESTR, as well as of average rates and index based on SWESTR. The rule also contains provisions on how these reference values are to be determined and published.

## Target group

The rule is aimed at staff members at the Markets Department and the Monetary Policy Department in their performance of the tasks falling on the Riksbank in its role as administrator of SWESTR, average rates and index.

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# 1 Introduction

The Riksbank is administrator of the transaction-based reference rate SWESTR as well as of average rates and index based on SWESTR.

The Riksbank shall provide values for SWESTR and for average rates and index based on SWESTR on each banking day.

## 1.1 Underlying regulatory framework

*Policy for transaction-based reference rate SWESTR (the Policy) and Terms and Conditions for RIX and Monetary Policy Instruments.*

## 1.2 Definitions

The terms used in this rule have the same meaning as in the Policy with the exception that the term "SWESTR" in this rule refers only to the transaction-based reference rate SWESTR. Thus, use of the term "SWESTR" on its own in this rule does not refer to average rates and index based on SWESTR.

In addition to the terms defined in the Policy, the following definitions shall also apply:

**Accrual** – Change in value due to return with a certain interest rate.

**Alternative calculation method** – The calculation method for SWESTR that is to be used in the event that a normal calculation method cannot be used; see Section 3.5.

**Banking day** – Day on which the RIX payment system is open for transactions, normally non-holiday weekdays (Monday-Friday).

**Daily process** – The daily process for determining and publishing SWESTR and average rates and index based on SWESTR, see Sections 3-5.

**Normal calculation method** – The calculation method for SWESTR that is to be used under normal circumstances; see Section 3.5.

**Reporting agent** – Monetary policy counterparty to the Riksbank, see *Terms and Conditions for RIX and Monetary Policy Instruments*, that every day reports data on their completed money market transactions with the Riksbank.

**Trimming** – Arranging the individual transactions in the transaction dataset according to their respective interest rates and then excluding symmetrical percentages of the total transaction volume with the lowest and highest rates from further calculations.

**Validate** – To confirm that the reported transaction data is correct.

**Value date** – Date to which the reference value refers. The value date for SWESTR is the date upon which the underlying transactions are executed. The value date for average rates and index corresponds to the publication date.

## 2 Roles and responsibilities

According to the Swedish Riksbank's Rules of Procedure and the Policy, the Markets Department is responsible for operationalising the Riksbank's role as administrator of SWESTR, average rates and index. This means that the Markets Department shall be responsible for the tasks that fall to the Riksbank as administrator, and that do not expressly fall to another department in accordance with the Rules of Procedure or the Policy. The work to operationalise the Riksbank's role as administrator shall be organised appropriately, with a clear allocation of responsibilities, well-defined descriptions of roles and detailed documentation. There shall also be procedures for identifying and managing conflicts of interest and documentation of this.

According to the Rules of Procedure, the Monetary Policy Department is responsible for coordinating and supporting the Riksbank's handling of statistics and data, including the Riksbank's own data collections. This means, inter alia, that the Monetary Policy Department will be responsible for carrying out the daily process for SWESTR according to Sections 3-5.

## 3 SWESTR – design and process of determination

The central provisions of the methodology and process for determining SWESTR are set down in this rule. The Head of the Markets Department shall, if necessary, adopt supplementary provisions regarding the daily process.

### 3.1 Underlying market

The underlying market for SWESTR is the overnight market in Swedish kronor. SWESTR shall reflect the activity on this market.

### 3.2 Transaction dataset

The data forming the basis for the calculation of SWESTR shall comprise the transaction reporting submitted by the Riksbank's monetary policy counterparties in accordance with the Riksbank's *Terms and Conditions for RIX and Monetary Policy Instruments*.

Transactions that meet the following requirements shall be included in the transaction dataset for SWESTR:

- lead to unsecured deposits received by the monetary policy counterparty,

- have an overnight maturity,
- have a volume of at least SEK 10 million, and
- are executed between the monetary policy counterparty and an entity belonging to one of the following counterparty categories:
  - banks and financial institutions (S122-S129),<sup>1</sup>
  - non-financial companies (S11), or
  - the Swedish National Debt Office.

The breakdown into counterparty categories shall follow the standard of the European System of Accounts (ESA2010). The classification shall be based on information about the Legal Entity Identifier (LEI code) that monetary policy counterparties shall provide.<sup>2</sup>

### 3.3 Data processing ahead of calculation

#### 3.3.1 Validation of transactions suspected of being incorrectly reported

To ensure the quality of the reported data forming the basis for the calculation of SWESTR, the Monetary Policy Department shall apply automatic checks aimed at identifying transactions suspected of being unintentionally and/or intentionally incorrectly reported. If a transaction is identified as potentially incorrect, it shall only be used in the calculation of SWESTR if the reporting agent in question validates that the transaction has been correctly reported.

The Head of the Markets Department shall decide on the design of these checks.

### 3.4 Requirements for robustness

#### 3.4.1 Requirements for robustness

To ensure that the transaction dataset is robust and to reduce the risk of manipulation, the Monetary Policy Department shall apply the following requirements for robustness:

- the total transaction volume shall be at least SEK 6 billion,
- at least three reporting agents shall have reported transactions to the transaction dataset,
- no single reporting agent shall have reported more than 75 per cent of the total transaction volume.

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<sup>1</sup> Intra-Group transactions with the reporting agents shall not be included in the dataset for SWESTR. The concepts of group and intra-group transactions are defined as in Regulation ECB/2014/48.

<sup>2</sup> If the monetary policy counterparty cannot provide the LEI code for its counterparty, a sector code according to ESA2010 shall instead be specified. In these instances, the transaction shall be classified according to the sector code.

The robustness requirements refer to the transaction dataset before trimming in accordance with Section 3.5.1.

### 3.4.2 Choice of calculation method

If all requirements for robustness are fulfilled, the normal calculation method according to Section 3.5.2 shall be used. If any of the requirements for robustness are not fulfilled or if the transaction dataset is not available, for example due to technical error, alternative calculation methods according to Section 3.5.3 shall be used.

## 3.5 Calculation method

### 3.5.1 Trimming

In order to reduce the impact of any extreme values, the transaction dataset shall be trimmed before calculating SWESTR. A total of 25 per cent of the transaction volume shall be excluded from further calculations, allocated as follows:

- 12.5 per cent of the transaction volume with the lowest rates
- 12.5 per cent of the transaction volume with the highest rates

SWESTR shall thus be calculated on the basis of the middle 75 per cent of the transaction volume in terms of the interest rates of the transactions.

### 3.5.2 Normal calculation method

Normal calculation method refers to a volume-weighted average of the rates in the trimmed dataset.

SWESTR with value date  $i$  shall be calculated using the following formula:

$$Swestr_i = \sum_{k=1}^{N_i} \frac{v_k}{V_i} r_k$$

where:

$k$  = an index representing each transaction in the trimmed transaction dataset for value date  $i$

$N_i$  = the number of transactions in the trimmed transaction dataset for value date  $i$

$r_k$  = interest rate for transaction  $k$

$v_k$  = volume of transaction  $k$

$V_i$  = total transaction volume in the trimmed dataset for value date  $i$

### 3.5.3 Alternative calculation method

#### 3.5.3.1 Technical error

If the relevant transaction dataset is not available, for example in the event of technical error, the following formula for the alternative calculation of SWESTR with value date  $i$  shall be used:

$$SWESTR_i = R_i + \frac{1}{2} \sum_{k=1}^2 (SWESTR_{i-k} - R_{i-k})$$

where:

$k$  = an index representing each value date for SWESTR, as well as each banking day

$SWESTR_{i-k}$  = determined SWESTR value for value date  $i - k$

$R_i$  = Riksbank policy rate for banking day  $i$

### 3.5.3.2 Transaction dataset does not meet all robustness requirements

If the relevant transaction dataset is available, but does not comply with all requirements for robustness, the following formula for the calculation of SWESTR with value date  $i$  shall be used:

$$SWESTR_i = R_i + \frac{1}{3} \sum_{k=0}^2 (SWESTR_{i-k} - R_{i-k})$$

where:

$k$  = an index representing each value date for SWESTR, as well as each banking day

$SWESTR_{i-k} = \begin{cases} SWESTR_{i-k} \text{ calculated according to the normal calculation method,} & \text{if } k = 0 \\ \text{determined SWESTR value for value date } i - k, & \text{if } k > 0 \end{cases}$

$R_i$  = Riksbank policy rate for banking day  $i$

## 3.6 Rounding

Any rounding off of the calculated value of SWESTR shall be made as late as possible before determination and shall comply with established mathematical principles for rounding.<sup>3</sup>

## 3.7 Calculation

The Monetary Policy Department shall carry out the calculation of SWESTR at 08.30 (first calculation) ahead of regular publication according to Section 5.

The Monetary Policy Department shall carry out a calculation of SWESTR at 11.30 (second calculation) to ascertain whether the determination of a corrected SWESTR, according to Section 3.8, is appropriate.

After calculation, the Monetary Policy Department shall make a reasonability assessment of the calculation result in light of the current transaction dataset. If the calculation result is deemed to be clearly unreasonable, SWESTR shall be determined using the alternative calculation method as described in Section 3.5.3.1.

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<sup>3</sup> Established mathematical principles refer to rounding away from zero, that is, 0.0055 is rounded to 0.006 and -0.0055 is rounded to -0.006.



### 3.8 Determination of a corrected SWESTR

If the difference between the calculation result at the second calculation and the value determined after the first calculation for SWESTR exceeds 0.02 percentage points, the Monetary Policy Department shall determine a corrected value for SWESTR. Such a corrected value may be relevant in the event of late reporting or validation of transaction data, or in the event of an earlier technical error or other type of administrator error.

A corrected SWESTR value shall replace the previous value as the determined value for SWESTR on the banking day in question.

After the publication time of the corrected SWESTR pursuant to Section 5.2, no new value for SWESTR can be determined, regardless of new or changed transaction data.

### 3.9 Continuity

If the Monetary Policy Department has not published a value for SWESTR by latest 12.00 on the publication date, the value corresponding to the alternative calculation method in accordance with Section 3.5.3.1 and subsequently rounded in accordance with Section 3.5 shall apply.

### 3.10 *Report on transaction dataset for SWESTR*

The Monetary Policy Department is to publish quarterly and with a lag the *Report on transaction dataset for SWESTR*.

This report shall include:

- information on how any changes in the transaction dataset, which have subsequently come to the Riksbank's attention, had affected the SWESTR values if the changes had been known when the respective SWESTR value was determined, and
- summary information on the composition of the transaction dataset in the form of its breakdown by the reporting agents' different counterparty categories, and by the sizes of the individual transactions.

The head of the Markets Department will decide on the further details of the report's content.

## 4 Average rates and index – design and process for determination

The central provisions of the methodology and the process for determining average rates and index based on SWESTR are set down in this rule. The Head of the Markets

Department shall, if necessary, adopt supplementary provisions regarding the daily process.

## 4.1 Design and use

The Riksbank shall provide average rates and an index based on SWESTR. These shall be backward-looking and cumulative. They shall be based solely on the determined values for SWESTR and shall reflect a continuous accrual of SWESTR.

Average rates based on SWESTR shall be provided for the time periods of 1 week and 1, 2, 3 and 6 months. In addition, an index allows a simple calculation of an average rate for SWESTR over a period between any two banking days.

## 4.2 Method of calculation and market conventions

### 4.2.1 Day count convention

The day count convention that the year has 360 days shall be applied for average rates and index.

### 4.2.2 Average rates

The periods for average rates shall be determined backward-looking on the basis of the period's end date and the date of publication of the average rate.

The date that begins the period over which an average rate is calculated is referred to as the starting date of the period  $t = 0$ . According to market convention, interest is calculated from the starting date of the period (inclusive) to its end date (exclusive).

In case the calculated starting date is not a banking day:

- for the period 1 week, the adjustment principle (*standard preceding business day*) is applied, i.e. the starting date is brought forward to the immediately preceding banking day,
- for other time periods, the adjustment principle (*modified preceding business day*) is applied, i.e. the starting date is brought forward to the immediately preceding banking day, as long as this does not mean that the starting date is in another month, in which case the starting date is instead postponed.

The average rate with value date  $i$  shall be calculated using the following formula:

$$Average_i = \left[ \prod_{t=1}^i \left( 1 + \frac{r_t \times n_t}{360} \right) - 1 \right] \times \frac{360}{d_c}$$

wherer:

$t$  = an index representing each banking day in the period starting with  $t = 0$  and concluding with value date  $i$

$r_t$  = SWESTR value published on banking day  $t$ , i.e.  $r_t = Swestr_{t-1}$

$n_t$  = the number of calendar days that interest rate  $r_t$  applies for

$d_c$  = the number of calendar days in the interest rate period

$n_t$  is generally 1, except for Mondays when it is 3, to take account of accrual over the weekend, or where adjustments are needed to take account of non-banking days

### 4.2.3 Index

Index for SWESTR with value date  $i$  shall be calculated using the following formula:

$$Index_i = \begin{cases} 100, & \text{if } i = 0 \\ 100 \times \prod_{t=1}^i \left(1 + \frac{r_t \times n_t}{360}\right), & \text{if } i > 0 \end{cases}$$

where:

$t$  = an index representing each banking day since  $t = 0$

$r_t$  = SWESTR value published on banking day  $t$ , i.e.  $r_t = Swestr_{t-1}$

$n_t$  = the number of calendar days that interest rate  $r_t$  applies for

$t = 0$  refers to 1 September 2021

$n_t$  is generally 1, except for Mondays when it is 3, to take account of accrual over the weekend, or where adjustments are needed to take account of non-banking days

The average rate for a period from any banking day  $x$  (inclusive) to any banking day  $y$  (exclusive) can be calculated with the help of index values:

$$\left(\frac{Index_y}{Index_x} - 1\right) \times \frac{360}{d_c}$$

where:

$d_c$  = the number of calendar days in the interest rate period, i.e..  $y - x$

$Index_i$  = SWESTR index with value date  $i$

## 4.3 Rounding

Any rounding shall be done as late as possible before determination and shall follow established mathematical principles for rounding.<sup>4</sup>

## 4.4 Calculation

The Monetary Policy Department shall carry out the calculation of average rates and index after having made the calculation of SWESTR in accordance with Section 3.7 (first calculation). The calculated values for average rates and index are provisional until SWESTR has been published according to Section 5.2.

<sup>4</sup> Established mathematical principles refer to rounding away from zero, that is, 0.0055 is rounded to 0.006 and -0.0055 is rounded to -0.006.

Any calculations of corrected average rates and index in accordance with Section 4.5 shall be made after a calculation in accordance with Section 3.7 (second calculation) has resulted in a corrected SWESTR value in accordance with Section 3.8. The calculated values for average rates and index are to be considered provisional until the corrected SWESTR has been published according to Section 5.2.

## 4.5 Determination of corrected average rates and index

Corrected values for average rates and index shall be determined only if a corrected value for SWESTR is determined in accordance with Section 3.8 or if errors in the previous calculation have been detected. In such cases, corrected values for average rates and index shall replace previously published values for these.

# 5 Publication

## 5.1 Publishing tools

The Monetary Policy Department shall publish SWESTR and average rates and index based on SWESTR in the application programming interface (API) provided by the Riksbank for these purposes. The information shall also be published on the Riksbank's website.

The Riksbank's website comprises the alternative publication channel if contingency routines need to be applied for publication.

## 5.2 Publication times

SWESTR shall be published every Swedish banking day at 09.00. A possible corrected value for SWESTR shall be published at 12.00.

Average rates and index based on SWESTR shall be published every Swedish banking day at 09.05. Any corrected values for average rates and index shall be published at 12.05.

## 5.3 Publication format

### 5.3.1 SWESTR

SWESTR shall be published as a percentage to three decimal places. The following information on the transaction dataset shall also be published for each SWESTR value:

- total volume (SEK million),
- number of transactions
- number of reporting agents that have reported transactions,

- the interest rate at the upper trimming boundary, as well as the rate level at the 87.5 percentile of the transaction volume (as a percentage to two decimal places), and
- the interest rate at the lower trimming boundary, as well as the rate level at the 12.5 percentile of the transaction volume (as a percentage to two decimal places).

The information published shall relate to the transaction dataset before trimming.

If a corrected value for SWESTR is determined, corrected information on the transaction dataset shall also be published. Information on the calculation method – alternative or normal – used shall also be provided. If an alternative calculation method has been used, summary information about the reason for this shall be published, but otherwise no information about the transaction dataset shall be published for the relevant value date.

### **5.3.2 Average rates and index**

Average rates for SWESTR shall be published as a percentage to five decimal places. For each average rate, the starting date of the period to which the rate relates shall also be published.

Indices for SWESTR shall be published in decimal format to eight decimal places.

## **5.4 Value date**

As its value date, SWESTR shall have the date on which the underlying transactions have been made and settled, and shall be published with a lag of one banking day.

Average rates and index shall have the same value date as publication date.

## **5.5 Information for use and re-publication**

The Riksbank shall publish information for use and re-publication of SWESTR, including average rates and index based on SWESTR, on the Riksbank's website. This shall include information on what applies when using SWESTR and when operators choose to re-publish SWESTR in their information systems and platforms.

The Head of the Markets Department shall decide on the detailed design of this information.

## 6 Evaluation and follow-up

### 6.1 Annual evaluation

The Markets Department shall annually evaluate and follow up SWESTR to ensure that it meets the requirements of relevant and applicable IOSCO principles and that SWESTR is representative of the underlying market. At the same time, the Markets Department shall also follow up average rates and index based on SWESTR.

The Monetary Policy Department shall assist the Markets Department with the evaluation.

The evaluation shall include:

- the definition of SWESTR,
- the design of average rates and index based on SWESTR,
- the process for determining SWESTR, average rates and index,
- the arrangements for the publication of SWESTR average rates and index,
- reporting requirements and the data collection process, and
- the organisation at the Markets Department and the Monetary Policy Department as well as the governance arrangements for SWESTR.

If the Markets Department's evaluation shows that there is a need to make changes in any of the above areas, the Markets Department shall provide the Executive Board with suggestions on how to implement them.

The evaluation according to this section is intended for the Riksbank's internal work and shall not be published.

### 6.2 Annual Report for SWESTR

The Markets Department shall produce and publish an annual report on SWESTR for each calendar year. The annual report according to this section is intended for external stakeholders.

The Head of the Markets Department shall decide on the more precise details regarding of annual report.

### 6.3 SWESTR Advisory Group

The Markets Department shall be responsible for the SWESTR Advisory Group, which shall be used by the Markets Department as a channel for gathering information on the evaluations and follow-ups that the Markets Department shall make in accordance with this rule.

The group shall consist of representatives for users of SWESTR and representatives from participants who are active in the overnight market, as well as other relevant agents. Participation in the group shall be voluntary.

The head of the Markets Department shall decide on the detailed rules for the SWESTR Advisory Group, such as the organisations to be invited to participate and how the meetings are to be conducted.

## 6.4 Annual certification of compliance with the IOSCO principles

As the Policy makes clear, the Riksbank follows the applicable and relevant parts of the International Organization of Securities and Exchange Commission (IOSCO) principles for financial benchmarks.

The Markets Department shall annually evaluate whether the Riksbank complies with these principles and publish an annual certification on the Riksbank's website.<sup>5</sup> The Monetary Policy Department shall assist the Markets Department in the evaluation of the implementation of the daily process and the Head of the Monetary Policy Department will certify that the evaluation is accurate in this regard. The Head of the Financial Stability Department is responsible for ensuring that the content of the evaluation regarding the oversight function is accurate and that the Riksbank complies with the principle on oversight.

# 7 Questions, comments and complaints

## 7.1 Questions and comments

The Markets Department shall provide a specific e-mail address for questions and comments on SWESTR, average rates and index.

## 7.2 Handling of complaints

The Markets Department is responsible for handling complaints about SWESTR, average rates and index. The Markets Department that these are examined in a prompt and independent manner. It shall be possible to submit complaints by e-mail and by physical letter.<sup>6</sup>

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<sup>5</sup> Note that the evaluation referred to in this section is not the same as that referred to in Section 6.1, although the evaluation under Section 6.1 should be one of the bases for this evaluation.

<sup>6</sup> The e-mail address for complaints shall not be the same as for questions and comments.

## 8 Reporting of irregularities with SWESTR

For reporting any irregularities regarding SWESTR, the internal whistle blower function provided by the Risk Division in the Corporate Services Department (AVS) shall be used.

## 9 Compliance

Within their remits, the head of each department is responsible for:

- introducing this rule
- regularly follow up compliance with this rule
- if necessary, inform the Executive Board of the follow-up on compliance with the rule and/or the work of the departments with SWESTR

## 10 Entry into force and transitional provisions

This regulation enters into force on 1 January 2024. The rule revokes the previous *Rule for the administration of SWESTR* (dnr 2023-00438), adopted on 29 March 2023.

### 10.1 Transitional provisions

#### 10.1.1 Annual report on SWESTR

The provision in Section 6.2 that the Markets Department shall produce an annual report for SWESTR applies for the first time to the annual report for the calendar year 2023.