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Annex C to the minutes

DATE: 16 March 2020
DEPARTMENT APP, AFM, AFB and AFS

Amendments to limit rules for using covered bonds as collateral for credit with the Riksbank

Decision by the Executive Board

The Executive Board decides

- to raise the permitted percentage of covered bonds in a counterparty's total collateral volume for credits with the Riksbank from 60 per cent to 80 per cent with effect from 18 March 2020,
- to give the Head of the Markets Department the task, with the right to delegate this to another, after consultation with the Head of the Monetary Policy Department, the Head of the Payments Department and the Head of the Financial Stability Department, with the right for them to delegate this task to another, of determining the requisite amendments to the provisions on collateral for credit with the Riksbank in the *Terms and Conditions for RIX and monetary policy instruments* (The Terms and Conditions) and determining an appropriate time for these to come into force, and
- to publish this decision on Monday, 16 March 2020, at 8.00 pm, at the latest.

Background

In accordance with the Executive Board's decision on 17 December 2015 (ref.no. 2015-00700) the collateral value (the market value with a haircut) for covered bonds pledged as collateral for credit with the Riksbank may amount to a maximum of 60 per cent of the total collateral value for the collateral a counterparty pledges to the Riksbank. In addition, the collateral value for covered bonds issued by an individual issuer, or group of individual issuers, is limited to 50 per cent of the total collateral value for covered bonds pledged as collateral.

On 12 March 2020, the Executive Board of the Riksbank decided to launch a programme for corporate loans via monetary policy counterparties of up to SEK 500 billion (ref.no. 2020-00358). This decision was taken in the light of the expected economic



consequences of the spread of the coronavirus to secure an efficient supply of credit to Swedish non-financial companies.

Considerations

The continued financial market turbulence means that the funding situation for small and medium-sized enterprises in particular could rapidly deteriorate. In this situation, it is important that the banks continue to provide Swedish non-financial companies with funding so that the credit supply to essential robust companies is not threatened. To further the impact of the loan programme, it is therefore important that the banks that are monetary policy counterparties to the Riksbank can have greater flexibility in using collateral for credit with the Riksbank. It is assessed that this flexibility can be created by increasing the possibility to use covered bonds as collateral for credit with the Riksbank.

Given this, the Riksbank shall increase the permitted share of covered bonds in a counterparty's total collateral volume for credit with the Riksbank. The current maximum share of 60 per cent covered bonds in the total collateral volume shall therefore be raised to 80 per cent. This means that the volume of covered bonds in the total collateral volume can increase from SEK 150 million to SEK 400 million for each SEK 100 million in other forms of collateral. This measure is aimed at contributing to better functionality in the market for covered bonds in the present situation. It is consequently appropriate that the measure takes the form of a temporary amendment to the Terms and Conditions and that it applies as long as the Riksbank's programme for corporate loans via monetary policy counterparties is in operation.

It is the responsibility of the Head of the Markets Department, with the right to delegate to another person, to determine the requisite amendments in the provisions on collateral for credit with the Riksbank in the Terms and Conditions, and to decide an appropriate date for their entry into force. The decision will be taken after consultation with the Head of the Monetary Policy Department, the Head of the Payments Department and the Head of the Financial Stability Department, with the right for them to delegate to other persons.