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DNR 2020-00380

# Annex A to the minutes

DATE: 27 March 2020  
Monetary Policy Department, Markets Department  
DEPARTMENT: and Financial Stability Department

## Government bond purchases for monetary policy purposes

### Decision by the Executive Board

The Executive Board decides

1. that the Riksbank will, between 30 March and 30 April 2020, purchase nominal Swedish government bonds for a nominal amount totalling SEK 5 billion over and above the previously-decided purchases of government bonds during the period July 2019–December 2020, in accordance with the description in the annex,
2. to instruct the Head of the Markets Department, with the right to delegate this to another, after consultation with the Executive Board and the Head of the Monetary Policy Department and the Head of the Financial Stability Department, with the right for these department heads to delegate this task to another, to decide on the exact bid procedure dates within the framework of this purchase programme and on the offered amounts at each of these bid procedures respectively,
3. to give the Head of the Markets Department the task of determining, with the right to delegate this to another, after consultation with the Head of the Monetary Policy Department and the Head of the Financial Stability Department, with the right for them to delegate this task to another, the details regarding the terms and conditions for, and information about, the Riksbank's purchases of government bonds, and
4. to publish this decision on Friday 27 March 2020 no later than 17.00.

### Background

The corona pandemic is having widespread humanitarian consequences and is affecting the global and the Swedish economy to a great extent. Across the entire world, strong measures have been adopted to restrict the spread of the virus. Among other things,

several countries have implemented travel restrictions and quarantine regulations and have banned events. The precautionary measures adopted by governments, companies and private persons are affecting more and more sectors of the economy. So far, companies in the tourism sector have been hit hardest, but trading companies, with the exception of the food retail segment, have also seen significant falls in turnover. Over the last week, several major manufacturing companies have also been forced to close their production facilities and lay off their staff due to problems with deliveries of input goods. The abruptness of the downturn is also reflected by the statistics on redundancy notices. Last week, almost 14,000 people were made redundant, which is a higher rate than during the financial crisis of 2008–2009.

There are now clear signs of liquidity problems on the financial markets, both in Sweden and abroad. Several companies report that they have had difficulties in refinancing their loans and several larger manufacturing companies are also worried that their smaller subcontractors and customers will have problems with their funding. The continued turbulence on the financial markets means that the credit supply in the Swedish economy may deteriorate further. This would risk aggravating the downturn in the economy, with prolonged negative consequences for output and employment in Sweden. It would also make it more difficult for the Riksbank to achieve its price stability target.

## Considerations

To keep monetary policy expansionary, provide support to the economy and support credit supply broadly in the Swedish economy, the Executive Board decided on 16 March 2020 to purchase bonds in the period March–December 2020 to a total nominal amount of up to SEK 300 billion. This decision covers purchases of government bonds, bonds issued by Swedish municipalities and Kommuninvest i Sverige AB and covered bonds issued by Swedish institutions. On 19 March 2020, the Executive Board decided that during the same period, within the programme for bond purchases, the Riksbank shall also purchase bonds and commercial paper issued by Swedish non-financial corporations. The extended government bond purchases were initiated on 18 March, the purchases of covered bonds began on 25 March, and purchases of commercial paper will begin on 2 April 2020. The purchases of government bonds made within the scope of this programme for bond purchases are over and above the previously-decided purchases of government bonds during the period July 2019–December 2020, which the Executive Board decided on in April 2019.

Given the continued high level of uncertainty regarding economic developments, it is appropriate for the Riksbank, between 30 March and 30 April 2020, to purchase nominal Swedish government bonds to a nominal amount of SEK 5 billion, in addition to the purchases of government bonds decided by the Executive Board in April 2019.

The exact dates for bid procedures and the offered amounts at these bid procedures will be determined by the Head of the Markets Department after consultation with the Executive Board and the Head of the Monetary Policy Department and Head of the Financial Stability Department. Consultation with the Executive Board is best done in the form of the Executive Board at regular meetings prior to each bid procedure being kept informed of the current assessment of the need to supply further support to the economy at that time.



It is the responsibility of the Head of the Markets Department, with the right to delegate to another person, to determine the precise details regarding the terms for, and information on, the purchases of government bonds. The decision will be taken after consultation with the Head of the Monetary Policy Department and the Head of the Financial Stability Department, with the right for them to delegate to other persons.

The Riksbank's measures normally have several different, and partly uncertain, consequences for the economy and the Riksbank's own finances. The benefits of the respective measures therefore have to be weighed against their potential drawbacks and risks. The Riksbank deems that there exists high awareness of the risks and an effective approach to risk management in operations. The increased risk level is therefore manageable for the Riksbank.

These purchases are part of the programme for bond purchases decided on 16 March 2020. The current purposes are justified in terms of monetary policy as described above, pursuant to Chapter 6, Article 5 of the Sveriges Riksbank Act (1988:1385). The government bond purchases are judged to be compatible with the appropriate provisions regarding monetary financing, cf. the European Court of Justice's decisions on 16 June 2015 in the case C-62/14 Gauweiler and others and on 11 December 2018 in the case C-493/17 Weiss and others.

Economic developments and the situation on the financial markets, both in Sweden and other countries, remain very uncertain. Given this, the Riksbank is prepared to take further measures and supply the necessary liquidity even between the ordinary monetary policy meetings. All of the Riksbank's tools can be put to use. How the tools will be used depends on future developments.

## Annex

Facts regarding the Riksbank's extended purchases of nominal Swedish government bonds made during the period 30 March–30 April 2020 in accordance with the provisions of the applicable general terms and conditions.

Total nominal amount:	SEK 5 billion.
Type of security:	Nominal bonds issued in Swedish krona by the State of Sweden through the Swedish National Debt Office.
Announcement of more detailed terms for purchases:	Special terms and conditions will be published one bank day before the respective Bid procedure.
Form of purchase:	Bid procedure, multiple price method, differentiated pricing on allocation.
Eligible bidders:	<p>Those of the Riksbank's monetary policy counterparties and the Swedish National Debt Office's current primary dealers in nominal Swedish government bonds that are eligible to participate as bidder under the applicable general terms and conditions.</p> <p>If a Counterparty is not one of the Riksbank's Monetary Policy Counterparties, but meets the requirements for being a dealer in Bonds covered by the Bid procedure, the Counterparty may submit Bids in the current Bid procedure only in the part of the procedure that concerns such Bonds.</p>
Bid procedure:	Bids regarding rate and volume are to be submitted via Bloomberg Bond Auction System between 9.00 and 10.00 on the day of the respective Bid procedure.
Lowest bid:	Bids shall be no lower than SEK 50 million. Each bidder can make several bids.
Highest bid:	No individual bid may exceed the total volume requested by the Riksbank at each Bid procedure.
Allocation:	Normally 10 minutes after the final time for submitting a bid.
Payment and delivery:	<p>Shall be made the second banking day after the Auction concerned in Euroclear Sweden's securities settlement system.</p> <p>Counterparties are obliged to ensure that the Bonds supplied to the Riksbank have not been obtained from the Swedish National Debt Office to fulfil delivery.</p>



General terms and conditions:	General Terms and Conditions for the Riksbank's purchases of government bonds via bid procedure 2016:1, dated 21 April 2016 (see the Riksbank's website).
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