PRESS RELEASE

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The Riksbank plans to finance part of the foreign currency reserve with foreign currency loans via the Swedish National Debt Office

To reduce currency risk on its balance sheet, the Riksbank plans to finance the equivalent of around SEK 200 billion of the foreign currency reserve with foreign currency loans via the Swedish National Debt Office. The intention is also to replace the FX swaps that the Riksbank has used for currency hedging since 2023. This change is not intended to affect the long-term size of the foreign currency reserve and does not serve any monetary policy purpose.

Given the balance sheet's sensitivity to exchange rate movements, the Riksbank is reviewing the financing of the foreign currency reserve, including the use of FX swaps. The purpose is to reduce currency risk on the balance sheet.

Following a decision in 2021, the Riksbank has chosen to self-finance the foreign currency reserves, meaning that assets in foreign currencies on the balance sheet are offset by liabilities in Swedish kronor. In accordance with the Sveriges Riksbank Act of 2023, the Riksbank now plans to gradually replace this with loans in foreign currency from the Swedish National Debt Office, in an amount equivalent to around SEK 200 billion. Foreign currency loans help to reduce the currency risk on the Riksbank's balance sheet, as changes in the exchange rate cancel each other out when both assets and liabilities are denominated in the same currency. The intention is also to replace the FX swaps that the Riksbank has used for currency hedging since 2023.

The Riksbank provisionally intends, starting in the first quarter of 2027, and provided market conditions remain stable, to borrow foreign currency via the Swedish National Debt Office equivalent to approximately SEK 200 billion.

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Implementation would consist, on the one hand, of the sale of foreign currency for Swedish kronor and, on the other hand, of the replacement of existing FX swaps. Full implementation is expected to take 12–18 months. The transactions will be spread evenly over the period to minimise the impact on the exchange rate. Further information on how this will be implemented will be presented in conjunction with the monetary policy decision in December.

The change is not intended to affect the long-term size of the foreign currency reserve and does not serve any monetary policy purpose.

Under the Sveriges Riksbank Act, the Riksbank may decide to borrow foreign currency to finance the foreign currency reserve. The management of these foreign currency loans is handled by the Swedish National Debt Office. At the time of the decision, total borrowing may amount to a maximum of 5 per cent of GDP.

About the foreign currency reserve

Like most other central banks, the Riksbank manages a foreign currency reserve. At the end of October, its value amounted to approximately SEK 450 billion. The purpose of the foreign currency reserve is to meet the Riksbank's need for foreign currency for measures that require such currency (contingency needs). The foreign currency reserve is primarily intended to provide liquidity support in foreign currency to, among others, banks operating in Sweden, to intervene in the foreign exchange market, and to fulfil Sweden's obligations in the International Monetary Fund's (IMF) system of Special Drawing Rights (SDRs). The assets in the foreign currency 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.