

Policy



DECISION DATE: 21 June 2021
DECISION BY: Executive Board of the Riksbank
RESPONSIBLE DEPARTMENT: Markets Department
RESPONSIBLE MANAGER: Head of Department

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Policy for transaction-based reference rate, SWESTR

1. Introduction

1.1 Purpose

This policy establishes the overall framework for the Riksbank's administration and oversight of the reference rate Swedish krona Short Term Rate (SWESTR) and for compounded average rates and index for SWESTR.

1.2 Underlying regulatory framework

The Executive Board has decided to provide the transaction-based reference rate SWESTR, as well as compounded average rates and index based on SWESTR.¹ These are such indices, reference rates and other benchmarks referred to in Regulation (EU) no. 2016/1011 on indices used as benchmarks (the Benchmark Regulation or BMR).

Like the other central banks that provide reference rates, the Riksbank complies, where applicable and relevant, with the principles for financial benchmarks adopted by the International Organisation of Securities Commissions (IOSCO).² The IOSCO principles were drawn up to increase the reliability of reference rates and contribute to good governance, control, transparency and quality in the determination of reference rates. The principles specify the arrangements that an administrator of a reference rate should have in place and represent international best practice for the administration and oversight of reference rates, among other things.

¹ The Executive Board decided to provide a transaction-based reference rate for the shortest maturity in Swedish kronor on 12 December 2019 (ref. no. 2019-00912). Through the Executive Board decision of 18 January 2021 (ref. no. 2021-00086), this reference rate has been named SWESTR. The Executive Board decided to provide average rates and index based on SWESTR on 21 June 2021 (ref. no. 2021-00767).

² Principles for Financial Benchmarks.

1.3 Definitions

Administrator – a natural or legal person that controls the provision of a reference rate. Sveriges Riksbank is administrator of SWESTR.

Average rates and index based on SWESTR – compounded average rates for specific periods of time (1 week, 1 month, 2 months, 3 months and 6 months) and index based on the determined values for SWESTR that reflect the yield from cumulative accrual with SWESTR.

SWESTR – Swedish krona Short Term Rate. A transaction-based reference rate in Swedish kronor for the very shortest maturity. Unless otherwise expressly stated, the term SWESTR in this policy shall refer to SWESTR as well as the average rates and index based on SWESTR provided by the Riksbank.

Underlying market – the market a reference rate is intended to reflect. SWESTR is calculated on the basis of transactions that are representative of the underlying overnight market in Swedish kronor.

2. Roles and responsibilities

In accordance with the provisions in the Instructions for Sveriges Riksbank (the Instructions), the Executive Board is responsible for all decisions of principle concerning the administration and oversight of SWESTR. Sveriges Riksbank is administrator of SWESTR. The Executive Board of the Riksbank has delegated the task of administrating SWESTR to the Markets Department (AFM) and the task of overseeing SWESTR to the Financial Stability Department (AFS) in accordance with Appendix 1 of the Instructions.

2.1 Administrator

AFM is responsible for the Riksbank's operational role as administrator of SWESTR and all aspects concerning the determination process.

AFM is also responsible for evaluation and review, as well as for preparing Executive Board decisions in matters concerning SWESTR.

The division in AFM that is responsible for independently calculating and following up results and risks from the Riksbank's asset management will also be responsible for determining and publishing SWESTR.

In its role as administrator, AFM shall regularly be audited by an internal or external auditor.

2.2. Oversight

There shall be an oversight function within the Riksbank for SWESTR, for which AFS will be responsible. To ensure broad competence in this oversight and appropriate processes leading to well-founded decisions, an interdepartmental oversight function in the form of a committee will be set up for SWESTR. The oversight committee will follow up and oversee compliance with all of the IOSCO principles applicable to SWESTR. This work will be risk-based and will mean that the follow-up will not include all principles at once.

3. Principles for the provision of SWESTR

3.1. Governance

The framework for the governance of SWESTR shall be robust in accordance with the following criteria:

- processes linked to SWESTR shall be well documented,
- the quality and integrity of the reference rate shall be maintained by:
 - identifying and managing potential conflicts of interest in relation to SWESTR,
 - regularly identifying and managing risks linked to SWESTR,
 - establishing and maintaining the efficiency of complaints and responsibility mechanisms, including processes for whistleblowing, and
 - maintaining documentation to facilitate audit and control of SWESTR.

3.2 Design

SWESTR shall be designed in an appropriate and credible way with the help of the following principles:

- SWESTR shall be designed so that the reference rate reflects and is representative of the underlying market,
- the market that is to form the underlying market for SWESTR shall be active, and
- the methodology for how SWESTR is designed and determined shall be well documented.

3.3 Transparency

To maintain confidence in SWESTR and facilitate its external evaluation, transparency over working methods shall be high, which shall be achieved as follows:

- SWESTR shall be published on the Riksbank website every Swedish banking day,
- information on methodology and relevant processes linked to SWESTR shall be published on the Riksbank's website,
- summary information on the transactions forming the basis for the current SWESTR rate shall be published every banking day, and
- information on any revisions of the transaction dataset and how this would have affected SWESTR shall be published afterwards.

4. Protection of trademarks

SWESTR is a protected trademark owned by the Riksbank.

AFM shall be responsible for regularly monitoring the trademark by:

- monitoring the issue of possible infringement of the trademark, and

- documenting the Riksbank's use of the trademark in relevant jurisdictions.

5. Compliance with the policy

The Head of AFM and the Head of AFS are responsible for implementing relevant parts of this policy and, when necessary, also deciding on further rules and routine descriptions linked to the policy in accordance with the Riksbank's instructions.

6. Related governing documents

The policy establishing the overall framework will be completed with more detailed rules for the administration and oversight of SWESTR to be established in separate documents.