



SPEECH

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■ Is it dangerous to borrow dollars?

The lessons of the financial crisis are many. The world's banks – and a number of institutions that were not banks – had far too little and far too low-quality capital. They also had too little liquidity. The conviction that the markets would always be at hand with more or less unlimited liquidity turned out to be wrong. Across the world, central banks were forced to intervene and to provide the funding that the banks were unable to obtain elsewhere.

Now the new regulations known as Basel III are almost in place, even if it will take a few years to introduce them. The banks will need to hold both more and better capital and their buffers for managing liquidity shortfalls will need to increase. Of course, nobody is claiming that this will save us from all future financial crises, but it can reasonably be expected to strengthen the resilience of the financial system to shocks. The most apparent shortcomings brought to light during the crisis can be said to have been remedied.

Even so, there is naturally still much work to be done. One issue that must be addressed is how to take care of banks that nevertheless become insolvent and must be wound down, as this is an area where the crisis revealed major shortcomings in a number of countries' legislation. And, as the banks have grown larger and have increasingly expanded their operations over national boundaries over the last decade, each nation cannot solve such problems alone. The question of how to manage crisis banks is currently the subject of intensive discussion across the world, and new regulations of some form must also arise from this discussion.

Today, I plan to address another lesson from the financial crisis, a lesson that has not yet led to any consequences in the form of regulatory changes, but which nevertheless must be dealt with in the long term. It applies to Sweden, but also to many other countries, particularly in Europe. It relates to the banks' dependence on funding in foreign currencies, primarily US dollars. What kind of risks are the Swedish banks taking when they borrow in dollars – and who bears the cost? As usual, I would like to point out that the thoughts I present are my own and are not necessarily shared by my colleagues on the Riksbank's Executive Board.

■ The dollar crisis...

As we all know, when Lehman Brothers collapsed in September 2008, the immediate effect was a liquidity crisis that affected the entire world to varying degrees. Banks and investment banks that had based their business on being able to rapidly obtain large volumes of short-term borrowing, for example by issuing securities with short maturities, discovered that investors in these securities suddenly just vanished.

In Europe, including Sweden, many banks had borrowed dollars on the US market, where large volumes could be obtained at competitive rates. The US market for short-term funding had been highly liquid. However, when the crisis erupted, the flow of dollars quickly dried up. As is always the case when liquidity disappears from a market, this was due to uncertainty. Who wants to lend money to a bank when they are not certain they will get it back again? In this case, the basis of this uncertainty was that European banks had purchased large amounts of US mortgage securities, often packaged in various structured products, that were difficult to value and therefore also difficult to sell on the market. Where were these securities, often designated as "toxic assets"? Uncertainty also affected banks that had not bought any US mortgage securities, such as the Swedish banks. Because how could anybody be sure that these banks had not lent money to other banks whose balance sheets were full of structured products?

The problem was exacerbated by the fact that a significant portion of the flow of dollars to Europe had come from US MMFs – money market funds. These are comparable to Swedish money market funds, in which firms and private individuals can purchase shares, and where the fund invests in short-term debt securities. However, the use of such funds is more widespread in the United States and the total volume amounted to over USD 3 trillion in 2008 – quite a lot of money, in other words. One trillion is equal to one thousand billion or one million millions.

In the United States, as in Sweden, money market funds avoid almost all investments that may involve credit risk. Taking credit risks is quite simply not their business concept. Like all funds, they administer their clients' money for a fee, and clients who are investing their liquid funds over the short term do not wish to be exposed to any credit risk. Put simply, it could be said that these funds are intended to function like a normal savings account in a bank, albeit with slightly better interest. So, by providing this "bank account" style of saving, the funds essentially function like normal banks, even though they are not banks. When we say that, before the crisis, there existed an extensive shadow banking system that was not as strictly regulated as the "real" banks were, it is partly these funds to which we are referring.

Accordingly, money market funds do not like credit risk. So when the funds (and their customers) started to suspect that some European banks had large holes in their balance sheets, they pulled out of the market. This was not a matter of pricing, it was a matter of credibility. Many US funds were also impacted by significant redemptions, partly because the customers needed the liquidity, but also because the customers became uncertain of the risks existing in the funds' investments.

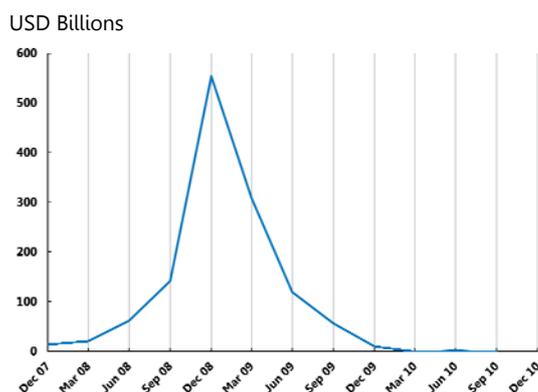
In Sweden, the banks had no significant holdings of bad US mortgage securities, but they were still affected by the same difficulties as other European banks in borrowing dollars. Initially, of course, the market did not know that the Swedish banks had not purchased any "toxic assets" and had not lent

■ significant amounts of money to any banks that had. But more important was the uncertainty that arose as a result of the Swedish banks' extensive lending in the Baltic countries. Only two of the banks actually had significant business in these countries, but, as banks lend money to each other, it was not easy for the rest of the world to know where the risks actually were. Consequently, all Swedish banks encountered difficulties in borrowing on the market.

...and how it was solved

However, the inability of the European banks to borrow dollars as before turned out to be not only a European problem but, in fact, also a US one. When the flow of capital from the private market in the United States suddenly decreased, the European banks found it difficult to repay what they had borrowed from their US counterparts. But the US banks were already facing difficulties with their liquidity – because they were also dependent upon short-term borrowing from the money market funds. They needed every dollar they could get back from their European counterparts. So the European dollar problem bounced back to the United States.

Figur 1. Federal Reserve's lending to other central banks



Sources: Federal Reserve and the Riksbank

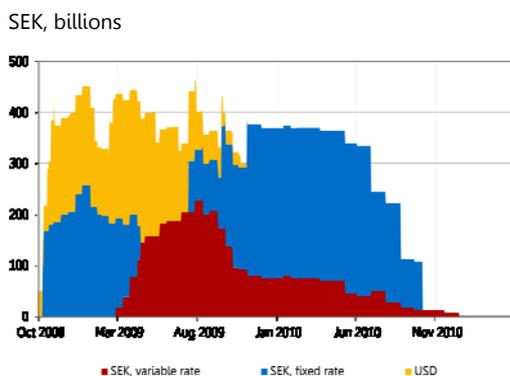
In this situation, the US central bank (the Federal Reserve) decided to supply the European Central Bank (the ECB) and a number of other European central banks, including the Riksbank, with dollar loans. While this had already been carried out on a smaller scale since 2007, it escalated steeply in conjunction with the Lehman collapse. This lending was conducted via what are known as currency swaps, in which (put simply) the Federal

Reserve lent dollars against collateral in euros or other local currency. In this way, the ECB, the Riksbank and other central banks could provide their domestic banks with loans, not only in their own currency, but also in dollars. The flow of dollars from the private market was thus replaced by a flow of dollars from the Federal Reserve (see Figure 1). This saved a number of European banks which otherwise would have gotten into trouble, but what was probably more important from a US point of view was that it also saved a number of US banks.

The way that this drama played out in Sweden can clearly be followed by examining the Riksbank's lending activities (Figure 2). During the entire crisis, the Riksbank provided the banks with liquidity in Swedish kronor at fixed interest rates and, eventually, at variable interest rates via auctions¹. However,

¹ The extensive fixed-interest rate lending implemented during the later part of the crisis (the blue area in Figure 2) was largely motivated by monetary policy objectives. By this point, the Riksbank had already lowered the repo rate as far as was deemed possible (to a quarter of a percentage point), but deemed that further monetary policy stimulation was necessary.

Figure 2. The Riksbank's outstanding loans



Source: The Riksbank

the largest demand from the banks' side was not in kronor but in dollars (the yellow area in the figure). This lending took place during the whole period from October 2008 to November 2009. The amount lent by the Riksbank peaked at USD 30 billion.

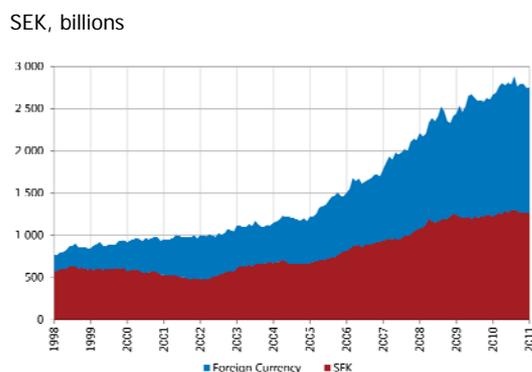
And this is exactly where the problem lies. Every central bank can create liquidity in its own currency. The Riksbank can thus supply the Swedish financial system with all of the Swedish kronor it will ever need. But we can't create dollars – only the US

central bank can. So when the Riksbank is to lend dollars, we first have to obtain them. In principle, this can be done in two ways. The first option is to borrow them. For natural reasons, it is easiest and quickest to borrow from the central bank that actually produces dollars, namely the Federal Reserve. And, naturally, this presumes the Federal Reserve's cooperation via a swap, for example. The second option is to use the foreign currency reserve. This is somewhat more complicated and takes more time. This is because the Riksbank's foreign currency reserve is normally invested in interest-bearing securities, for example US government bonds. These must first be sold or borrowed against, and then the payment received must be deposited in a suitable bank account, preferably the Federal Reserve itself, before they can become available for lending to Swedish banks. During the crisis, the Riksbank used both methods. We borrowed from the Federal Reserve and used our foreign currency reserve.

Looking back, we can say that the liquidity problems were solved quite well. The Riksbank was able to satisfy the Swedish banks' demand for dollars when they were needed. However, at the same time, our experiences from dollar lending have brought into focus a number of issues to which we have reason to devote further consideration. What would happen if the Riksbank had been unable to borrow dollars from the Federal Reserve as easily as we could during the crisis? How large a foreign currency reserve do we need to have to ensure that the Swedish banks will not face a shortage of liquidity in a crisis situation? And who is to pay the costs of this preparedness? Having a large foreign currency reserve costs money. At present, these costs are carried by the Riksbank, meaning that, in the end, it is the taxpayers who pay. However, with a certain amount of justification, we can ask whether this is actually reasonable. Because when the costs for risk-taking are not carried by the party taking the risk, this usually leads to these risks becoming excessive, from a macroeconomic perspective. Would the banks borrow fewer dollars if they had to carry the cost themselves?

The banks' currency borrowing

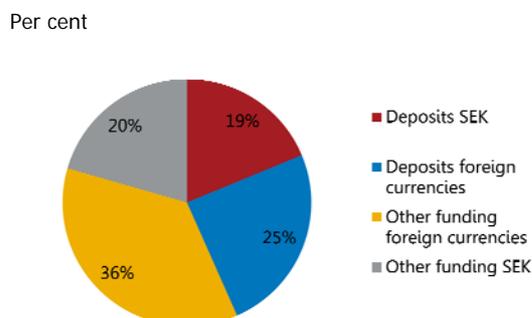
Figure 3. The market funding of the major Swedish banks via Swedish parent and subsidiary companies per SEK and foreign currencies



Sources: Statistics Sweden and the Riksbank

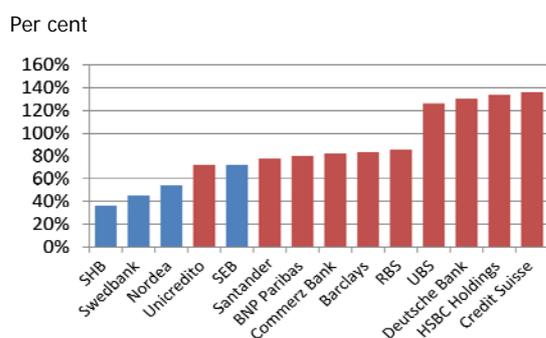
international financial markets. During the previous financial crisis at the start of the 1990s, the Swedish banks still essentially operated on a national level. This is not the case today.

Figure 4. The major Swedish banks' funding, December 2010



Sources: Bank reports and the Riksbank

Figure 5. Deposits in relation to lending, 2010



Note. Lending and deposits exclude repos.

Sources: Liquidatum and the Riksbank

How dependent are the major Swedish banks on borrowing in foreign currency? From a historical perspective, it is fair to say that the dependence has been limited. However, during the last decade or so, the situation has changed dramatically (Figure 3). In 1998, the Swedish banks borrowed foreign currency in an amount equivalent to just over SEK 200 billion (not including borrowing by subsidiary banks). Today, this figure is closer to SEK 1 500 billion. The banks' rapid expansion, not least outside Sweden, has largely been funded by borrowing on the

international financial markets. During the previous financial crisis at the start of the 1990s, the Swedish banks still essentially operated on a national level. This is not the case today. Over time, the major Swedish banks have also become increasingly dependent on borrowing on the capital markets. Today, they only receive slightly less than half of their funding from normal deposits. The other half is comprised of what is usually called "purchased money", which is to say money borrowed on the market (Figure 4). And almost two-thirds of that money comes from overseas.

The fact that the major Swedish banks do not base their funding on traditional bank deposits (which are usually considered to be very stable) but on market borrowing (which is much more volatile) is itself worth noting. On this point, Sweden clearly differs from the pattern seen in many other countries (Figure 5). However, this is essentially a reflection of the structure of household saving in Sweden.

■ We Swedes do not deposit our money in the bank, we invest in funds. Private fund investment is thus far more widespread in Sweden than it is in most other European countries. So our savings do not arrive at the bank directly as normal deposits, but take an indirect route via the funds and insurance companies that manage our savings, not least the AP funds. This is because they invest a portion of the money they manage in the banks' various borrowing instruments. This provides us with at least a good part of the explanation as to why our banks borrow more on the capital market and less from households than banks in many other countries do. But it does not explain why borrowing takes place abroad – and this is exactly the problem that I wish to address here.

Have the banks become too large?

Let me first make a small digression. As the Swedish banks have grown so rapidly in recent decades, mostly by expanding overseas, it would not be out of place to ask whether they have become too large for Sweden. Is there, perhaps, a limit for how large a banking system can be in relation to the total production capacity and fiscal capacity of one country? The risks for society may, quite simply, become too high. Experiences from Iceland and Ireland during the last crisis undeniably suggest this.

And the Swedish banks are certainly large. The combined balance sheet totals of the major banks are equivalent to slightly more than four times GDP (Figure 6, left-hand diagram). This multiple is among the highest in Europe, in the same order of magnitude as the United Kingdom and the Netherlands (prior to

Figure 6. Bank assets in relation to GDP, December 2009



Note. Banking assets include all of the assets of the banking groups, that is both foreign and domestic assets. This means, for example, that Nordea's assets abroad form a large part of Sweden's banking assets. The foreign assets of UBS and Cr dit Suisse contribute to Switzerland's relatively large banking sector in the same way.

Sources: The ECB, the Swiss National Bank and the Riksbank

the crisis, Iceland was in ninth place). However, I think that we should perhaps be cautious in assessing the risks in a banking system merely on the basis of the size of its balance sheets. For example, imagine that Nordea moved its head office from Stockholm to Helsinki, suddenly becoming a Finnish bank. This would take Sweden below the European average (Figure 6, right-hand diagram). Would the level of risk in the Swedish banking system then have decreased considerably? I don't think so. The risks in a large banking system have many other dimensions than just balance sheet total in relation to GDP.

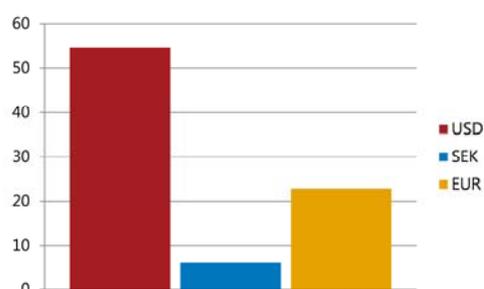
- Large banking systems can be associated with low risks and small banking systems can be associated with high risks.

One important dimension of the risk is determined by the ability of the countries in which the banks are active to cooperate in a crisis, and the subsequent division of burdens. This issue deserves a lecture all of its own, so I will spend no more time on it today. Another dimension is that of funding, particularly how much funding is borrowed outside the countries in which the banks operate. And this is the aspect to which I would now like to return.

What matters are how the banks borrow and how they use this money

Of course, not all borrowing in foreign currency is a cause for concern – on the contrary. In many cases, it forms a natural part of traditional banking operations. And neither is it particularly remarkable to borrow in one currency and then exchange this for another on the market. But one of our experiences from the crisis is that it does make a difference both *how you borrow* and *how you use this money*. Let me start with how borrowing is conducted.

Figure 7. Percentage of funding through securities with original maturities of less than one year for the Swedish banking system, by currency



Note. The banks' foreign subsidiaries are not included in the statistics.

Source: The Riksbank

Put simply, it could be said that the Swedish banks borrow over the short term in dollars and over the long term in euros (see Figure 7). The market for short-term borrowing is very large in the United States and, both before and after the crisis, the Swedish banks have been able to obtain significant volumes of funding on this market at favourable conditions. This market deals in maturities of less than one year, but the overwhelming portion of trading deals with securities with maturities of three months or less. Money market

funds continue to be major investors. More long-term borrowing is largely conducted in euros through the issuance of covered bonds. Pension funds and insurance companies are the main investors here.²

Obviously, the risks of a bank entering into an acute liquidity crisis become smaller as borrowing becomes more long-term. Consequently, the new regulations in Basel III require a greater proportion of long-term borrowing than most banks have opted for so far. Unfortunately, before the crisis, it was highly advantageous to borrow dollars over the short term, and this was also exactly what the European banks did, including the Swedish ones. Borrowing

² In recent months, a couple of Swedish banks have actually succeeded in issuing covered bonds with maturities of 3–5 years in the United States. It would naturally be desirable to gain access to the market for longer maturities in US dollars, but I feel that the journey there would be both long and rough. The level of mistrust among US investors towards new instruments with collateral in property in small, distant countries should not be underestimated.

■ for longer maturities was much more expensive. And as the new Basel regulations have not entered into force yet, there still exist significant incentives for the banks to borrow dollars over the short term. This applies to the Swedish banks in particular, who are also regarded favourably by the US market due to their strong balance sheets, particularly in comparison with a number of their European competitors.

So, in terms of risks for an acute liquidity crisis, it is important *how the banks borrow*, in particular which proportion of the borrowing is short-term. And this brings the problem back to just how to get hold of dollars. However, the problem is also related to that of *how the borrowed dollars are used*. In principle, there are three options. One way is to purchase US government bonds to use as a liquidity reserve. Borrowing for this purpose (and this has been significant for a couple of banks, at least) does not form a problem. Government bonds can always be sold on the market when the loans fall due, as they are highly liquid and remained so throughout the entire crisis.

Another way of using the borrowed money is to exchange it immediately into Swedish kronor, but at the same time to enter into a forward contract where these kronor are exchanged back to dollars on the same date as the loan falls due. This entire process – borrowing in dollars, the immediate exchange into kronor and the exchange of these back again into dollars when the transaction falls due – is generally combined into a single transaction known as a currency swap. For the banks, this is a quite simple way of “creating” kronor, which, under certain circumstances, can be cheaper than borrowing on the Swedish market. The important point here is that, as long as the bank exchanges dollars into Swedish kronor at the same time as it agrees to exchange them back again when the transaction matures, no liquidity risk in dollars will arise. The bank knows, of course, that it can repay the dollar loan when it falls due.³

A third way for the bank to use the dollars it has borrowed is to lend them to its customers. A growing number of the Swedish banks’ corporate customers operate internationally and have cash flows in US dollars. As part of their liquidity management, these companies may occasionally need to borrow dollars for short durations. And the bank wishes to satisfy this need. For example, Swedish banks undertake significant lending in dollars to shipping companies. Dollars are also lent in countries in which lending is strongly dollar-based, such as Russia. This type of lending has obvious liquidity risks. If the customer is unable to repay its dollar loan when this falls due, the bank may have difficulties in paying its counterparty. During the crisis, this is exactly what happened in several parts of the world. Major export companies were not paid by their customers as planned – as the customers could not borrow from their banks as usual – and so they wanted to extend or increase their loans from their own banks. However, the banks could not extend the loans from their US counterparties, possibly because the money market funds were no longer willing to buy their securities. And so a liquidity crisis arose.⁴

³ Naturally, a counterparty risk may exist, should the bank on the other end of the currency swap have problems in accepting kronor against dollars according to contract. However, in this situation, it would not have its loan repaid either.

⁴ The Swedish banks also borrowed large amounts of euros which were then lent to companies and households in the Baltic countries. Of course, in retrospect, this was not particularly well thought-out, and led to major problems for the banks involved. However, this does not have a great deal to do with the liquidity problems in US dollars and my thoughts on this subject will thus have to wait for a later occasion.

Now, unfortunately, we do not know exactly how large a proportion of their borrowing in dollars the Swedish banks use for each of these three purposes – investing in liquid dollar assets, exchanging into Swedish kronor, and lending directly to customers. However, the proportion of currency swaps probably lies somewhere around half of the total dollar borrowing, occasionally perhaps even higher. It can differ quite widely between different banks, and variations over time can also be significant. Here we need better data than are currently available. But let us assume that the total dollar borrowing in the form of issued securities for the four major banks is around SEK 900 billion, and that half of this amount is used for lending to companies. This would put the lending potentially linked with a liquidity risk in the magnitude of SEK 450 billion.

So, to summarise: not all borrowing in foreign currency is linked to a direct liquidity risk. This primarily affects short-term borrowing, which largely takes place in US dollars. And not all dollar borrowing gives rise to a liquidity risk, but primarily that used for lending to customers. A rough estimate suggests a volume of around SEK 450 billion in the four major banks, but the level of uncertainty is high.

Two questions

It is apparent that the banks faced problems in their dollar funding during the crisis. Why else would they have borrowed as much as USD 30 billion via the Riksbank? However, one question that is always asked in this connection is why the banks necessarily had to borrow dollars. Couldn't they instead have borrowed in kronor and then exchanged this into dollars on the foreign exchange market? This would have removed the problem of the shortage of dollars. There is no lack of kronor, as the Riksbank can create these in the quantities needed.

For ordinary people like us and for most companies, the foreign exchange market worked faultlessly during the entire crisis. If you had kronor, you could exchange them for dollars. It was the Swedish banks that provided this service – they were the counterparties in these transactions. But when the banks themselves wanted to carry out exchanges, they had to find international investors who were willing to buy Swedish kronor for dollars, at least for a time (they could always agree to exchange back again after a period, but then they would have de facto borrowed dollars). Unfortunately, during the toughest parts of the crisis, everybody wanted dollars and almost nobody was interested in owning kronor. The krona also fell steeply against the dollar, by over 30 per cent from the peak in 2008 to the lowest point in 2009. Exchanging kronor borrowed from the Riksbank to dollars in the volumes required would have been an impossibility for the banks. And, if they had tried, the krona would have dropped even more in value.⁵

Another question that constantly comes up is why the Riksbank doesn't, quite simply, reach an agreement with the Federal Reserve so that they can always supply us with dollars should we need them. It worked perfectly during the crisis, so why not trust in a solution like this? This would also remove the problem of the shortage of dollars.

⁵ Banks are unwilling to take large currency risks, among other reasons because this requires large amounts of capital. So, to the extent that they purchase currency on the market, it is assumed that they will be able to mitigate currency risk by lending to customers.

■ Now, no doubt the Federal Reserve is happy to help solve problems that it is clearly in its own interest to solve. And doubtless this was the situation during the crisis, when the shortage of dollars in Europe threatened to rebound on the US market. But, should only one or a few Swedish banks be facing problems, the situation would be different. How would the Federal Reserve explain to the US public that, from the kindness of its heart, it was helping a little country in Europe whose banks have no noticeable influence whatsoever on the US financial system? I don't think we should have any illusions about this matter, regardless of how strong our current cooperation is with the Federal Reserve. When there is a crisis, we must be prepared to deal with matters ourselves. This is my absolute conviction after almost thirteen years at the Riksbank.

So what is the solution?

If a bank in a crisis situation does not have any dollars of its own or is unable to obtain any on the market, and if the Riksbank does not have any to lend, naturally an uncomfortable situation will arise for that bank. It will be unable to fulfil its commitments (that is, pay what it has promised to pay others), which normally results in liquidation. This is hardly a risk that a well-managed bank wishes to take. Naturally, it could turn to the Ministry of Finance or the Swedish National Debt Office and apply for assistance under the Swedish Support to Credit Institutions Act. But even this would probably cost quite a lot in terms of money and prestige (for example, it is easy to imagine the management being replaced), so, in general, this is probably not an alternative that a bank would wish to consider.

Naturally, one way of reducing the risk would be, quite simply, to decrease lending in dollars and thus also the need for borrowing in dollars. In such a case, customers would have to be referred to other banks. Of course, at least major customers generally also have contact with US banks, which never encounter acute liquidity shortages, as they can turn directly to the Federal Reserve in the event of a crisis. So they have access to a lender of last resort which can create dollars. This is exactly what the Swedish banks lack.

Now, naturally it hurts for a bank to refer good customers to a competitor, but if you don't have any dollars, then you don't have any dollars. It's all a question of what risks the bank is willing to take.

Another way of minimising the risk is for the Riksbank to maintain a foreign currency reserve that the banks can have access to in a crisis, as it does at present. The Riksbank has several reasons for maintaining a reserve in foreign currency, but one important argument for its current size is precisely the need to be ready to lend to the banks⁶. The Riksbank's foreign exchange reserve is currently equivalent to about SEK 300 billion. It is, of course, difficult to say exactly how large the foreign exchange reserve would have to be to assist the banks with liquidity in a crisis situation. The amount could be either larger or smaller, but let's assume that two-thirds of the reserve, that is SEK 200 billion, is available for this purpose. What does it cost to maintain a foreign currency reserve like this? And who should reasonably pay this "insurance premium"?

⁶ There are at least two other reasons for the Riksbank to maintain a currency reserve. One is to be able to fulfil Sweden's commitments towards international bodies such as the International Monetary Fund (IMF), and the other is to be able to undertake interventions on the foreign exchange market when needed to influence the value of the Swedish krona.

■ Let us examine the cost first. One way of looking at the matter is that Sweden, as a nation, has borrowed SEK 200 billion more than we otherwise would have needed, and the cost for this, quite simply, is the average interest rate on the government debt. But this would be to disregard the fact that the Riksbank can actually invest the money we have borrowed via the Swedish National Debt Office in interest-bearing assets, let alone that choices are limited as the assets must have extremely good liquidity, that is to say that cash must be available at very short notice. If we assume that the difference between the deposit rate and the lending rate is about forty basis points, the annual cost for borrowing SEK 200 billion would thus be about SEK 800 million. Is this a lot or a little? This can be discussed, but, last year, the four major banks had a combined balance sheet total of SEK 11 300 billion and pre-tax profits of SEK 70 billion.

Let us now examine the question of who is to pay for this “insurance”. So far, the Riksbank has done this, meaning that the taxpayers have had to foot the bill. The Riksbank pays its profit into the public treasury each year, and the smaller this profit is, the less the Riksbank contributes towards covering the state’s expenditure. But should the taxpayers really pay for the risk incurred by the banks when they borrow dollars? This is not the only thing that could be considered unfair. It also leads to risks becoming too high. As I mentioned earlier: when the costs for risk-taking are not carried by the party taking the risk, this usually leads to these risks becoming excessive from a macroeconomic perspective. The banks will borrow and lend more dollars than they would if they had to pay for the costs of managing the liquidity risk themselves. This cost is essentially an insurance premium, in which the banks are the insured party and in which the general public has so far paid the premium. When the banks’ foreign currency borrowing was not particularly great, this was not a significant problem. However, the growth in borrowing and our experiences from the crisis give us reason to think again. Today, it seems reasonable for the banks to carry the cost of the Riksbank’s foreign currency reserve, in as much as it is needed to meet their liquidity requirements in the event of a crisis.

If they were to carry the cost of maintaining a liquidity buffer in the Riksbank, it is likely that the banks would find it profitable to cut back on the riskier areas of their dollar lending. In this case, the Riksbank would also reduce its foreign currency reserve, as the need for a buffer would have decreased. However, the banks should pay a charge to cover the costs of the remaining buffer. The extent to which the banks could imagine reducing the riskier areas of their foreign currency lending, the size of any charge, and how this could be repaid remain to be discussed by the Riksbank and the banks. The rough calculation I made earlier could form a starting point, but I make no claims for it to be any more than that. However, it is essential that this question receives an answer. The present situation is unacceptable in the long run.