



Annex A to the minutes

DATE: 10 February 2021
DEPARTMENT: APP, AFS and AFM

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DNR 2020-00387

Riksbank to continue offering loans in US dollars

Decision by the Executive Board

The Executive Board hereby decides:

1. that, during the period 1 April 2021 up to and including 30 September 2021, the Riksbank will continue to offer up to USD 60 billion in loans to monetary policy counterparties against collateral, in accordance with the appendix to this decision,
2. to instruct the Head of the Markets Department, with the right to delegate this to another and 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 bidding round and on the conditions for and information on, these loans, and
3. to publish the decision on Wednesday 10 March 2021.

Background

In March 2020, significant disruptions occurred on global financial markets due to the uncertainty caused by the economic implications of the coronavirus pandemic. Among other problems, this made it more difficult and more expensive for banks around the world, including Swedish banks, to borrow in US dollars. In conjunction with this, the Riksbank entered into a swap agreement with the Federal Reserve Bank of New York, which enabled the Riksbank to borrow a maximum of USD 60 billion up to and including 30 September 2020. The agreement was 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. At the same time and pursuant to

Chapter 6, Section 5 of the Sveriges Riksbank Act (1988:1385), the Riksbank decided to offer loans of up to USD 60 billion to monetary policy counterparties against collateral as from 19 March 2020 up to and including 18 September 2020 (dnr 2020-00387). The decision was motivated by the importance of good access to US dollars for the function of Swedish financial markets and by the possible risk of an impaired function leading to exacerbated financial conditions in the economy with negative consequences for output and employment in Sweden. Disruptions in the supply of US dollars also risk jeopardising the fulfilment of the price stability objective.

In July 2020, the Federal Reserve Bank of New York decided to extend the global swap arrangement up to and including 31 March 2021 and the Riksbank entered into a renewed swap agreement in August 2020. The Riksbank then also decided to extend the loan facility in US dollars to the Riksbank's monetary policy counterparties against collateral up to and including 31 March 2021 (dnr 2020-00397). This was because an extension of the loan facility would have a stabilising effect and reduce unease over the repercussions of the coronavirus pandemic for financial markets.

The global swap arrangement has now been extended and on 28 January 2021, the Riksbank and the Federal Reserve Bank of New York renewed the swap agreement again. The current agreement runs until 30 September 2021 and enables the Riksbank to continue to borrow up to USD 60 billion according to the same terms and conditions as in the previously concluded and extended agreement. Under the agreement, the Riksbank will continue to have increased room for manoeuvre in the implementation of monetary policy measures that include US dollars, if the need to support credit supply in the Swedish economy arises.

Considerations

The coronavirus pandemic continues to dampen economic activity both in Sweden and abroad. Although the situation on global financial markets has gradually stabilised since spring 2020, the risk of renewed turmoil remains if the pandemic were to worsen and be more prolonged than expected. There is expectation on financial markets that governments and central banks will continue to support the economy and liquidity supply in its various parts with extensive economic policy measures for a while longer. If turmoil on financial markets were to increase again, credit supply in the Swedish economy may 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/lower inflation as a consequence.

The credit in US dollars that the Riksbank has offered its monetary policy counterparties since 19 March 2020 is a measure to stabilise the credit market and access to US dollars in general. A further extension of this loan facility for the Riksbank's monetary policy counterparties maintains preparedness to manage any deterioration in the situation on the foreign exchange market. Although there is currently no demand for dollar loans from the Riksbank, the awareness of the existence of such a loan facility is judged to have 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 1 April 2021 to 30 September 2021 inclusive.

The exact dates for and amounts at the bidding rounds will continue to 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 of department heads to delegate this task to another person. 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) in future bidding rounds.

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.

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

Annex

Facts about the Riksbank's credit in US dollars 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 have registered to participate no later than on the business day before the bidding round.
Bidding procedure	Bids for volume and interest supplement are made by telephone and confirmed by e-mail.
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.