

PRESS RELEASE



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Riksbank to begin purchasing corporate bonds in September

The Executive Board of the Riksbank has decided to initiate purchases of corporate bonds in the week beginning 14 September 2020. The purchases will keep companies' funding costs down and reinforce the Riksbank's capacity to act if the credit supply to companies were to deteriorate further as a result of the corona pandemic.

On 30 June 2020, the Executive Board decided that, within its programme for bond purchases, the Riksbank would offer to purchase corporate bonds to a nominal amount of SEK 10 billion between 1 September 2020 and 30 June 2021. The situation on the financial markets has gradually improved since the spring but is still assessed as fragile. If the turbulence were to recur, there is a risk that the credit supply in the Swedish economy would deteriorate rapidly, which could lead to prolonged negative consequences for output and employment, resulting in falling inflation.

The purchases of corporate bonds are part of the Riksbank's bond purchase programme, which was introduced in March 2020. They comprise a complement to the Riksbank's purchases of commercial paper that have been in progress since April 2020.

Swedish non-financial companies increasingly fund their activities by issuing certificates and bonds. The Swedish market for corporate bonds is currently functioning in a satisfactory manner, but is assessed to still be vulnerable if the crisis worsens and unease increases. The purchases of corporate bonds, together with the purchases of commercial paper that are already in progress, will keep companies' funding costs down and reinforce the Riksbank's capacity to act if the credit supply to companies were to deteriorate.

The Executive Board has therefore decided that the Riksbank shall initiate purchases of corporate bonds in the week starting 14 September 2020. The following conditions apply to these purchases:



- The first purchases shall be made through bilateral purchase procedure, which is the most common form of purchase on the Swedish market for corporate bonds.
- At a later stage, purchases may also be made via bid procedure.
- The purchases will be made on the secondary market from the Riksbank's monetary policy counterparties and will cover non-subordinated corporate bonds issued by companies with credit ratings equivalent to Baa3/BBB- or higher with a remaining maturity of up to five years.
- The Riksbank will apply a limit to its holdings of corporate bonds to no more than 50 per cent of an individual company's total outstanding volume of corporate bonds in Swedish krona and no more than 50 per cent of an individual bond issue.

The Riksbank is working on developing methods to identify risks linked to sustainability that can affect the conditions for the Riksbank's execution of its tasks. In future, the Riksbank may therefore also take sustainability into account in the choice of corporate bonds. The Riksbank also intends, as data become available, to measure and report on greenhouse gas emissions in the portfolio of corporate bonds being built up.

There is still considerable uncertainty regarding economic developments and the situation on the financial markets both in Sweden and in other countries. The Riksbank is therefore prepared to decide on further measures and to supply the necessary liquidity, even between ordinary monetary policy meetings.

More detailed information can be found in the annex to the minutes "Corporate bond purchases as a monetary policy measure".

The terms and conditions for bilateral proceedings follow applicable provisions in the Terms and conditions for RIX and monetary policy instruments.