



DECISION

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DEPARTMENT: Markets Department, Monetary Policy Department,
Financial Stability Department and Payments
Department
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Lower interest rate for the supplementary liquidity facility and cancelled limit rules for covered bonds

The Riksbank's decision

The Riksbank decides to

1. cut the interest rate on the Riksbank's supplementary liquidity facility so that, as from 8 April 2026, it amounts to the applicable policy rate plus 0.30 percentage points
2. increase the highest permitted share of covered bonds in a counterparty's total collateral for credit at the Riksbank from 60 per cent to 100 per cent as from 8 April 2026
3. publish the decision on 19 March 2026 at 09:30.

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 sustainably low and stable inflation (the price stability objective). Without neglecting the price stability target, the Riksbank shall contribute to a balanced development of production and employment (consideration for the real economy).

Pursuant to Chapter 2, Section 4, first paragraph 2 of the Sveriges Riksbank Act, in relation to financial corporations, the Riksbank may provide credits in Swedish kronor against adequate collateral for monetary policy purposes.

The Riksbank's main monetary policy tool for achieving the price stability objective is the policy rate. By determining the policy rate, the Riksbank also sets the interest rate for its credits (Chapter 2, Section 4, second paragraph of the Sveriges Riksbank Act).

The Riksbank shall make public generally applicable terms for lending and the collateral accepted for lending (Chapter 11, Section 4 of the Sveriges Riksbank Act).

The supplementary liquidity facility and the Riksbank's operational framework

The Riksbank's supplementary liquidity facility is one of two standing facilities whereby the Riksbank offers its monetary policy counterparties overnight credits – the other is the standing lending facility. The collateral accepted by the Riksbank is divided into a primary and a secondary collateral pool. The standing lending facility accepts collateral from the primary collateral pool, which consists of government securities and central bank claims. The supplementary liquidity facility accepts collateral from the secondary collateral pool, which is to say other assets that the Riksbank accepts as collateral, for example covered bonds. But there are certain limits on the composition of counterparty collateral. One of these is that no more than 60 per cent of the total collateral value may be made up of covered bonds.

Setting the terms for the monetary policy counterparties' deposits and lending in the Riksbank is part of the Riksbank's operational framework for the implementation of monetary policy, which aims to hold the short-term market rates close to the policy rate.

Lower interest rate for the supplementary liquidity facility

Since it was introduced in 2022, the interest rate in the supplementary liquidity facility has been equal to the policy rate plus a supplement of 0.75 percentage points. For the standing lending facility, this supplement is 0.10 percentage points. This means that it is 0.65 percentage points more expensive to borrow in the supplementary liquidity facility than it is in the standing lending facility.

The difference in pricing reflects how the lending takes place against different types of collateral that are priced differently in the market. With its pricing, the Riksbank also wants to create clear incentives for the counterparties to choose

market solutions for their liquidity management in the first instance and to borrow from the Riksbank in the second.

The Riksbank assesses that the current supplement of 0.75 percentage points in the supplementary liquidity facility is too high in relation to the pricing in the market for loans or repos with equivalent collateral and the facility is seldom used. Consequently, the Riksbank assesses that it is appropriate to cut the interest rate on the supplementary liquidity facility to the policy rate plus a supplement of 0.30 percentage points.

With this adjustment, the Riksbank maintains an appropriate price difference towards both the standing lending facility and market pricing that continues to give the monetary policy counterparties the incentive to manage their liquidity on the market. But the threshold for using the supplementary liquidity facility when necessary is lowered. This promotes good interest-rate steering in the money market close to the level of the policy rate and thereby contributes to the efficient functioning of the monetary policy transmission mechanism.

A higher proportion of covered bonds may be used as collateral for credit

If the banks want to borrow from the Riksbank, they must pledge collateral. Until now, there has been a limit that entails the collateral for loans not amounting to more than 60 per cent in covered bonds. This limit applies both to credits in the supplementary liquidity facility and intraday credits in the RIX settlement system. The aim of this has been to limit concentration risk and thereby the Riksbank's credit risk.

However, the limit of 60 per cent only reduces credit risk marginally. Covered bonds generally have very high creditworthiness and make up the largest bond market in Sweden in terms of outstanding volume. At the same time, the current limit also implies a limit on the monetary policy counterparties' ability to use the supplementary liquidity facility when necessary, which is a drawback from the perspective of interest rate steering.

In light of this, the permitted share of covered bonds in the secondary collateral pool should be raised from 60 to 100 per cent of the total collateral value. This adjustment is assessed to only increase the Riksbank's credit risk marginally and the collateral is assessed to remain adequate. At the same time, the adjustment means that the supplementary liquidity facility will become more accessible to the monetary policy counterparties, thereby strengthening the facility's function within the monetary policy operational framework.

Overall assessment

Both of the adjustments in this decision can be assumed to lower the threshold for the Riksbank's monetary policy counterparties to make use of the supplementary liquidity facility when necessary. Apart from actively borrowing and lending liquidity to one another on the money market, their preparedness to do this is a precondition for the Riksbank's interest rate management to function efficiently through the operational framework.

The adjustments are therefore expected to lead to more efficient interest rate steering, at the same time as the Riksbank's credit risk only increases marginally. Any effects on the Riksbank's interest income are assessed to be minor. The measures are therefore assessed to be compatible with the principle of proportionality in Chapter 1, Section 8 of the Sveriges Riksbank Act.

Due to this decision, the Riksbank will adjust the terms and conditions for RIX and monetary policy instruments (the terms and conditions). According to the Rules of Procedure for Sveriges Riksbank, the Head of the Markets Department decides on the terms and conditions to the extent that they do not exclusively refer to RIX.

The Riksbank will inform the counterparties of the amendments entailed by this decision and publish the updated terms and conditions on the Riksbank's website no later than the date they take effect.

The new interest terms for the supplementary liquidity facility will be published in a press release and on the Riksbank's website.

The decision has been taken by the Executive Board (Governor Erik Thedéen, First Deputy Governor Aino Bunge and Deputy Governors Per Jansson, Anna Seim and Göran Hjelm) following a presentation by Head of the Markets Department Anna Sjulander. General Counsel Annica Sandberg participated in the final processing of the matter.