

Instructions RIX and
Monetary Policy Instruments

Monetary Policy Instruments Instructions

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Instructions Monetary Policy Instruments

1 Preamble

Chapter D of the Terms and Conditions for RIX and Monetary Policy Instruments (Terms and Conditions) contains terms and conditions for the Riksbank's monetary policy instruments. According to Terms and Conditions D.5, transactions for monetary policy purposes can be implemented in a different way to what is stated in the Terms and Conditions. To the extent that there are no special regulations for certain monetary policy transactions, the provisions in 2 below shall be applied.

Certain terms and abbreviations used in these instructions that begin with a capital letter are defined in Annex 1.

2 Implementation of the Riksbank's market operations

2.1 Bidding procedures and bilateral procedures

2.1.1 In general

- (a) Market operations can be executed through bidding procedures or bilateral procedures. Bidding procedures will be used unless the Riksbank deems bilateral procedures to be more appropriate.
- (b) For Fine-Tuning Operations, transactions in the form of Outright Purchase or Sale, Foreign Exchange (FX) Swaps or FX Transactions, bilateral procedures will normally be used instead of bidding procedures.
- (c) The Riksbank can choose between requesting bids at a fixed interest rate (volume bids) and bids at a variable rate (interest-rate bids).
- (d) In volume bids, the Riksbank specifies the interest rate in advance and each participating Monetary Policy Counterparty, in its bid, offers an amount of money for which it is prepared to execute the transaction in question.
- (e) In interest-rate bids, each participating Monetary Policy Counterparty, in its bid, offers an amount of money and an interest rate at which it is prepared to execute the transaction in question.
- (f) In bids for *FX Swaps at a fixed interest rate*, Riksbank fixes the Swap Points of the transaction and each participating Monetary Policy Counterparty, in its bid, shall offer an amount in Swedish kronor for which it is prepared to sell (and buy back) or buy (and sell back) at the rate offered in the bidding procedure.
- (g) In bids for *FX Swap tender at a variable interest rate*, each participating Monetary Policy Counterparty, in its bid, shall offer an amount in Swedish kronor and state the Swap Points at which the Counterparty is prepared to execute the transaction in question.

2.1.2 Announcement of bid conditions

- (a) The Riksbank asks for bids by announcing the conditions for the transaction in advance in a public electronic database.
- (b) As a rule the announcement under (a) shall provide information about:
 - (i) the date of the bidding procedure,
 - (ii) the type of Market Operation (provision or absorption of liquidity and form of transaction),

- (iii) the maturity of the transaction,
- (iv) the interest rate, the price or the Swap Points for the transaction (fixed-rate bid),
- (v) the minimum/maximum accepted interest rate, price or Swap Points (where applicable),
- (vi) the method of allocation (where applicable) (see D.3.1.4.4),
- (vii) the minimum/maximum accepted bid volume (where applicable),
- (viii) the start date and maturity date of the transaction (where applicable) or the value dates and maturity date of an instrument (for Issues),
- (ix) the currencies involved in a FX Swap and the currency, the amount of which is kept fixed in the swap,
- (x) the spot exchange rate used for the calculation of bids in FX Swaps,
- (xi) the deadline or time schedule for the submission of bids,
- (xii) the nominal amount for certificates (for Issues),

2.1.3 Submission of bids

- (a) A Monetary Policy Counterparty shall follow the Riksbank's instructions for bids for the form of transaction in question.
- (b) In a *fixed-rate* bid, a Monetary Policy Counterparty shall state the amount at which it wishes to carry out the transaction in question. In a *fixed-rate FX Swap* bid, the Counterparty shall state the amount at which it is prepared to carry out the transaction with the Riksbank in the currency that is kept fixed.
- (c) In a *variable-rate* bid, a Monetary Policy Counterparty may submit bids for up to ten different interest rates, prices or Swap Points. For each bid the Counterparty shall state the amount and interest rate, price or Swap Points at which it is willing to carry out the transaction in question. For *Issues*, the Riksbank can decide that a bid shall be expressed by Counterparties offering a price instead of an interest rate.
- (d) A Monetary Policy Counterparty shall have access to a sufficient amount of securities or currency to be able to settle its bid. A Counterparty that is unable to fulfil its delivery or payment obligation shall pay interest on the part of the delivery or payment obligation that has not been fulfilled at an interest rate that equals the current reference rate as defined in Section 9 of the Swedish Interest Act plus eight (8) percentage points. Interest shall be charged for the same period as was intended for the transaction in question.
- (e) A bid can be revoked or changed up until the bid submission deadline but not thereafter.
- (f) The Riksbank rejects bids that:
 - (i) are received after the specified deadline,
 - (ii) exceed the maximum bid volume or the maximum accepted interest rate, price or Swap Points, or
 - (iii) are below the minimum bid volume or the minimum accepted interest rate, price or Swap Points.

- (g) The Riksbank may reject bids that are incomplete or do not follow the Riksbank's instructions.

2.1.4 Allotment procedures

2.1.4.1 *Allotments for fixed-rate bids*

- (a) In fixed-rate allotments, the bids received from the Monetary Policy Counterparties are added together.
- (b) If, when allotting in accordance with (a), the aggregate sum of the bids exceeds the total amount to be allotted, Counterparty bids shall be satisfied *pro rata*, according to the ratio of the amount to be allotted to the aggregate sum of the bids, with allotments rounded to the nearest million SEK.

2.1.4.2 *Allotments for variable-rate bids*

- (a) In transactions where the banking system needs to *borrow* (or receive payment in Repos) at a variable interest rate, allotment shall be arranged as follows:
 - (i) The bids shall be listed in descending order of the offered interest rates.
 - (ii) The bid with the highest interest rate shall be accepted first, followed by the bid with the next highest interest rate and so on until the total borrowing requirement is exhausted.
 - (iii) If, at the lowest interest rate level accepted, the aggregate amount bid amount exceeds the remaining amount to be allotted, the remaining amount shall be allotted *pro rata* among the bids according to the ratio of the remaining amount to be allotted to the total amount bid at the lowest accepted rate.
 - (iv) The allotments shall be rounded to the nearest million SEK.
- (b) In transactions where the banking system needs to deposit at a variable rate, allotment shall be arranged as follows:
 - (i) The bids shall be listed (a) in ascending order of offered interest rates or (b) in descending order of offered prices.
 - (ii) The bid with the lowest interest rate or highest price respectively shall be accepted first, followed by the bid with the next lowest interest rate and next highest price respectively and so on until the total borrowing requirement is exhausted.
 - (iii) If, at the highest interest rate (lowest price) level accepted, the aggregate amount bid exceeds the remaining amount to be withdrawn, the remaining amount shall be allotted *pro rata* among the bids according to the ratio of the remaining amount to be withdrawn to the total amount bid at the highest accepted interest rate and lowest price respectively.
 - (iv) The allotments shall be rounded to the nearest million SEK.

2.1.4.3 *Allotment of FX Swaps*

- (a) The bidding procedure for *fixed-rate FX Swaps* corresponds to the arrangement described under Terms and Conditions D.3.1.4.1.
- (b) In *variable-rate FX Swap* bids, the allotment is based on the bids that are most favourable for the Riksbank in terms of the offered interest rate differential between the foreign currency and SEK.

2.1.4.4 *Method of allotment*

- (a) For variable-rate bids, the Riksbank can apply allotment procedures with either a single interest rate or multiple interest rates.
- (b) In a single-rate procedure, the interest rate, the price or the Swap point for all accepted bids is the same as the marginal interest rate, the marginal price and the marginal Swap Point, respectively (i.e. the level at which the total amount to be allotted is exhausted).
- (c) In a multiple-rate procedure, allotment takes place at the interest rate, price or Swap Point offered by the Monetary Policy Counterparty offered in its bid.

2.1.5 Announcement of allotments

The results of bidding procedures are announced by the Riksbank in a publicly accessible electronic database. As a rule, the announcement shall contain information about:

- the date of the bidding procedure,
- the type of Market Operation,
- the maturity of the transaction,
- the currencies involved (in FX Swaps),
- the total amount allotted,
- the percentage of the total amount bid that has been allotted,
- the spot exchange rate (in FX Swaps),
- the accepted interest rate, price or Swap Points (in variable-rate bids),
- the lowest and highest offered rates and the weighted average rate of accepted bids (in multiple-rate allotment procedures), and
- the start date and maturity date of the transaction (if applicable) or the value dates and maturity date of the instrument (in Issues).

2.2 **Procedures for bilateral transactions**

- (a) Bilateral procedures involve the Riksbank executing a transaction with one or more Counterparties without a bidding procedure.
- (b) In bilateral procedures, either the Counterparties can be contacted directly by the Riksbank or the transactions are executed through stock exchanges or market agents.
- (c) As a rule, bilateral transactions will not be announced publicly.
- (d) Bilateral procedures for Fine-Tuning Operations are mainly conducted at the request of the Counterparty during a time period set by the Riksbank.
- (e) A Monetary Policy Counterparty shall have a sufficient amount of securities or currency to be able to execute the transaction. A Counterparty that is unable to fulfil its delivery or payment obligation shall pay interest on the part of the delivery or payment obligation that has not been fulfilled at an interest rate that equals the current reference rate as defined in Section 9 of the Swedish Interest Act plus eight (8) percentage points. Interest shall be charged for the same period as was intended for the transaction in question.

2.3 Settlement procedures

2.3.1 Credit (Market Operations and Standing Facilities)

- (a) Provisions concerning credit and credit lines are contained in Terms and Conditions B.5.
- (b) Payment and repayment of Credit in Market Operations are settled on the Counterparty's Settlement account in RIX-RTGS and Loan Account through the agency of the Riksbank. Repayment of Credit takes place via a RIX Payment addressed to the Riksbank.
- (c) Terms and Conditions C.3.5 contains provisions for sanctions for Institutions that do not have access to Credit under the Standing Facilities and that fail to settle a negative end-of-day balance on their Loan Account.

2.3.2 Repos

- (a) Additional conditions for Repos are contained in Terms and Conditions E.2.
- (b) On Form S_B2, the Counterparty shall report to the Riksbank the securities transactions that will be executed within the framework of an allotted repo.
- (c) Obligations to deliver securities in Repos are settled in accordance with the procedures and rules that apply to the securities settlement system in question.
- (d) Obligations to pay for securities in Repos are settled in accordance with the procedures and rules that apply to the securities settlement system in question and to Payments in RIX.

2.3.3 FX Swaps

- (a) The first leg in a FX Swap (i.e. when the Riksbank sells or buys SEK) is settled on the agreed value date
 - (a) by debiting or crediting the relevant RIX account in SEK, and
 - (b) local foreign time by crediting the Riksbank's or Counterparty's account in the country in question in the foreign currency.
- (b) The second leg in a FX Swap (i.e. when the Riksbank buys back or sells back SEK) is settled in the same way as in (a) on the agreed value date.

2.3.4 Issues

- (a) The Riksbank's obligation to deliver securities in an Issue (of Riksbank Debt Certificates) is settled in accordance with the procedures and rules that apply to the securities settlement system in question.
- (b) The Counterparties' obligation to pay for the issued securities is settled in accordance with the procedures and rules that apply to the securities settlement system in question and to transfers in RIX.

2.3.5 Outright Purchases or Sales

- (a) Obligations to deliver securities for Outright Purchases or Sales are settled in accordance with the procedures and rules that apply to the securities settlement system in question.

- (b) Payment obligations for Outright Purchases or Sales are settled in accordance with the procedures and rules that apply to the securities settlement system in question and to transfers in RIX.

2.3.6 Deposit

- (a) Borrowing is settled by crediting the Riksbank's Settlement account in RIX-RTGS and debiting the Counterparty's Settlement account in RIX-RTGS with the amount in question.
- (b) When the borrowing in accordance with (a) has fallen due, it is credited to the Counterparty's LOM account that according to *RIX-RTGS Instructions* is used for this type of transfer and the amount is debited from the Riksbank's corresponding account.

2.3.7 FX Transactions (excluding FX Swaps)

- (a) The transaction is settled on the agreed value date
 - (i) by debiting or crediting the relevant RIX account in SEK, and
 - (ii) local foreign time by crediting the Riksbank's or Counterparty's account in the country in question in the foreign currency.

Annexes

Annex 1 – Concepts and definitions

Concept	Definition
Accession Agreements	The accession agreements, mainly in the form of Annex H2 to the Terms and Conditions, that Institutions sign with the Riksbank.
Account Holder	A RIX Participant with an account in RIX.
Counterparty	In this context, the same as Monetary Policy Counterparty.
Credit	Intraday Credit, and instrument used for monetary policy purposes - transaction according to Terms and Conditions D.1.2.2 or credit under the Standing Facilities according to Terms and Conditions D.2.
Deposit	Instrument used for monetary policy purposes - a transaction according to Terms and Conditions D.1.2.6 or deposit under the Standing Facilities according to Terms and Conditions D.2.
Fine-Tuning Transactions	Market transactions specifically aimed at stabilising the overnight interest rate and smoothing fluctuations in the financial system's overnight borrowing or deposit requirement at the Riksbank.
FX Swap	Transactions where the Riksbank for monetary policy purposes buys or sells SEK against another currency and at the same time sells or buys back SEK forward on a specified repurchase date in accordance with Terms and Conditions D.1.2.5.
Institution	Legal entity that conducts financial operations.
Issue	Instrument used for monetary policy purposes - issue of Riksbank Certificates.
Liquidity Transfer	A transfer between accounts in RIX, either between Settlement Accounts in RIX-RTGS and RIX-INST or between a RIX-RTGS Participant's accounts in RIX-RTGS.
Loan Account	A RIX-RTGS Participant's account at the Riksbank in which credit is recorded.
Market Operation	The instruments used by the Riksbank to execute transactions on the market for monetary policy purposes. The instruments are specified in Terms and Conditions D.1.2.

Outright Purchase or Sale	Transactions regarding outright purchase or sale of securities in accordance with Terms and Conditions D.1.2.3.
Instant Payment	A Payment settled instantly normally between two different financial institutions.
Monetary Policy Counterparty	Institution with which the Riksbank has a current Accession Agreement as a Monetary Policy Counterparty in accordance with the Terms and Conditions.
Participant	A RIX Participant certified in a Settlement Service.
Payment	A Payment Instruction.
Payment Instruction	Message sent to the Riksbank referring to the payment procedure, e.g. a request for payment, a message with priority instructions, a recall or examination of such messages.
Registered Settlement System	A settlement system that has been registered at the European Securities and Markets Authority in accordance with the Swedish Act on the Settlement of Obligations on the Financial Market (1999:1309) ("The Settlement Act") and Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems ("Settlement Finality Directive").
Repos	Transactions regarding the sale of securities with simultaneous repurchase in accordance with Terms and Conditions D.1.2.1.
RIX	The Riksbank's Designated Settlement System that provides the RIX-RTGS and RIX-INST Settlement Services where settlement takes place between accounts at the Riksbank.
RIX-INST	RIX Settlement Service for Instant Payments.
RIX Participant	An Institution with which the Riksbank has a current Accession Agreement for RIX and the Riksbank in its role as originating and beneficiary Account Holder.
RIX-RTGS	The Riksbank's Settlement Service for large-value Payments.
RIX-RTGS Participant	RIX Participant certified for the RIX-RTGS Settlement Service.
Settlement Account	A RIX Participant's account at the Riksbank on which credit is recorded.

Settlement Service	Service that enables final settlement of Payments between a Participant in the Settlement Service and Liquidity Transfers to and/or from a Participant in the Settlement Service.
Standing Facility	The lending and deposit facilities provided by the Riksbank for monetary policy purposes, to be used by competent institutions at their own initiative in accordance with the conditions and terms specified in Terms and Conditions D.2.
Swap Point	The difference between the spot rate and the forward rate in a FX Swap.
Terms and Conditions	Terms and Conditions for RIX and Monetary Policy Instruments

Annex 2 – List of Forms

Form	Name
S_B2	Confirmation of a repo