



The banks need to have more active liquidity management

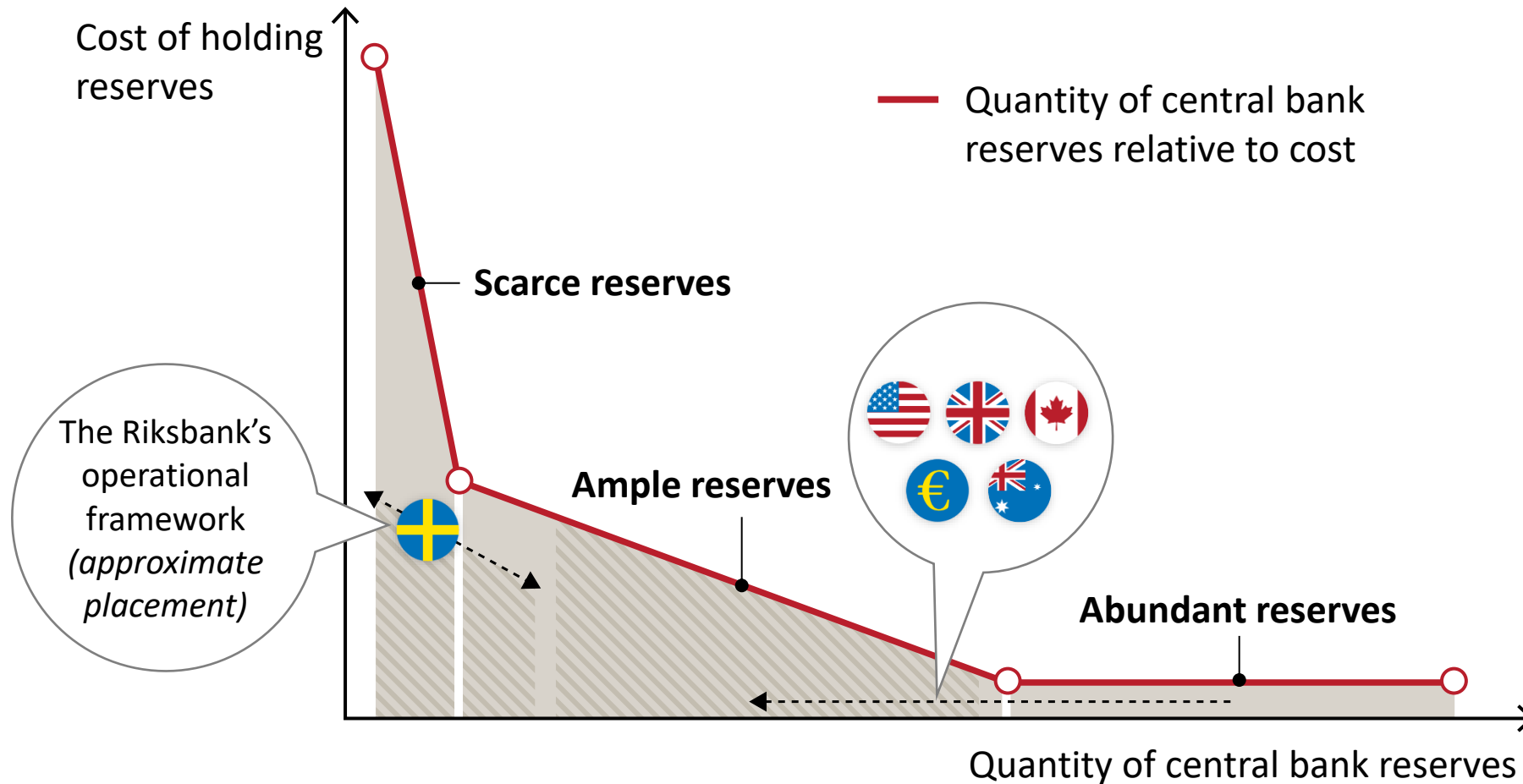
Erik Thedéen, Governor
11 September 2025

The banks need to be more active in their liquidity management

- The banks need to be able and willing to balance liquidity among themselves by **trading in the overnight market**
- **The Riksbank's lending facilities** are there to facilitate the banks' operations and should be utilised when needed
- Important for banks to have **good operational capacity**
- The Riksbank is considering **adjustments to its operational framework**



Interest rates can be controlled with different amounts of central bank reserves...



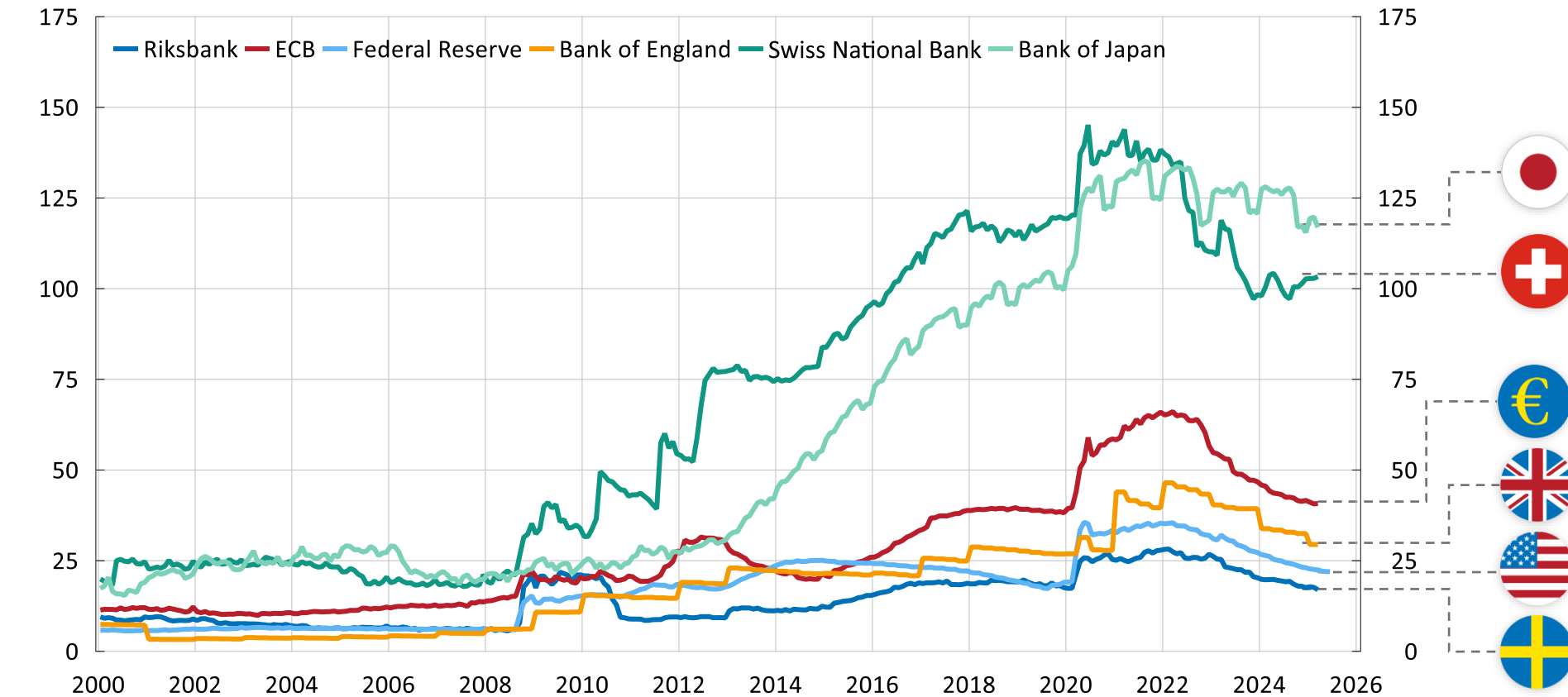
...but different operational frameworks have different implications for financial stability

Operational framework	Amount of reserves in different states	
	Normal	QE (quantitative easing)
Corridor systems	Scarce/Ample	Scarce/Abundant
Floor systems	Ample	Abundant

The Riksbank applies a **demand-driven and incentive-driven corridor system**.

How much of the liquidity remains as reserves is determined by the banks.

Central banks are normalising their balance sheets

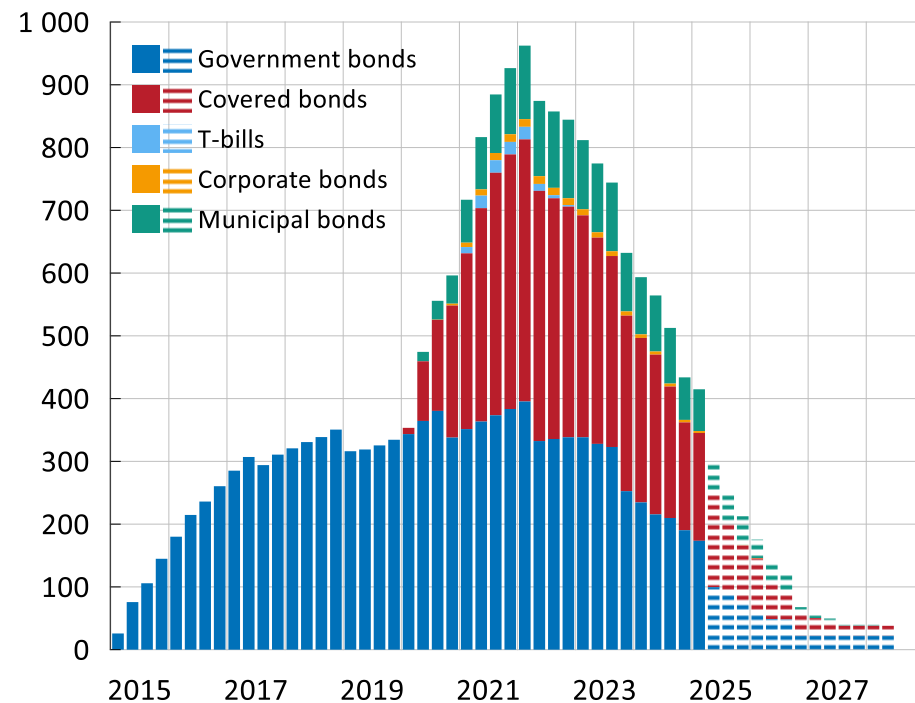


Central bank balance sheets, percentage of GDP

Source: The central banks and national statistics authorities.

The Riksbank is implementing QT at a rapid pace but the liquidity surplus remains large

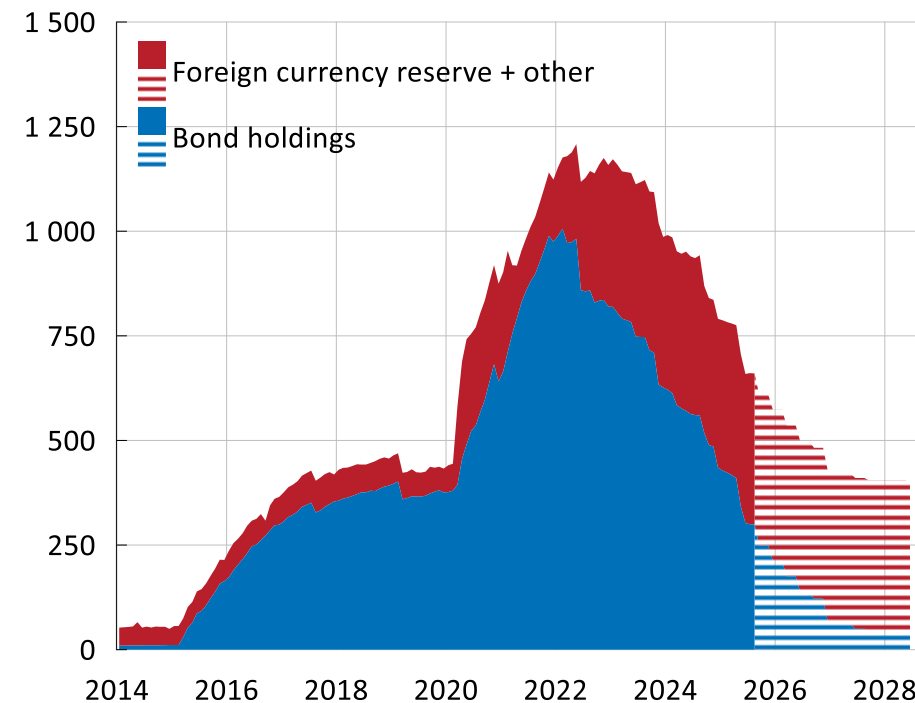
The Riksbank's securities in SEK billion



Note left figure: The dashed bars are a projection of the Riksbank's securities holdings based on an assumption that sales of nominal government bonds will continue until the end of December 2025 and then cease.

Source: The Riksbank.

Origin of central bank liquidity, SEK billion

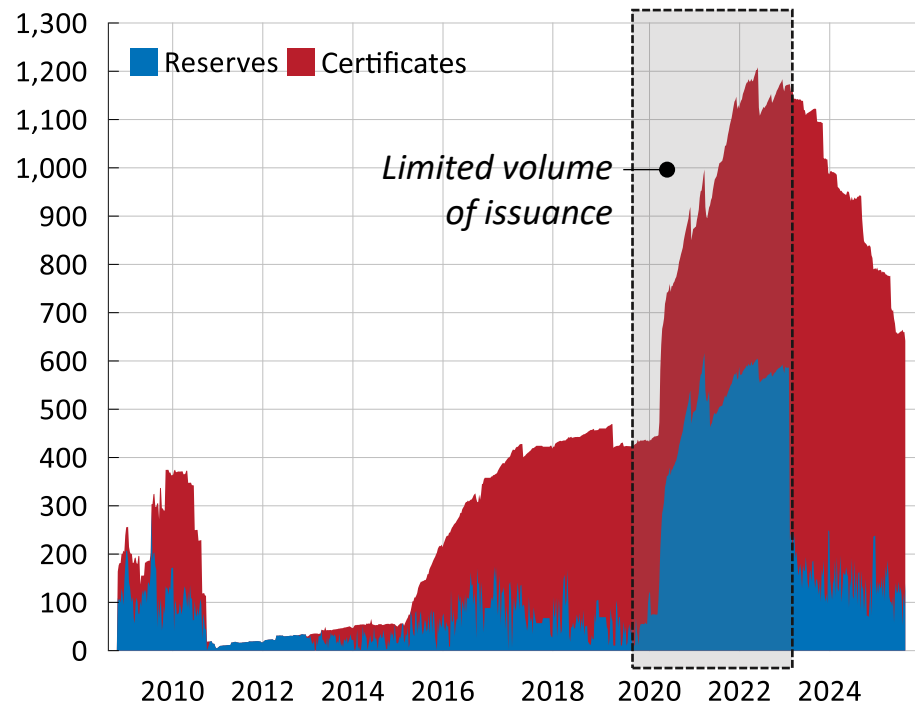


Note right figure: The red area is the part of the central bank's liquidity that does not come from securities purchases in SEK. The projection is based on the assumption of securities sales and maturities, and that other elements remain unchanged.

Source: The Riksbank.

Strong link between outstanding reserves and overnight market activity

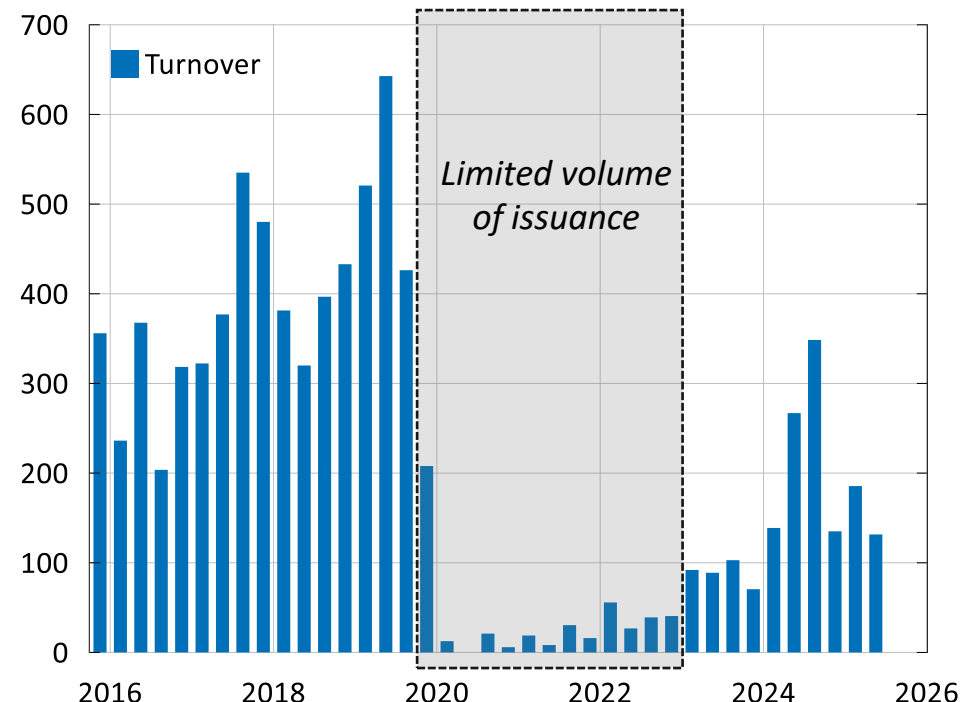
The Riksbank's central bank liquidity, SEK billion



Note: Central bank liquidity refers to total reserves and certificates. Between October 2019 and February 2023 the allocation in certificates was limited to varying degrees, increasing the volume of reserves during the period.

Source: The Riksbank.

Overnight market (unsecured) between monetary policy counterparties, SEK billion



Note: The loans are overnight and turnover is per quarter.

Source: The Riksbank.

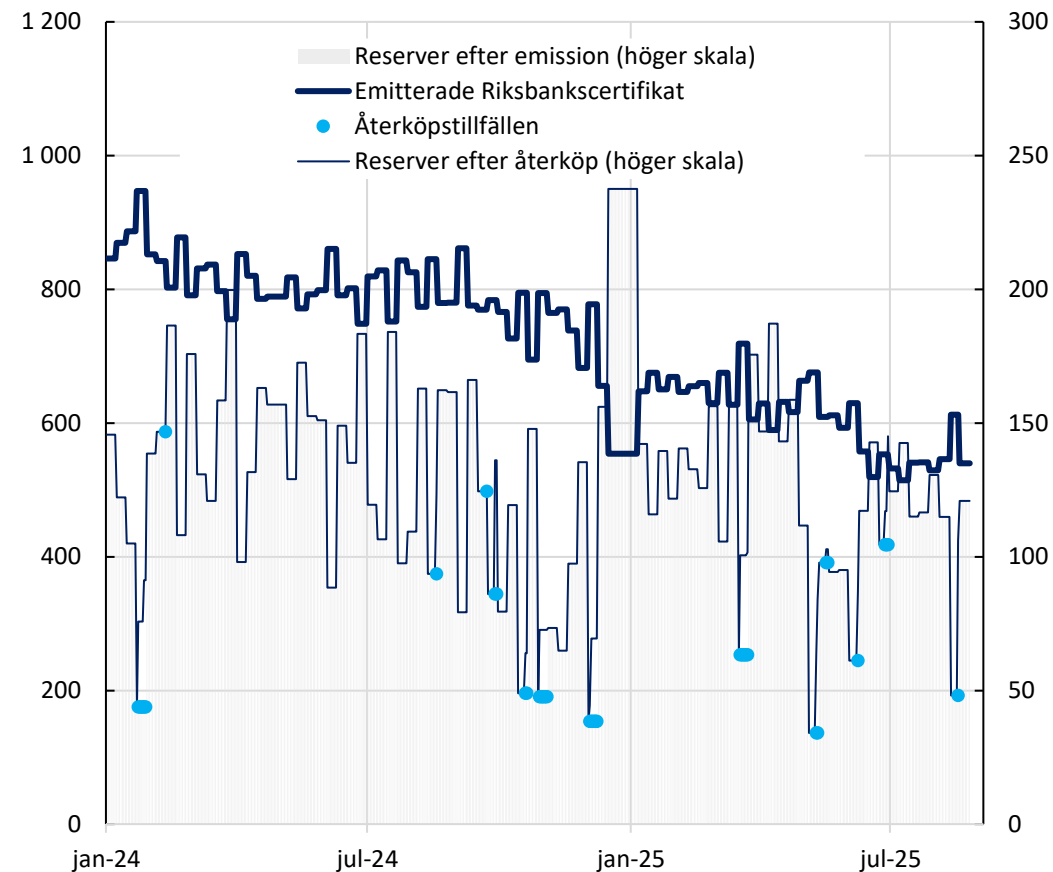
Why are several banks hoarding central bank reserves?

- **The opportunity cost** of having a buffer with the Riksbank may be **too low**
- There are banks with a **lack of operational capacity**
- **Heterogeneous group** of banks to balance liquidity
- Some banks are **reluctant to use the Riksbank's lending facility**

Convenient with a liquidity buffer at the Riksbank.

But in an operational framework with small reserves, not everyone can have excess liquidity.

The banks should be able to manage with less reserves



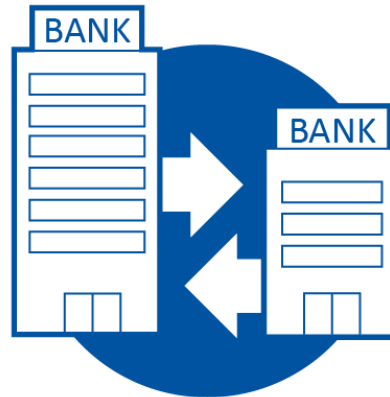
Riksbank certificate and reserves, billion SEK

Source: The Riksbank.

Time for a more active liquidity management



With less central bank liquidity, it becomes more common for banks to have both **surplus and deficit liquidity**



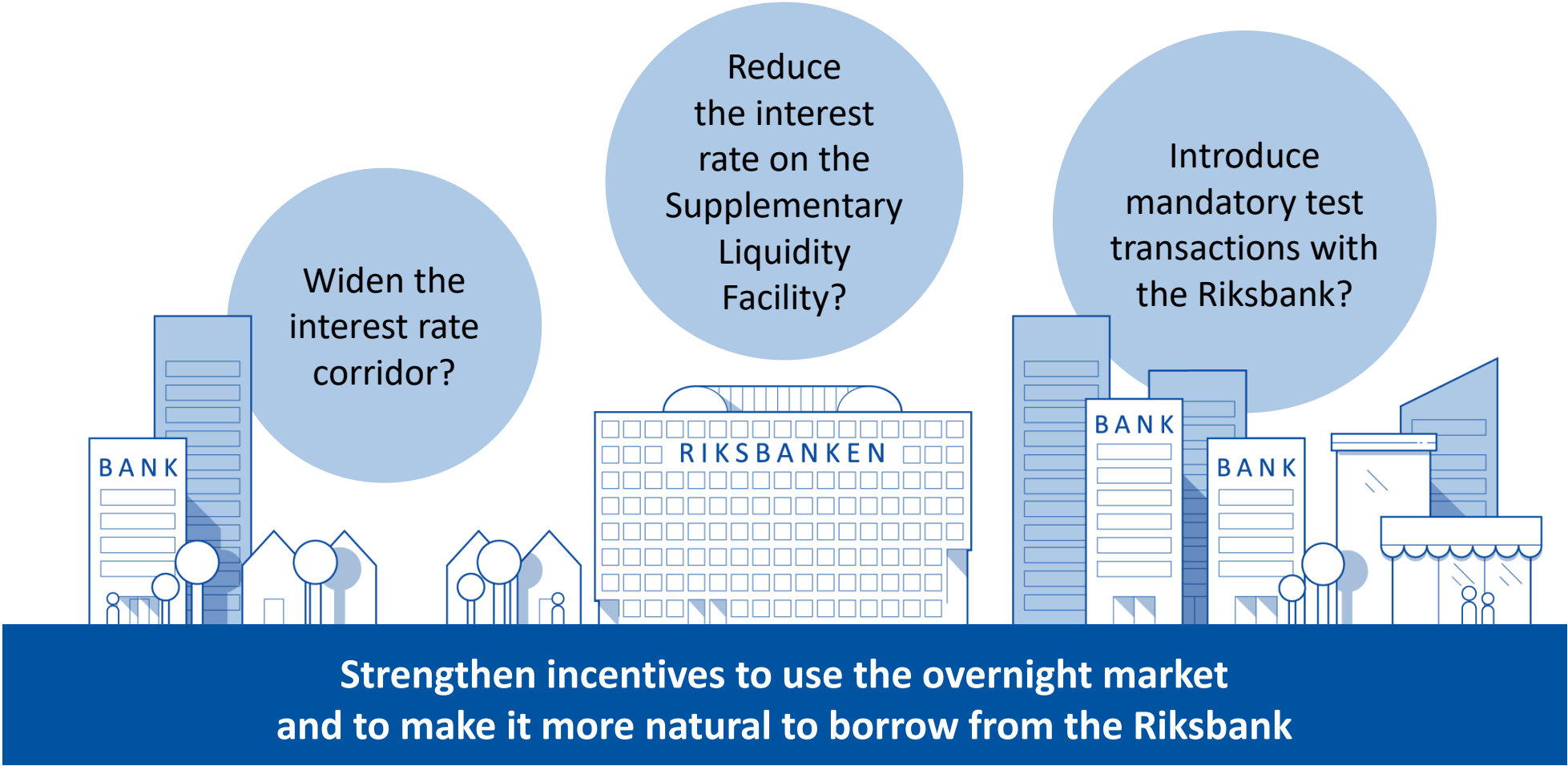
The banks need to be both able and willing to **balance liquidity** among themselves in the **overnight market**



The banks should be able to **use our lending facilities unhindered**

This is how the operational framework is supposed to function

The Riksbank is considering adjustments to its operational framework



Widen the
interest rate
corridor?

The diagram features a central illustration of a city skyline. In the center is a large building labeled 'RIKSBANKEN'. To its left and right are several smaller buildings, some labeled 'BANK'. Above the skyline are three large, light blue circles, each containing a question about potential adjustments to the Riksbank's operational framework. Below the skyline is a solid dark blue horizontal bar containing white text.

Reduce
the interest
rate on the
Supplementary
Liquidity
Facility?

Introduce
mandatory test
transactions with
the Riksbank?

**Strengthen incentives to use the overnight market
and to make it more natural to borrow from the Riksbank**



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