

# PRESS RELEASE



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## The Riksbank reduces the currency risk in the foreign exchange reserves

*The Riksbank announced in June that it intended to investigate the issue of reducing currency risk in the foreign exchange (FX) reserves. The Riksbank has now decided to hedge a part of the FX reserves by selling USD 8 billion and EUR 2 billion for Swedish kronor. The currency hedging will begin on 25 September 2023 and will be fully complete within four to six months. The measure is aimed at limiting the Riksbank's losses if the krona appreciates and does not have a monetary policy purpose.*

To maintain sound risk management, the Riksbank judges it appropriate to reduce the currency risk within the framework of asset management by hedging part of the FX reserves. The amount of USD 8 billion and EUR 2 billion to be hedged is equivalent to about a quarter of the size of the FX reserves. The pace of the sales of the US dollar and the euro will be adjusted to market conditions to avoid counteracting the Riksbank's objectives and other assignments.

Some of the hedging may be achieved by means of the Riksbank exchanging so-called EU payments. This allows for faster currency hedging and lower transaction costs. The sales of the US dollar and the euro against the Swedish krona will take four to six months. Currency hedging will be maintained by the Riksbank entering into FX swaps in the FX market, and it will continue until the Riksbank decides otherwise.

The Riksbank will publish weekly information on how much foreign currency the Riksbank has sold on the Riksbank's website, riksbank.se. This information will be published with a two-week delay.

The Riksbank manages FX reserves partly to ensure that it can, if necessary, provide liquidity support to banks in foreign currency. At present, the foreign exchange reserves amount to just over SEK 430 billion. The assets in the FX reserves shall be managed at low risk, taking into account the Riksbank's status as a central bank and the purpose of the asset holdings. The currency risks on the Riksbank's balance sheet are significant as changes in exchange rates affect the value of the FX reserves - this is particularly the case in light of the Riksbank's assessment that



the krona will appreciate in the period ahead. If, for example, the krona were to appreciate to the same level as in early 2022, the FX reserves would decrease in value by around SEK 65 billion.