

## Annex B to the minutes

DATE: 26 March 2020  
Monetary Policy Department, Markets Department and Financial Stability  
DEPARTMENT Department



SVERIGES RIKSBANK  
SE-103 37 Stockholm  
(Brunkebergstorg 11)

Tel +46 8 787 00 00  
Fax +46 8 21 05 31  
registratorn@riksbank.se  
www.riksbank.se

---

DNR 2020-00418

# The Riksbank allows temporary monetary policy counterparties

## Decision by the Executive Board

The Executive Board decides to

- allow Swedish credit institutions under the supervision of Finansinspektionen to become temporary monetary policy counterparties,
- allow such temporary monetary policy counterparties to participate in the programme for lending to companies via monetary policy counterparties,
- to instruct the Head of the Markets Department, with the right to delegate this task to another person, and after consultation with the Head of the Monetary Policy Department, the Head of the Payments Department and the Head of the Financial Stability Department, with the right for them to delegate this task to another person, to determine the more precise details of the terms for becoming a temporary monetary policy counterparty, and
- publish the decision on Thursday 26 March 2020 no later than 14.00.

## Background

The corona pandemic is having widespread humanitarian consequences and is affecting the global and the Swedish economy to an increasing extent. This has led to considerable fluctuations on the financial markets and is posing substantial challenges for the economy. Many non-financial corporations are now under considerable strain. In this situation, it is important that banks continue to provide Swedish non-financial companies with funding so that the credit supply to essentially robust companies is not threatened.

On 12 March 2020, the Executive Board of the Riksbank decided to launch a corporate lending programme via monetary policy counterparties of up to SEK 500 billion (ref.no. 2020-00358). This decision was taken in the light of the expected economic consequences of the spread of the coronavirus to secure an efficient supply of credit to Swedish non-financial corporations.



Consequently, the programme is aimed only at the Riksbank's monetary policy counterparties.

To make the Riksbank's loans more accessible to the entire economy, there is reason to consider whether a temporary enlargement of the circle of counterparties would be in line with the aim of the programme for loans to non-financial corporations via monetary policy counterparties.

## Considerations

In addition to funding in the form of deposits, credit institutions that are not monetary policy counterparties to the Riksbank are referred to the market outside the banking system or to the Riksbank's monetary policy counterparties to obtain funding. In this situation, it is important for the entire economic system to function efficiently enough in order to mitigate the negative effects of the corona pandemic on the economy as much as possible. There is therefore reason for the Riksbank to temporarily give more credit institutions the opportunity to fund some of their lending to non-financial corporations via loans from the Riksbank and thereby participate in the supply of credit to robust companies. The Riksbank should therefore, for monetary policy purposes and pursuant to Chapter 6, Article 5 of the Sveriges Riksbank Act (1988:1385), enlarge the circle of counterparties in the programme for corporate lending in Swedish kronor that was adopted on 12 March 2020, to enhance the programme's monetary policy impact.

The institutions concerned could apply to become monetary policy counterparties and RIX participants, and in this way be entitled to participate in the Riksbank's facilities aimed at the regular monetary policy counterparties. However, an enlargement of the circle of RIX participants to include institutions which do not have a natural requirement for participation in RIX could involve increased operational risks in RIX. Becoming a RIX participant is also an extensive and time-consuming process. According to the Riksbank's Terms and Conditions for RIX and monetary policy instruments, the Riksbank can carry out market operations with institutions other than monetary policy counterparties if the Riksbank considers there to be special reasons for doing so. It is therefore more appropriate that the institutions concerned become temporary monetary policy counterparties rather than participants in RIX.

### Circle of counterparties

If an enlargement of the circle of counterparties is under consideration, it is reasonable to start with the institutions that fulfil the same institutional requirements as the monetary policy counterparties, that is, credit institutions (as defined in the Terms and Conditions for RIX and monetary policy instruments) under the supervision of Finansinspektionen that have chosen not to be participants in RIX. To facilitate the process of scrutinising this enlarged circle of counterparties, only institutions with a registered office in Sweden should be permitted. The other requirements for becoming a temporary counterparty should to all intents and purposes correspond to the requirements for becoming a RIX participant, however with the exception of the requirements primarily of a technical nature and which are attributable to participation in the actual RIX system or requirements that are set up for a longer-term counterparty relationship.



The proposed enlargement of the circle of counterparties covers most of the Swedish credit institutions. To what extent these institutions can use the Riksbank's credit facilities depends on, for instance, the institution's access to collateral considered eligible by the Riksbank, which may be limited. It should therefore be noted that it is uncertain what effect the increase in counterparties will have on the supply of credit in the economy. Although this enlargement in the circle of counterparties only risks having a limited effect on the granting of credit at present, the proposal should be able to help reinforce the impact of monetary policy by enabling more institutions to gain access to credit from the Riksbank and by facilitating the functioning of the markets, and thereby promote financial stability.

Enabling more counterparties to participate in the Riksbank's programme for lending to companies via monetary policy counterparties is similar to the action taken by the Riksbank during the financial turbulence in 2007-2010. The Riksbank decided at that time to offer credit institutions with a registered office in Sweden the opportunity to take part for a fee in some of the Riksbank's facilities without being monetary policy counterparties. These institutions were called Restricted monetary policy counterparties. When the Riksbank introduced new Terms and Conditions for RIX and monetary policy instruments on 1 April 2019, the categories "Restricted monetary policy counterparty" and "Primary monetary policy counterparty" were abolished. Instead, a category of monetary policy counterparties was introduced with the same rights and obligations in relation to the Riksbank. To achieve the desired flexibility to reach relevant actors with monetary policy measures from time to time, the Terms and Conditions for RIX and monetary policy allow the Riksbank under special circumstances to carry out market operations such as lending against adequate collateral with institutions other than monetary policy counterparties.

### Charges

Participation in RIX involves a number of charges, the aim of which is to cover the Riksbank's costs for providing the RIX system. These charges consist of (i) an entry fee, (ii) a monthly fee, (iii) a monthly fee for collateral management, (iv) an additional fee for large-scale participants and (v) a transaction fee. As the enlarged counterparty circle will be allowed access to some of the services that otherwise ensue from participation in RIX, the enlarged circle of counterparties should also pay charges. These charges should primarily reflect the first three types of fee.

As temporary monetary policy counterparties are counterparties to a more limited extent than RIX participants, the entry fee and monthly fee should only be a percentage of the charge paid by a RIX participant (Dnr 2020-00165). For the period up to and including June 2022, a charge of SEK 65,000 is payable for the temporary monetary policy counterparties. If the counterparty is still a temporary monetary policy counterparty thereafter, the charge applied by the Riksbank to such a counterparty at any time is subsequently payable.

The one-off charge of SEK 65,000 is considered to correspond to the actual cost of connecting a counterparty (10 per cent of the regular connection charge) and a cost over 24 months which, for the first month, amounts to 25 per cent of the regular monthly cost for collateral management and for each month thereafter corresponds to 10 per cent of the regular monthly cost for collateral management.

Formaterat: Färgöverstrykning

Formaterat: Färgöverstrykning



### Use of the Riksbank's facilities

Temporary monetary policy counterparties shall be able to participate on the same terms as monetary policy counterparties in the Riksbank's programme of corporate lending via monetary policy counterparties.

Formaterat: Färgöverstrykning

The more detailed terms for becoming a temporary counterparty should be set by the Head of the Markets Department after consultation with the Head of the Monetary Policy Department, Head of the Payments Department and Head of the Financial Stability Department. The right to decide on the more detailed terms of the Riksbank's different temporary market operations has already been delegated to the Head of the Markets Department.

### Risks for the Riksbank

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