

Policy

DECISION DATE:	2023-12-14
BY:	The Executive Board
RESPONSIBLE DEPARTMENT:	Financial Stability Department
RESPONSIBLE MANAGER:	Head of Financial Stability Department
DNR:	2023-01158
CLASSIFICATION:	PUBLIC

Policy for pricing of Emergency Liquidity Assistance

Content and purpose

This policy describes the principles that the Riksbank shall follow when pricing Emergency Liquidity Assistance. The purpose of the policy is to contribute to the Riksbank's ability to counter serious disturbances in the financial system in Sweden by giving concrete form to the principles of pricing. An indirect effect is that the policy also makes it clear to the general public what principles the Riksbank will apply.

Target group

This policy is aimed at employees at the Riksbank who process or decide on matters relating to Emergency Liquidity Assistance

1 Introduction

The Riksbank shall be prepared to handle crises. If necessary to counter serious disturbance in the financial system in Sweden, the Riksbank may, under certain conditions, provide so-called Emergency Liquidity Assistance. Such liquidity support can be given to certain financial companies against collateral and under other special conditions, and as part of this, the Riksbank shall charge an interest rate for the assistance.

1.1 Underlying regulatory framework

Sveriges Riksbank Act (2022:1568)

The Rules of procedure for Sveriges Riksbank

Communication from the Commission on the application, as of 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis, 2013/C 216/01 (Banking Communication).

1.2 Definitions

Company – such institutions as are specified in Chapter 3, Article 6 of the Sveriges Riksbank Act (2022:1568).

Emergency Liquidity Assistance – liquidity assistance according to Chapter 3, Article 7 of the Sveriges Riksbank Act (2022:1568).

2 Roles and responsibilities

According to the Rules of procedure for Sveriges Riksbank, **the Financial Stability Department** shall be responsible for:

- Preparations and executing the Executive Board's decisions on stability and efficiency in the financial system
- Preparations for handling disturbances in the financial system
- Preparations of measures for the Riksbank's handling of disturbances in the financial system

Heads of department are also responsible for:

- Ensuring that decision documents are prepared and produced for matters that will be referred to the Executive Board or General Council for a decision, and which come within the department's area of responsibility.
- Ensuring that there are policies, regulations and routine descriptions within the department's area of responsibility and informing the department of them.
- Policies, regulations, routine descriptions and agreements being followed

3 Pricing of Emergency Liquidity Assistance

When the Riksbank provides Emergency Liquidity Assistance, the interest rate shall be determined according to the specific circumstances of the individual case.¹ The following principles apply when calculating the interest rate:

- The interest rate shall be high enough to ensure that the company receiving ELA does not gain an advantage from it in relation to other companies. This means that the interest rate shall be higher than the rate at which other comparable companies can borrow in the market.
- The interest rate shall compensate for relevant risks, such as the Riksbank's credit risk.² The credit risk is determined based partly on the counterparty risk, i.e. the risk of the counterparty not being able to repay its debts and the risk of changes in the value of the collateral received by the Riksbank.

4 Compliance

The manager responsible for a policy shall ensure that it is reviewed annually, or more frequently if necessary, and that those affected by the policy are informed and educated regarding its content. The Head of the Financial Stability Department is responsible for implementing the policy in the operations, monitoring compliance with the policy and reporting the results to the Executive Board.

5 Entry into force and transitional provisions

This policy will enter into force on 1 January 2024. The policy repeals the Policy for pricing of Emergency Liquidity Assistance with reference number 2022–01228.

¹ In addition there will be haircuts applied to the collateral received by the Riksbank for the loan. The way the haircuts are determined will also depend on the specific circumstances of the case.

² A penal interest rate is also a basic premise pursuant to the EU regulations on state aid, see point 62 of the Banking Communication