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Ref. no. 2021-00767

## Annex 6

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### Summary of responses to consultation “Calculation of average rates and an index for the SWESTR reference rate”

On 16 April 2021, the Riksbank published the consultation “Calculation of average rates and an index for the SWESTR reference rate” (ref. no. 2021-00086). The consultation was sent out to 19 referral bodies, consisting of financial institutions and relevant organisations for interest groups and public authorities. The last date for responding to the consultation was 7 May 2021. In total, replies were received from nine different bodies, one of which indicated that it was refraining from presenting views on the consultation.

#### **Summary of the consultation responses**

The vast majority of the referral bodies were fully in favour of the proposals made in the consultation or answered yes to all the questions asked. Several bodies also expressed their positive view of the Riksbank having chosen to follow international practice.

#### **Detailed comments received**

One body argued that it would have preferred to see average rates published to four decimal places instead of the proposed five decimal places.

One of the bodies made comments and gave examples of the more general difficulties that could arise if a forward-looking rate were to be replaced by a credit risk component (such as STIBOR) for a given maturity with a backward-looking average interest rate.

One body was mainly in favour of the proposals made in the referral, but also made a number of comments and suggestions. On one hand, a number of proposals were made regarding communication around the average rates and the index, and for SWESTR more generally. On the other, comments were made on the proposed conventions for



the management of non-banking days.<sup>1</sup> As regards the management of non-banking days, the body proposed an adjustment to the terminology in the form of replacing the word “previous” with the word “preceding”. The body also considered that the convention of *modified previous business day* proposed by the Riksbank should be replaced by the convention *preceding business day*.

## Overall management of the consultation responses received

The Riksbank has carefully considered the responses received and has taken the relevant comments and proposals forward. There follows a presentation of how the Riksbank has dealt with the comments summarised above.

As regards the number of published decimals for the average interest rates, the majority supports publication to five decimal places, which is why the Riksbank has decided to publish the average interest rates to five decimal places, in accordance with the proposal in the referral. One of the reasons for this is that a majority of other central banks, including the ECB, publish their average interest rates to five decimal places.

As regards the difficulties that may arise from a shift from forward-looking interest rates to backward-looking average interest rates, this is an important issue, but it does not affect the methods proposed for calculating the averages and the index.

Concerning the Riksbank’s communication around SWESTR, average interest rates and the index, the Riksbank has taken relevant proposals into account.

### Handling of non-banking days

In the case of the proposed conventions for the handling of non-banking days, the Riksbank will adjust the terminology and replace the word “previous” with the word “preceding”.

However, the Riksbank chooses to proceed with the conventions proposed in the referral. In other words, the convention *modified preceding business day* will be kept for periods of time of over one week. As described in the consultation, the Riksbank has had the ambition of following international practice in the design of average rates, and in particular European practice, as this is particularly relevant to Sweden. The Riksbank therefore chooses to follow the method chosen by the ECB in calculating average interest rates for the reference rate €STR. The Riksbank also considers that *modified preceding business day* provides better compliance with the current use of *modified following business day* for STIBOR, and that *modified preceding business day* provides better conditions for using average interest rates in new financial contracts.

The Riksbank would also like to point out that participants who want average rates calculated with other date conventions can always produce them using the index for SWESTR; see section 3.1.3 of *SWESTR: Comprehensive information on Sveriges Riksbank’s framework for SWESTR* or section 1.2 of Annex 2.

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<sup>1</sup> In the consultation, the Riksbank proposes that the convention *modified previous business day* be used for all time periods, except for the period of one week where (standard) *previous business day* is proposed.