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DNR 2012-855-AFS

## Policy

DATE OF DECISION: 6 December 2012  
DECISION BY: Executive Board  
DEPARTMENT RESPONSIBLE: Asset Management Department (KAP)  
PERSON RESPONSIBLE: Head of KAP

### ■ Investment policy for asset management 2012

#### 1. Purpose

The Asset Management Department (KAP) is to prepare background material and present proposals for an investment policy. The aim of the investment policy is to determine the framework within which the gold and foreign exchange reserve is to be managed.

#### 2. Scope

This policy covers the entire gold and foreign exchange reserve<sup>1</sup> and the foreign exchange loans taken from the Swedish National Debt Office which finance parts of the reserve.

The investment policy does not apply to the Riksbank's claims or liabilities with the International Monetary Fund; neither does it apply to assets managed in accordance with the prevailing regulations for monetary policy and foreign exchange policy transactions or the prevailing regulations for the implementation of monetary policy and foreign exchange policy transactions.

#### 3. Objective

The gold and foreign currency reserves are to be managed so that the Riksbank can always fulfil its commitments. With this as a starting point, the reserve is also to be managed so that its long-term return is maximised at the same time as risks in its management are limited – in other words, so that a good risk-adjusted return is obtained.

#### 4. The gold reserve

The size of the gold reserve, measured in units of weight, shall remain unchanged (125.7 tonnes).

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<sup>1</sup> The term gold reserve refers to the Riksbank's holding of physical gold and derivative instruments with gold as the underlying asset. The term foreign exchange reserve refers to the Riksbank's bank balance and debt securities in foreign currencies, as well as to accrued incomes, derivative instruments and repurchase agreements associated with these.

## 5. The composition of the foreign exchange reserve

At least 70 per cent of the foreign exchange reserve is to consist of bonds in USD and EUR, issued by a government in that government's own currency, or of cash balances in USD or EUR deposited at a central bank or at the BIS.<sup>2</sup>

### 5.1. The allocation of assets across currencies

The assets in the foreign exchange reserve are to be denominated in the following currencies:

Foreign exchange	Proportion of foreign exchange reserve
(i) USD	40–65%
(ii) EUR	30–60%
(iii) Other OECD currencies except SEK	0–10% per currency

### 5.2. The allocation of assets across issuers and counterparties

In addition to the bonds and cash balances stated above, the foreign exchange reserve is to consist of:

Issuers and counterparties	Proportion of foreign exchange reserve
(i) Bonds issued by governments in other permitted currencies, bonds issued by government-guaranteed or international organisations and other cash balances	0–30%
(ii) Bonds issued by local or regional authorities	0–10%
(iii) US agencies	0–10%

## 6. The composition of foreign exchange loans

Foreign exchange loans may only be raised in the currencies USD and EUR.

Foreign exchange loans are to be refinanced on maturity. The total value of foreign exchange loans may not exceed the equivalent of SEK 200 billion at the date of refinancing. Foreign exchange loans may not be raised with a maturity exceeding 5½ years.

<sup>2</sup> These assets are to fulfil the requirement for very high liquidity according to the definition in the Executive Board's regulations for liquidity risk.

## 7. Foreign currency exposure

The Riksbank's net assets in foreign currency consist of the foreign exchange reserve less the foreign exchange loans financing the reserve. The foreign currency exposure of the net assets is calculated as the foreign currency exposure of the foreign exchange reserve less the foreign currency exposure of the loans.

To limit the currency risk, no more than 15 per cent of the value of the net assets may be converted from being exposed to changes in the value of USD or EUR to being exposed to changes in the value of other OECD currencies, excluding SEK.

Currency exposure to an individual OECD currency, excluding USD and EUR, may amount to no more than 15 per cent of the value of the net assets in foreign currency.

## 8. Interest-rate sensitivity

The Riksbank's net assets in foreign currency consist of the foreign exchange reserve less the foreign exchange loans financing the reserve. The interest-rate sensitivity of the net assets, measured as modified duration, is calculated as the interest-rate sensitivity of the foreign exchange reserve less the interest-rate sensitivity of the loans in relation to the size of the net assets.

To limit the interest-rate risk, the interest-rate sensitivity of the net assets, measured as modified duration, is to be held within the interval of 3.5 to 6.0.

## 9. Entry into force

This policy will enter into force when the decision has been verified.