



## DECISION

DATE: 6 November 2024  
DEPARTMENT: Monetary Policy Department and Markets Department  
DNR: 2024-01249  
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# Decision on trade in Swedish nominal government bonds

## The Riksbank's decision

1. The Riksbank's sale of Swedish nominal government bonds pursuant to the Riksbank's decision of 31 January 2024, point 2a (Ref. 2024-00138) will be concluded when the remaining holding of nominal government bonds, excluding Government bond 1059 and Green government bond, amounts to a total of SEK 20 billion.<sup>1</sup>
2. Subsequently, the Riksbank shall maintain, until further notice, a holding of Swedish nominal government bonds, excluding Government bond 1059 and Green government bond, in a nominal amount of SEK 20 billion by purchasing and selling such securities
3. This decision will be published at 09:30 on 7 November 2024.

## Grounds for the decision

### Legal basis

Under Chapter 2, Section 1 of the Sveriges Riksbank Act (2022:1568), the overriding objective of the Riksbank is to maintain low and stable inflation (the price stability objective). Without neglecting the price stability objective, the Riksbank shall also contribute to a balanced development of production and employment (consideration for the real economy).

As one of its monetary policy powers, the Riksbank may, in relation to financial corporations, buy and sell Swedish government securities in the secondary market

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<sup>1</sup> ISINs for Government bond 1059 and the Green government bond are SE0007125927 and XS2226974504 respectively.

(see Chapter 1, Section 6, and Chapter 2, Section 4, first paragraph Section 5 of the Sveriges Riksbank Act and Government Bill 2021/22:41, p. 214).

### **The monetary policy justification for trading Swedish nominal government bonds**

Experiences from both the financial crisis of 2008–2009 and the crisis following the pandemic outbreak of 2020 demonstrate how important it is for the Riksbank rapidly to be able to adopt appropriate monetary policy measures such as policy rate adjustments or government security purchases<sup>2</sup>.

The speed with which a monetary policy measure can be agreed and implemented is decisive for the effect and efficiency of monetary policy. In the event of financial market disturbances, a good operational capability will help the Riksbank maintain a well-functioning process for the transmission of monetary policy with the aim of achieving the monetary policy objective. Market participants' awareness that the Riksbank has this capability increases confidence in the Riksbank, thereby improving the Riksbank's premises for maintaining sustainably low and stable inflation, even in normal times when policy rate adjustment is the primary tool.

By regularly trading Swedish nominal government bonds the Riksbank can maintain a high capability to rapidly trade in these bonds. Such trade also helps maintain an operational capability to trade in other securities such as privately issued bonds in the event that such trade is justified from a monetary policy perspective. Additionally, a high operational capability to trade in securities contributes to the Riksbank's capability both to ensure that the financial system is stable and efficient and to maintain its operations in peacetime crisis situations and states of heightened alert (Chapter 3, Section 1 and Chapter 5, Section 1, Sveriges Riksbank Act).

So as to be able to conduct regular and sufficient trade in market volumes, the Riksbank needs to hold a certain volume of Swedish nominal government bonds. The size of this holding needs to allow trade at a sufficient frequency and scope to make the Riksbank an attractive counterparty on the secondary market. This trade shall ensure that the relevant competence can be retained at the Riksbank, that the systems for trade can be maintained and that the Riksbank is able to interact with the market and gain access to relevant market information. On the basis of these factors, a holding of SEK 20 billion is judged to constitute a well-balanced volume. It is not deemed possible to attain the operational capacity needed by the Riksbank in any other way. So as to limit the effect on market prices, over time, the holding shall reflect the composition of the outstanding stock of Swedish

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<sup>2</sup> See also Government Bill 2021/22:41, p. 93.

nominal government bonds with a residual maturity of about 1-15 years, with account taken of appropriate market risk and good liquidity in the holdings. Trade shall take place on the secondary market and be conducted in a way that is otherwise compatible with the prohibition on monetary financing in Chapter 1, Section 6 of the Sveriges Riksbank Act; cf. the European Court of Justice's decisions of 16 June 2015 in case C-62/14 Gauweiler et al. and of 11 December 2018 in case C-493/17 Weiss et al.

A long-term holding of this magnitude contributes to a marginally greater interest rate risk in the Riksbank's balance sheet. The holding is funded at a cost corresponding to the policy rate but, at the same time, generates a return. Any losses arising for the Riksbank due to the holding are judged to be minor in relation to the cost to society of not being able to carry out trade when necessary.

To sum up, the Riksbank's long-term holding of Swedish nominal government bonds, excluding Government bond 1059 and Green government bond, shall equal a nominal amount of SEK 20 billion through the purchase and sale of such bonds. The Riksbank considers that the decision is proportionate (Chapter 1, Section 8, Sveriges Riksbank Act) for the reasons given above.

At present, the Riksbank holds Swedish nominal government bonds in an amount of SEK 168 billion. The Riksbank has previously decided that these are to be offered for sale at a rate of SEK 5.7 billion per calendar month (Ref. 2024-00138). The Riksbank considers that the sale of Swedish nominal government bonds should be concluded once the remaining holding of such bonds amounts to SEK 20 billion. Government bond 1059 (with maturity November 2026) and Green government bond (with maturity September 2030) shall not be included in this amount as the Riksbank intends to hold these to maturity. At the current rate of sale, the holding of Swedish nominal government bonds, excluding Government bond 1059 and Green government bonds, is expected to amount to about SEK 20 billion by the end of 2025. When this level is reached, a long-term holding of Swedish nominal government bonds will be maintained through the trade of such bonds.<sup>3</sup>

The Riksbank will decide on more precise trading details as regards the long-term holding in the third quarter of 2025.

This decision has been taken by the Executive Board (Governor Erik Thedéen, First Deputy Governor Anna Breman and Deputy Governors Per Jansson, Aino Bunge and Anna Seim) following a presentation by Senior Advisor Mattias Erlandsson.

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<sup>3</sup> The Riksbank's holdings of municipal bonds, covered bonds and corporate bonds continue to decline as they mature.

Head of Department Heidi Elmér, Head of Department Åsa Olli Segendorf and acting General Counsel Carolina Backert took part in the final processing work.