

## MINUTES

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DEPARTMENT: Financial Stability Department (AFS)  
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# Forum on reference rates

## Present

### Participants on site

John Esk, Alecta	Per Henriksson, Chair OC SFBF
Gustaf Frisk, Handelsbanken	Åsa Skogsfors, Chair Swedish Association of Corporate Treasurers
Joso Saric, Nordea	Jonas Söderberg, Insurance Sweden
Charlotte Asgermyr, Handelsbanken	<b>Participation via Teams</b>
Jonny Sylvén, Swedish Bankers' Association	Alexander Wojt, SEB Markets
Jenny Ramstedt, SEB Group Treasury	Christian Kjaeldgaard, LCH
Stefano Petralia, SEB Group Treasury	Tobias Landström, Kommuninvest
Anders Nordborg, Nasdaq	<b>Riksbank participants</b>
Catharina Hillström, SFBF	Per Jansson, Riksbank
Jenny Mannent, Swedish Securities Market	Ulf Stejmar, Riksbank
Filip Andersson, Danske bank	Carl Fredrik Pettersson, Riksbank
Therese Mårtensson, Swedish Securities Market	David Petersson, Riksbank
Tracy Mmary, London Stock Exchange Group	Åsa Ekelund, Riksbank
Ulrica Ahlstedt, Nasdaq	

## 1. Riksbank welcome

Ulf Stejmar welcomed everyone and noted that it had been about two years since the group last met and almost three years since the first forum took place. It was also then that the Swedish Bankers' Association's working group (Project 3) began work on producing a recommendation as to how the market should switch from

STIBOR T/N to SWESTR. Mr Stejmar explained that the purpose of today's forum was to inform one another about what has happened since the previous forum and where we are now in the process of transitioning to SWESTR.

## 2. Arguments

### **Per Jansson, Riksbank**

Per Jansson, Riksbank, began by noting that in principle all other countries have switched from the old IBOR rates to transaction-based reference rates, which has not yet happened in Sweden. Since the beginning of the work regarding the process of switching to SWESTR, the Riksbank has wanted to work together with market participants to obtain their views with a view to completing the transition to SWESTR. The idea of this meeting is therefore to move forward and finalise this issue. Mr Jansson also emphasised that the Riksbank does not see the current situation with two short-term reference rates as an acceptable alternative, and that the only conceivable alternative going forward is a transition to a transaction-based reference rate such as SWESTR. It also became clear that the Riksbank is currently only focusing on the shortest maturity, i.e. STIBOR T/N, to SWESTR. Regarding longer maturities, Mr Jansson said that this was an issue that could be followed up later. He also said that he understood that the Riksbank, together with market participants, had “massaged” SWESTR so that it now looks the way the market wants it to. Mr Stejmar added that the Riksbank, in agreement with market participants, had made a number of changes to SWESTR's regulatory framework in terms of increased transparency, methodological risk over the turn of the year and also brought forward publication to 9 a.m. from 11 a.m.

### **Jonny Sylvén, Swedish Bankers' Association**

Jonny Sylvén of the Swedish Bankers' Association, noted that their work on promoting a transition to a transaction-based reference rate has been ongoing for a long time. He briefly described the work of the Alternative Reference Rates working group (AGAR), with members from seven STIBOR banks and three authorities as observers, which produced recommendations on how SWESTR should be designed. One conclusion of AGAR's work was that two parallel reference rates at the shortest maturity were not a good idea. Following the work within AGAR, the Swedish Bankers' Association led a project to introduce SWESTR as a fall-back rate if STIBOR were to cease to be published (Project 2). Since 2022, work has been conducted at the Swedish Bankers' Association in the Project 3 working group with the aim of developing recommendations for how a transition from STIBOR T/N to SWESTR should be implemented. However, Mr Sylvén noted that Project 3 has now been discontinued in the spring of 2025 because the working group has concluded that the conditions for a transition to SWESTR do

not exist. The reason for this, according to Mr Sylvén and the working group, is that the transition to SWESTR is based on a planned phasing out of STIBOR T/N to make the necessary adjustments to agreements, etc. However, he and the working group have noted that SFBF does not intend to stop publishing STIBOR T/N (see SFBF's argument below). The working group has also explored the possibility of promoting SWESTR in other ways, alongside a co-existing STIBOR. However, the working group and its various participants have come to the conclusion that they no longer see a viable way to implement a changeover to SWESTR as long as STIBOR T/N remains in place, which is why Project 3 has now been discontinued.

### **Catharina Hillström, Swedish Financial Benchmark Facility (SFBF)**

Ulf Stejmar gave the floor to Catharina Hillström, CEO of the SFBF, to ask why STIBOR is not being phased out so that a transition to SWESTR can take place. Ms Hillström replied that the SFBF supports “multiple interest rate values” as recommended by the Financial Stability Board and believes that the SFBF has been influenced by the work on EURIBOR, where the process of phasing out the shortest maturity in favour of €STR started long before EURIBOR maturities became subject to the EU Benchmarks Regulation (BMR). At the same time, she wanted to remind the meeting that the SFBF initiated a similar discussion with the market and the Riksbank in connection with the revision of the STIBOR method to comply with the BMR. Ms Hillström also said that the Riksbank declined to be involved in the question and that the panel banks at that time wished to retain all STIBOR maturities and that all STIBOR maturities are therefore approved under BMR. The administrator of EURIBOR also administers the forward-looking forward rate Eferm, with €str as the underlying asset.

In general, Ms Hillström said that if a STIBOR maturity is not used, it should of course be cancelled, but that the process for cancelling a maturity is now regulated. If there are clear indications from the market that a maturity is no longer used, this forms the basis for a consultation with all users of STIBOR, Swedish and foreign, to evaluate whether the maturity is no longer needed and can be phased out. Furthermore, Ms Hillström stated that interviews in 2024/2025 with Swedish panel banks and the Swedish Money Market Council have not indicated any need for further consultation at this stage. She said that the SFBF is in continuous contact with market participants on issues related to all STIBOR maturities and if a need for a consultation arises in the future, the SFBF will return to it.

At present, it is natural for the two reference rates to compete with each other in a transparent and competitive market. Ms Hillström also argued that, according to the BMR, the SFBF could not discontinue a STIBOR maturity for the purpose of ‘kick-starting’ another reference rate. However, if market participants did not

demand STIBOR T/N, the SFBF would cease to publish it. Ms Hillström compared this with EURIBOR and, after discussions with the ECB, understands that they are of the opinion that multiple interest rates can continue to live in parallel in perpetuity or that they naturally die out by no longer being used. The SFBF Oversight Committee (OC) emphasised that the OC cannot advocate the discontinuation of STIBOR T/N if the alternative, SWESTR, is not in demand or “fit for purpose”. Mr Stejmar commented that the Riksbank had expected a broad and transparent consultation to get better clarity on what stakeholders think about STIBOR T/N and how much it is actually used.

### 3. Discussion

On the question of whether a consultation had been carried out to investigate the need for STIBOR/SWESTR, the SFBF said that preliminary contacts had been made in the Money Market Council and also outside Sweden. However, these informal contacts indicated a continued interest in retaining STIBOR T/N. At the end of the meeting, when the Riksbank suggested that a more conscientious and broader consultation would be easy to carry out, the SFBF replied that it could not be ruled out.

The difference between T/N and O/N rates was raised by Nasdaq and the Swedish Bankers' Association noted that a changeover from the former to the latter had worked well in other countries. The Riksbank pointed out that the turnover in STINA contracts is non-existent and that the clearing of SWESTR OIS is also non-existent on Nasdaq. At the same time, the SWESTR OIS is cleared in London at a relatively good rate. In response to a question from the Riksbank as to whether Nasdaq thought it was a problem to retain clearing of STINA contracts when there is no trading in them, Nasdaq admitted that it was not optimal but that STINA prices are nevertheless useful for the valuation for which they are used.

A participant from SEB said that there is some interest in SWESTR, but not at the turn of the year. Another participant from SEB also raised the issue of SWESTR's year-end effect and said that it is difficult to switch to SWESTR as long as SWESTR deviates at year-ends, apart from this they were in favour of starting to use SWESTR. The participant from the Swedish Association of Corporate Treasurers also expressed reservations regarding the year-end effect, but was answered by the participant from Nordea, who pointed out that from a hedging perspective it is more natural to have a deviation than to have an interest rate that is not based on actual transactions.

When the Riksbank pointed out that there are a number of banks that are in favour of SWESTR and that the year-end effect is manageable according to them, SEB emphasised that “the uncertainty is huge”. The participant from Alecta said

that it is good that the year-end effect is reflected in SWESTR. SFBF pointed out that in the discussions they had had with market participants, it was not only SEB that had mentioned the year-end effect as problematic, but that several of the banks expressed a similar view.

A participant from Nordea pointed out the importance of making any changes that address the year-end effect before there are large stocks of long contracts that run over many year-ends, as the longer maturities can result in larger changes in value when contracts are renegotiated. They feel that while the year-end effect is the main reason why banks are not changing over to SWESTR, there are certainly ways to manage the volatility of financial contracts, especially when/if they become more liquid. The price “is what it is” and SWESTR is based on actual transactions, but banks have different approaches to year-end pricing.

A participant from Nordea also provided a different perspective on the absence of a market in SWESTR-related instruments. They saw the market as consisting of two types of participants; speculators and hedgers. None of these actors currently exist, so there is no natural interest in trading in SWESTR. Elsewhere, such a knot has been unravelled by a central bank forcing a transition (cf the Bank of England). The Riksbank clarified that it cannot force anything, the only actor that possibly has such a mandate is Finansinspektionen (the Swedish Financial Supervisory Authority). Nordea mentioned that one solution would be a reference rate based on unsecured/repo loans, but said that this is probably already long overdue.

The participant from LCH was clear that clearing houses cannot be leaders in a transition to transaction-based rates. However, when and if there is clarity from market participants, they can take action, without having a view of what is good or bad.

The meeting concluded with the Riksbank thanking all those who had participated and noting that a continuation would follow in some way, as the Riksbank believes that a transition to SWESTR is necessary.