



Annex A to the minutes

DATE: 15 September 2020
DEPARTMENT: APP, AFS and AFM

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DNR 2020-00397

Riksbank to continue offering loans in US dollars (USD)

Decision by the Executive Board

The Executive Board hereby decides that:

1. during the period 19 September 2020 up to and including 31 March 2021, the Riksbank will continue to offer up to USD 60 billion in loans to monetary policy counterparties against collateral, in accordance with what is stated in the appendix to this decision,
2. to instruct the Head of the Markets Department, 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 each of these to delegate this task to another, to decide on the exact dates and offered amounts at each auction and on the conditions for and information on, these loans, and
3. to publish the decision on Tuesday 15 September 2020.

Background

In mid-March 2020, significant disruptions occurred on the global financial markets due to the uncertainty caused by the economic implications of the coronavirus pandemic. Among other things, this made it more difficult and more expensive for banks around the world, including Swedish banks, to borrow in USD.

In March 2020, the Riksbank entered into a swap agreement with the Federal Reserve Bank of New York, lasting until 30 September 2020 inclusive and giving the Riksbank the possibility of borrowing up to USD 60 billion. The agreement is part of a swap arrangement between the US central bank and a number of other central banks around

the world, aimed at improving liquidity conditions on global financial markets.

Furthermore, pursuant to Chapter 6, Section 5 of the Sveriges Riksbank Act (1988:1385), the Riksbank decided on 19 March 2020 to offer up to USD 60 billion to monetary policy counterparties against collateral during the period 19 March 2020 to 18 September 2020 inclusive (ref. no. 2020-00397). This is because a good supply of USD is important for the functioning of the Swedish financial markets and therefore also for the monetary policy transmission mechanism. An impaired function may risk leading to exacerbated financial conditions in the economy with negative consequences for output and employment in Sweden. Disruptions in the supply of USD also risk jeopardising the fulfilment of the price stability objective.

At the end of July 2020, the Federal Reserve Bank of New York decided to extend the global swap arrangement until 31 March 2021. The Riksbank entered a renewed agreement with the Federal Reserve Bank of New York on 5 August 2020, giving the Riksbank the continued possibility of borrowing up to USD 60 billion under the same conditions as the previously agreed swap agreement. The agreement also means that the Riksbank can continue to have increased room for manoeuvre in the implementation of monetary policy measures that include USD dollars, if the need to support the supply of credit in the Swedish economy arises.

Considerations

The coronavirus pandemic is continuing to restrain economic activity both in Sweden and abroad to a great extent. Even if the situation on the financial markets has improved since the spring of 2020, the Riksbank assesses that the situation remains fragile and dependent on the central banks continuing to support the economy and reinforce the supply of liquidity. If unease on the financial markets were to increase, the credit supply in the Swedish economy could rapidly deteriorate. This could lead to a further decline in the economy, with prolonged negative consequences for output and employment in Sweden and with falling inflation as a consequence.

The credit in USD that the Riksbank has offered its monetary policy counterparties since 19 March 2020 is a measure to stabilise the credit market and access to USD in general. An extension of this loan facility for the Riksbank's monetary policy counterparties would have a stabilising effect and reduce unease over the repercussions of the coronavirus pandemic for the financial markets. Furthermore, it would help maintain contingency planning for the management of a possible deterioration of the situation on the credit market. The demand for loans of USD from the Riksbank is currently limited. However, it is assessed that the awareness of the possibility to borrow is having a calming effect on banks and other market participants.

Given the above, for monetary policy purposes and pursuant to Chapter 6, Article 5 of the Sveriges Riksbank Act, the Riksbank shall continue to offer credit for up to USD 60 billion to the Riksbank's monetary policy counterparties against collateral over the period 19 September 2020 until 31 March 2021, inclusive.



The exact dates for and amounts at the auctions will in future be determined by the Head of the Markets Department after consultation with the Head of the Monetary Policy Department and the Head of the Financial Stability Department, with the right of each of these to delegate this task to another. However, the Executive Board shall be informed in the case of any event that might warrant a change in the main principles (that is, date, amount and interest rate) at a coming auction.

The Riksbank deems it appropriate for the offered credit to continue to have a maturity of 3 months. The minimum interest rate for credit offered by the Riksbank will continue to be established after the terms offered to the Riksbank by the Federal Reserve Bank of New York have been taken into consideration.

To utilise the credit, counterparties must provide adequate collateral. The rules for collateral in the Riksbank's Terms and Conditions for RIX and Monetary Policy Instruments (Terms and Conditions) shall also apply to this credit.

Furthermore, it is the responsibility of the Head of the Markets Department, with the right to delegate to another, to determine going forward the more precise details regarding the terms for, and information on, credit in USD. 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 another.

Appendix

Facts about the Riksbank's credit in USD to monetary policy counterparties

Total volume	A maximum of USD 60 billion.
Maturity	3 months
Interest rate	The minimum interest rate for credit offered will be established after the terms offered to the Riksbank by the Federal Reserve Bank of New York have been taken into consideration.
Eligible bidders	Riksbank monetary policy counterparties that, no later than on the banking day before the auction have registered to participate
Bid procedure	Bids for volume and interest rate add-on are made by telephone and confirmed by e-mail on the auction date in question.
Allocation	Allocation will be in order of the highest bid, but at the lowest interest rate finally accepted. If this interest rate is in several bids, all bidders will receive the same percentage allocation in relation to their bid ('pro rata'). The maximum number of bids per bidder is limited to 10. The largest allocation to an individual counterparty is limited to 40 per cent of the offered amount.
Terms	Detailed terms are published on the Riksbank's website.