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DEPARTMENT: Markets Department
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Revision of policy documents for SWESTR

The Riksbank's decision

- To amend the regulatory framework for SWESTR as set out in an annex to this decision

This decision enters into force on 23 September 2024. At the same time, earlier versions of the policy documents cease to apply.

Grounds for the decision

Legal conditions

In accordance with Chapter 1, Section 12 of the Sveriges Riksbank Act (2022:1568), the Riksbank may provide and publish reference values in accordance with EU Regulation 2016/1011 (the Benchmark Regulation).

Background

The Riksbank is administrator of the transaction-based reference rate SWESTR (Swedish krona Short Term Rate) as well as of average rates and indices based on SWESTR. Like many 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).

The Riksbank's reasoning

To increase the predictability of SWESTR around the turn of the year and thereby increase the possibility of using SWESTR as a reference rate in financial contracts, the Riksbank is amending the *Rule for the administration of SWESTR* in accordance with an annex to this decision. One objective of the work has been to make SWESTR more transaction-based.

The amendments involve the following:

The robustness requirements are amended so that even smaller transaction volumes will be considered robust.

Furthermore, *one* new alternative calculation method will be introduced to replace the two alternative calculation methods currently applied by the Riksbank. The new method will give more weight than previously to the transaction dataset for SWESTR on the day for which SWESTR is calculated.

In addition, the Riksbank shall exclude the SWESTR value for the last business day of the year from the calculation dataset if the alternative method is used the following day, i.e. on the first business day of the new year. A significantly divergent SWESTR value for the last day of the year will thereby never affect the SWESTR value for the first day of the year.

The amendments have been submitted for consultation to authorities, trade associations, the Riksbank's monetary policy counterparties and organisations that are members of the Riksbank's SWESTR advisory group. Of the thirteen responses received, a majority (eleven) were in favour of the Riksbank's proposal. Those in favour of the Riksbank's proposal suggested some clarifications (see annex 1).

With regard to the proposed *alternative calculation method*, the consultation bodies have pointed out that it should be clarified how it works if transaction data are not available at all, and what happens if transaction data are not available for a number of days running. *The method for handling the first day of the year* (skip method) is well received, to the extent that it is discussed. Some consultation bodies have stated that the Riksbank could have been clearer in the distinction between the value day for SWESTR and its publication day. The criticism raised in the consultation responses is mainly general, in the sense that other solutions would have been preferred. A few consultation bodies have pointed out that the SWESTR value will still be associated with a high degree of uncertainty as the measures do not resolve the fundamental problem (the divergent value on the last day of the year).

The decision has been taken by the Executive Board (Governor Erik Thedéen, First Deputy Governor Anna Breman and Deputy Governors Per Jansson, Aino Bunge and Anna Seim) following a presentation by Carl Fredrik Pettersson. David Petersson, Head of Division Per Åsberg-Sommar, Deputy Head of Department Anders Gånge and Head of Department Heidi Elmér participated in the final processing of the issue.