

The Riksbank's survey regarding the year-end effect in SWESTR

June 20, 2023

55 persons received the link to the survey and 18-20 respondents answered a total of 9 questions.

The quantitative answers to 7 of these questions are reported here.

The survey was open to answers during June 2-12, 2023.

Question 1.

How does your organisation view the temporary declines* in SWESTR (year-end effect) that occurred on the last banking day of the year?

<i>Answer</i>	<i>Count</i>	<i>Percentage</i>
They were expected	1	5%
They were expected but the size was difficult to predict	18	90%
They were expected	0	0%
No opinion	1	5%
Total	20	

* Year-end 21/22 by some 2.8 percentage points and 22/23 by some 11.4 percentage points

Question 2.

What impact does the year-end effect have on your organisation's view of SWESTR as a reference rate?

<i>Answer</i>	<i>Count</i>	<i>Percentage</i>
It has no impact	3	15%
It is positive as SWESTR reflects the actual overnight rate on the money market that day	6	30%
It has a negative impact	6	40%
No view	3	15%
Total	20	

Question 3.

Does your organisation consider that the year-end effect in SWESTR impacts your organisation's ability to use SWESTR as a reference rate?

<i>Answer</i>	<i>Count</i>	<i>Percentage</i>
No impact	7	35%
Positive impact	1	5%
Negative impact	8	50%
No opinion	2	10%
Total	20	

Question 4.

If your organisation considers that the year-end effect has a negative impact on your ability to use SWESTR as a reference rate, what is the reason?

	<i>(Totally disagree) 1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>(Totally agree) 5</i>
The large decline of SWESTR on the last banking day of the year (actual decline)	30%	30%	20%	0%	20%
It is difficult to anticipate how much SWESTR will go down on the last banking day of the year (uncertainty)	15%	5%	5%	25%	50%
The year-end effect also can affect the first two banking days of the new year if the alternative method is used for either of these two days (consequential effects)	20%	5%	15%	25%	35%
SWESTR does not behave like other reference rates, for example €STR	25%	25%	25%	10%	15%
Other reason	45%	10%	20%	5%	10%

Question 6

One possible way of completely removing the year-end effect would be to redefine SWESTR on the last banking day of the year to correspond to an average of the two previous days' values, adjusted for any change in the policy rate. Would such a change make it easier for your organization to use Swestr?

Select the option you think fits best and please explain in the comments field.

Answer	Count	Percentage
Yes	10	53%
No	7	37%
No opinion	2	10%
Total	19	

Question 7.

Does your organisation see any disadvantages if the definition of SWESTR were to change on the last banking day of the year as described in question 6?

<i>If you answer yes, please describe what these disadvantages are in the comments field</i>		
<i>Answer</i>	<i>Count</i>	<i>Percentage</i>
Yes	10	56%
No	6	33%
No opinion	2	11%
Total	18	

Question 8.

There are also other ways of dealing with the year-end effect, which instead aim to reduce its consequences.

Option 1. Relax the robustness requirements to reduce the likelihood of alternative calculation methods occurring.

Option 2. Change the alternative calculation method to avoid SWESTR being affected by the year-end effect if this method is used.

Option 3. A combination of changing the alternative calculation method as described above and making the robustness requirements more stringent. This would increase the likelihood of alternative methods being used at the turn of the year when the reported transaction volume and number of reporters usually decrease.

Does your organisation think that any of the above three options would be preferable compared to redefining SWESTR on the last banking day of the year (according to question 6?)

<i>Answer</i>	<i>Count</i>	<i>Percentage</i>
Yes	5	28%
No	8	44%
No opinion	5	28%
Total	18	