

## POLICY FOR TRANSACTION-BASED REFERENCE RATE SWESTR

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RESPONSIBLE MANAGER:	Head of Liquidity provision analysis
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# Policy for transaction-based reference rate SWESTR

## Content and purpose

This policy establishes the overall framework for the Riksbank's administration and oversight of the reference rate Swedish krona Short Term Rate (SWESTR) and of average rates and index based on SWESTR.

## Target group

This policy is directed at staff members who work with the Riksbank's provision of the transaction-based reference rate SWESTR and of average rates and index based on SWESTR.

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# 1 Introduction

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

## 1.1 Underlying regulations

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 the Benchmark Regulation (BMR).<sup>1</sup>

The Executive Board has decided to provide the transaction-based reference rate SWESTR, as well as average rates and index based on SWESTR.<sup>2</sup> These are the type of index, reference rates and other benchmarks referred to in the BMR.

Like 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).<sup>3</sup> The IOSCO principles were drawn up to increase the reliability of reference rates and other financial benchmarks, and contribute to good governance, transparency and quality in their determination. The principles specify the arrangements that an administrator of a reference rate should have in place and constitute an international standard for, inter alia, the design, administration and oversight of reference rates.

## 1.2 Definitions

Unless otherwise expressly stated, the term SWESTR in this policy shall refer to both SWESTR and the average rates and index based on SWESTR provided by the Riksbank.

**Administrator** – a natural or legal person that controls the provision of a reference rate. Sveriges Riksbank is administrator of SWESTR.

**Average rates and index based on SWESTR** – Backward-looking compounded average rates for specified time periods (1 week, 1 month, 2 months, 3 months and 6 months) and compounded index based on the determined values for SWESTR that reflect the yield from cumulative accrual with SWESTR.

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<sup>1</sup> Regulation (EU) no. 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014.

<sup>2</sup> The Executive Board decided to provide a transaction-based reference rate for the shortest maturity in Swedish kronor on 12 December 2019 (dnr 2019-00912). As a result of the Executive Board decision of 18 January 2021 (dnr 2021-00086), this reference rate has been named SWESTR. The Executive Board decided to provide average rates and index based on SWESTR on 21 June 2021 (dnr 2021- 00767).

<sup>3</sup> International Organization of Securities Commissions, *Principles for Financial Benchmarks – Final Report*, July 2013.

**SWESTR** – Swedish krona Short Term Rate, which is a transaction-based reference rate in Swedish kronor for the very shortest maturity.

**Underlying market** – The market a reference rate is intended to reflect. The reference rate shall accurately reflect the underlying market.

## 2 Roles and responsibilities

Sveriges Riksbank is administrator of SWESTR. The Executive Board is responsible for all decisions of principle concerning SWESTR.

According to the Riksbank's Rules of Procedure, the division of responsibility between the relevant departments at the Riksbank regarding SWESTR is as follows:

- The Markets Department is responsible for operationalising the Riksbank's role as administrator of SWESTR. This includes preparing and implementing the Executive Board's decisions on SWESTR.
- The Monetary Policy Department is responsible for implementing the daily process of determining and publishing SWESTR.
- The Financial Stability Department is responsible for oversight of SWESTR.

## 3 Principles for the provision of SWESTR

### 3.1 Design

SWESTR shall be designed in an appropriate and credible way with the help of the following principles:

- SWESTR shall reflect and be representative of the underlying market,
- the market that constitutes the underlying market for SWESTR shall be active, and
- the methodology for how SWESTR is designed and determined shall be well documented.

Average rates and index based on SWESTR shall be based on the determined SWESTR values. The design and calculation methods shall follow international practice and reflect the market conventions used in the money market in Swedish kronor.

### 3.2 Governance

The framework for the governance of SWESTR shall be robust in accordance with the following criteria:

- processes linked to SWESTR shall be well documented,
- the quality and integrity of the reference rate shall be maintained by:
  - identifying, documenting and resolving potential conflicts of interest in relation to SWESTR,

- regularly identifying and managing risks linked to SWESTR,
- establishing and maintaining the efficiency of complaints and accountability mechanisms, including processes for whistleblowing, and
- maintaining documentation to facilitate audit and control of SWESTR.

### 3.3 Transparency

To maintain confidence in SWESTR and facilitate its external evaluation, transparency regarding SWESTR and the Riksbank's working methods shall be high, which is achieved by:

- publishing on the Riksbank's website information on methodology and relevant processes linked to SWESTR,
- publishing SWESTR every Swedish banking day on the Riksbank's website,
- publishing summary information on the transactions forming the basis for the current SWESTR rate every banking day, and
- publishing at regular frequency and with a lag:
  - summary information on the composition of the transaction dataset, and
  - information on how any changes in the transaction dataset, which have subsequently come to the Riksbank's attention, had affected the SWESTR values if the changes had been known when the respective SWESTR value was determined.

#### 3.3.1. Information document

The Riksbank shall provide an information document about SWESTR to be published on the Riksbank's website. The document shall be based on the Riksbank's internal regulations and shall gather the information about SWESTR and its framework that is relevant for external stakeholders to be aware of. The document shall be published and managed by the Markets Department. Any revisions to the document shall be decided by the Head of the Markets Department.

### 3.4 Oversight function

The Riksbank's oversight function for SWESTR shall be conducted in the form of a cross-departmental forum for cooperation, with the aim of ensuring broad competence in oversight and appropriate processes that lead to well-informed decisions.

The oversight forum for Swestr will follow up and oversee compliance with all of the IOSCO principles applicable to SWESTR. The oversight must be risk-based, which

means that the follow up takes place according to applicable principles where the risk is considered high.

## 4 Protection of trademarks

SWESTR is a protected trademark owned by the Riksbank.

The Markets Department is responsible for regularly monitoring the trademark by:

- monitoring the issue of possible infringement of the trademark, and
- documenting the Riksbank's use of the trademark in relevant jurisdictions.

## 5 Related governing documents

The policy establishing the overall framework will be supplemented with more detailed rules for the administration and oversight of SWESTR to be established in separate documents.

It is the responsibility of the Heads of the Markets Department, Financial Stability Department and Monetary Policy Department, within the limits of their respective remits, to, if necessary, decide on additional governing documents in accordance with this policy, *the Rule for the administration of SWESTR* and *the Rule for the Riksbank's governing documents*.

## 6 Compliance

The heads of each department are, within their remits, responsible for:

- implementing this policy;
- regularly reviewing compliance with this policy, and,
- as needed, reporting to the Executive Board on the review of compliance with the policy and/or the work of the departments with SWESTR.

## 7 Entry into force

This Policy enters into force on 1 January 2025.

The policy revokes the previous *Policy for transaction-based reference rate SWESTR* (dnr 2023-01290), adopted on 14 December 2023.