



Annex B to the minutes

DATE: 24 April 2019
DEPARTMENT: Markets Department and Monetary Policy Department

SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel +46 8 787 00 00
Fax +46 8 21 05 31
registratorn@riksbank.se
www.riksbank.se

Ref.no. 2019-00479

Additional monetary policy measures – purchases of government bonds

Decision by the Executive Board

The Executive Board decides that

1. during the period July 2019–December 2020, the Riksbank will purchase nominal Swedish government bonds for a nominal amount of SEK 40 billion and real Swedish government bonds for a nominal amount of SEK 5 billion, in accordance with the description in the annex,
2. the Riksbank will no longer, with effect from July 2019, reinvest received coupons from and repayments upon the maturity of the Riksbank's holdings of nominal and real Swedish government bonds, which means that the Executive Board's decisions of 10 February 2016 (ref.no. 2016-00098) and 20 April 2016 (ref.no. 2016-00334) to regularly reinvest coupons received and repayments on the maturity of the holdings is revoked,
3. the Head of the Markets Department is given, with the right to delegate to another person, and after consultation with the Head of the Monetary Policy Department, with the right to delegate to another person, the task of determining the precise details regarding the terms for, and information on, the Riksbank's bond purchases, and that
4. these decisions will be published on Thursday 25 April 2019 at 9.30 a.m.

Background

To safeguard the role of the inflation target as nominal anchor for price-setting and wage formation, monetary policy in Sweden, as in other countries, has for several years been very expansionary. The Riksbank's repo rate is presently –0.25 per cent and the Riksbank has purchased significant volumes of Swedish government bonds.

At the end of March 2019, the Riksbank's government bond holdings amounted to SEK 316 billion, expressed as a nominal amount. Net purchases of government bonds were concluded in December 2017, but since 2016 the Riksbank has reinvested principal payments and coupons in the government bond portfolio. In December 2017 the Executive Board moreover decided that in January 2018 it would begin reinvestments of the sum

totalling around SEK 65 billion concerning repayments on maturity of the Riksbank's holdings of Swedish government bonds in March and June 2019 respectively and the coupon payments that were received throughout 2018 and during the first half of 2019. These reinvestments shall continue until the end of June 2019 and mean that the substantial reinvestment sum shall be divided evenly over the period of time decided on for reinvestment. Up to the end of March 2019, the Riksbank has within the scope of this decision reinvested principal payments and coupons to a sum of around SEK 60 billion.

The aim of the expansionary monetary policy is to stabilise inflation around the target of 2 per cent and to keep inflation expectations in line with the target. High confidence in the inflation target creates the conditions for efficient price-setting and wage formation, thereby contributing to good economic development in Sweden.

Monetary policy has had a clear impact on short- and long-term market rates and on the krona exchange rate. Monetary policy has contributed to inflation and inflation expectations being close to 2 per cent for the past two years or more and contributed to the strong economic activity and labour market.

Considerations

Activity in the Swedish economy is high and inflation is close to 2 per cent. The strong economic activity in Sweden and rising inflationary pressures abroad indicate that inflation will remain close to the target going forward. However, the outcomes in recent months imply that inflationary pressures are a little weaker than expected. Together with lower inflation abroad, this indicates that inflation will be somewhat lower in the coming years, compared with the forecast in the Monetary Policy Report published in February 2019.

As part of the expansionary monetary policy, the Riksbank has purchased nominal and real Swedish government bonds and reinvested received coupons and repayments on the maturity of its holdings of government bonds. If no continued purchases or reinvestments are made, both the Riksbank's holdings of Swedish government bonds and the banking system's liquidity surplus in relation to the Riksbank will decrease substantially at the end of 2020 in relation to the average level since the beginning of 2018, after the net purchases were concluded. To maintain the expansionary monetary policy, it is therefore appropriate for the Riksbank to retain the level of its holdings of government bonds and its presence in the market by purchasing government bonds.

Given this, it is appropriate that the Riksbank during the period July 2019–December 2020 should purchase nominal Swedish government bonds for a nominal amount of SEK 40 billion and real Swedish government bonds for a nominal amount of SEK 5 billion. These purchases shall be spread evenly throughout the period.

In addition, the payments the Riksbank receives in the form of coupons from and repayments upon the maturity of the government bonds it has purchased in accordance with both earlier and existing decisions will not be reinvested with effect from July 2019 onwards. This decision thus replaces the Executive Board's decisions of 10 February 2016 (ref.no. 2016-00098) and 20 April 2016 (ref.no. 2016-00334) that the Riksbank shall regularly reinvest coupons received and repayments upon the maturity of the Riksbank's holdings of nominal and real Swedish government bonds.

In a manner corresponding to the purchases of government bonds and the reinvestments implemented, the purchases between July 2019 and December 2020 should comprise nominal and real Swedish government bonds with maturities up to 25 years. They shall also

be recorded at their market value in the Riksbank's balance sheet. The purchases of nominal and real Swedish government bonds should appropriately be made on different days.

Further, the purchases should be made weekly, on the secondary market and by means of a bid procedure via an electronic platform to maintain a transparent and efficient implementation of the current monetary policy measures, taking into account the prevailing market conditions. The Riksbank's monetary policy counterparties and the Swedish National Debt Office's current primary dealers in government bonds shall be given the opportunity to participate in the bid procedure in the same way as during the purchases and reinvestments made so far.

The purchases of nominal and real Swedish government bonds made by the Riksbank within the scope of this decision should not be directly connected to the Swedish National Debt Office's issues on the primary market. The Riksbank's counterparties in the bid procedure should, according to the terms and conditions for these, ensure that the purchases do not cover bonds that the counterparties have acquired directly from the Swedish National Debt Office for the purpose of selling them to the Riksbank.

The current purchases are justified in terms of monetary policy as stated above. They are assessed as being compatible with the appropriate provisions regarding monetary financing, cf. the European Court of Justice's decisions on 16 June 2015 in the case C-62/14 Gauweiler and others and on 11 December 2018 in the case C-493/17 Weiss and others.

The precise details regarding the terms for, and information on, the Riksbank's bond purchases should be determined by the Head of the Markets Department after consultation with the Head of the Monetary Policy Department.

Annex

Facts regarding the Riksbank's purchases of nominal and real Swedish government bonds made during the period July 2019–December 2020 in accordance with the provisions of the applicable general terms and conditions.

Total nominal amount:	SEK 40 billion in nominal Swedish government bonds. SEK 5 billion in real Swedish government bonds.
Type of security:	Real and nominal bonds issued in SEK by the State of Sweden through the Swedish National Debt Office.
Bid procedures:	For nominal Swedish government bonds, normally Thursdays, and for real Swedish government bonds, normally Fridays.
Announcement of more detailed terms and conditions for the respective purchases:	Special terms and conditions will normally be published at least four banking days before the respective Bid procedure.
Form of purchase:	Bid procedure, multiple price method, differentiated pricing on allocation.
Eligible bidders:	Those of the Riksbank's monetary policy counterparties and the Swedish National Debt Office's current primary dealers in nominal and real Swedish government bonds that are eligible to participate as bidder under the applicable general terms and conditions. If a Counterparty is not one of the Riksbank's Monetary Policy Counterparties, but meets the requirements for being a dealer in Bonds covered by the Bid procedure, the Counterparty may submit Bids in the current Bid procedure only in the part of the procedure that concerns such Bonds.
Bid procedure:	Bids regarding rate and volume are to be made via Bloomberg Bond Auction System between 09.00 and 10.00 on the day of the auction.
Lowest bid:	Bids shall be no lower than SEK 50 million. Each bidder can make several bids.
Highest bid:	No individual bid may exceed the total volume requested by the Riksbank at each Bid procedure.
Allocation:	Normally 10 minutes after the final time for making a bid.
Payment and delivery:	Shall be made the second banking day after the auction concerned in Euroclear Sweden's securities settlement system.

	Counterparties are obliged to ensure that the Bonds supplied to the Riksbank have not been obtained from the Swedish National Debt Office to fulfil delivery.
General terms and conditions:	General terms and conditions for the Riksbank's purchases of government bonds via bid procedure 2016:1, dated 21 April 2016, subject to the provisions of point 8 in the general terms and conditions (see the Riksbank's website).