



Annex A to the minutes- draft

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

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Further measures to boost the liquidity supply in the economy

Decision by the Executive Board

The Executive Board decides

1. to establish that the interest rate on the Riksbank's standing lending facility as of 18 March 2020 shall amount to the applicable repo rate plus 0.20 percentage points,
2. that the Riksbank will, with effect from 18 March 2020, offer weekly extraordinary market operations with full allocation aimed at the Riksbank's monetary policy counterparties as stated in the considerations in this decision,
3. to give the Head of the Markets Department the task of determining, 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, the details regarding, and information about, extraordinary market operations, and
4. to publish this decision on Monday, 16 March 2020, at 8.00 pm, at the latest.

Background

To support economic developments and ensure inflation stays close to the Riksbank's target of 2 per cent, the Riksbank currently has a repo rate of zero per cent. As a complementary monetary policy measure, the Riksbank has also purchased a significant volume of nominal and real Swedish government bonds. The Riksbank's expansionary monetary policy has had a broad impact on financial conditions in the Swedish economy in recent years, and this has contributed to good economic growth and an inflation rate close to the target. However, the increased uncertainty in the global economy in the wake of the spread of the coronavirus has meant that the functioning of the financial

markets has deteriorated, with negative consequences for the liquidity supply to Swedish banks and non-financial companies.

Considerations

To ensure that the overnight rate on the market for Swedish krona is close to the repo rate, it is currently necessary for the Riksbank to lower the lending rate on its standing loan facility to the applicable repo rate plus a supplement of 0.20 percentage points.

At the same time, the banks' access to liquidity in Swedish krona needs to be strengthened to facilitate their funding and thereby their role as suppliers of credit to Swedish companies. The Riksbank will therefore, pursuant to Chapter 6, Article 5 of the Sveriges Riksbank Act (1988:1385) arrange for monetary policy purposes extraordinary market operations and thereby strengthen the monetary policy transmission mechanism. This measure is assessed to be able to have the desired effect if credit within the scope of the extraordinary market operations is offered with full allocation at a variable interest rate equivalent to the Riksbank's applicable repo rate with a supplement of 0.20 percentage points.

As the current situation on the financial markets is very uncertain, the maturity for the credit will amount to three months.

To reach the majority of the banks supplying loans to the economy companies and to ensure equal treatment, the Riksbank should offer monetary policy counterparties the opportunity to receive the credit provided within the scope of the extraordinary market operations. This offer will not have any upper limit to the amount, other than that following from the Riksbank accepting for this credit the same collateral as applies to the Riksbank's credit in RIX in accordance with the current *Terms and Conditions for RIX and monetary policy instruments*.

It is the responsibility of the Head of the Markets Department, with the right to delegate to another person, to determine the precise details regarding the terms for, and information on, the extraordinary market operations. 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.