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Reg.no. 2020-00397

## Annex C to the minutes

DATE: 19 March 2020  
DEPARTMENT: APP, AFM 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 share of covered bonds in a counterparty's total collateral volume for credits with the Riksbank from 80 per cent to 100 per cent.
- to raise the highest permitted collateral value for covered bonds issued by an individual issuer, or group of individual issuers, from 50 per cent to 100 per cent of the total collateral value for covered bonds pledged as collateral,
- to accept covered bonds issued by the counterparty, or by an institution with close links to the counterparty, as collateral for credit with the Riksbank,
- 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) that come into force on Monday, 23 March 2020, and
- to publish this decision on 19 March 2020, no later than 20.00.

## Background

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.

In accordance with the Executive Board's decision on 16 March 2020 (ref.no. 2020-00367) 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 80 per cent of the total collateral value for the collateral a counterparty pledges to the Riksbank.

According to the current Terms and Conditions, 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. Additionally, the current Terms and Conditions state that covered bonds issued by the counterparty, or by an institution with close links to the counterparty, are not accepted as collateral for credit with the Riksbank,

## 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 is to remove the rules on limits for covered bonds, which means that

- the permitted share of covered bonds in a counterparty's total collateral volume for credit with the Riksbank is now being increased from the current applicable level of 80 per cent to 100 per cent,
- the permitted collateral value for covered bonds issued by an individual issuer, or group of individual issuers, is being raised from 50 per cent to 100 per cent, and
- that the Riksbank is accepting covered bonds issued by the counterparty, or by an institution with close links to the counterparty, as collateral for credit with the Riksbank.

It is assessed that this measure can give counterparties the possibility to use more covered bonds as collateral for credit with the Riksbank and that it will contribute to improving the functioning of the market for covered bonds in the prevailing 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. 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.