

# MINUTES



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## SWESTR Advisory Group

PRESENT: The Riksbank  
Alecta  
Bloomberg  
Citi  
Danske Bank  
DNB  
Euroclear  
Handelsbanken  
Swedish Association of Corporate  
Treasurers (IFF)  
LCH  
Nasdaq  
Nordea  
Refinitiv  
Swedish National Debt Office  
SEB  
Skandia Liv  
Insurance Sweden  
Swedish Securities Markets Association  
Swedish Bankers' Association  
Swedbank

### 1. The Chair welcomes the meeting participants

The Riksbank welcomed the participants to the meeting and summarised what has happened with regard to SWESTR since the previous meeting with the SWESTR Advisory Group on 23 September 2021. The Riksbank mentioned, among other things, that the Riksbank has begun to publish average interest rates and indices based on SWESTR and that historical estimates for SWESTR, based on historical data from banks, have been prepared and published. The Riksbank also pointed out that a recommendation on a fallback arrangement for STIBOR based on SWESTR has been published by the Swedish Bankers' Association and that a corresponding fallback arrangement for the derivatives market has been incorporated into ISDA's (International Swaps and Derivatives Association) Fallback Protocol. The Riksbank also announced that it will shortly be convening a working group for the promotion of the OIS (Overnight Index Swap) market based on SWESTR. More details of the working group will be communicated shortly.

The Riksbank also noted that four new participants have been added to the Advisory Group since last year: Bloomberg, Euroclear, LCH and Refinitiv. The working language of the group continues to be Swedish, but some contributions may be made in English. Agendas and minutes will also be translated into English in the future.

The Riksbank's participants introduced themselves.

Ingrid Wallin Johansson from the Riksbank replaced Anders Gånge from the Riksbank as chair of the meeting due to illness.

## **2. The participants introduce themselves**

The participants introduced themselves.

All invited organisations were represented at the meeting.

## **3. The Riksbank's framework for SWESTR**

The Riksbank reported on the revisions of the SWESTR information document that were carried out in the autumn of 2021 and pointed out that most of these were clarifications. The Riksbank also pointed out that the revisions were largely made based on the comments the Riksbank has received from market participants, including through the SWESTR Advisory Group.

For example, information about what users should do if the Riksbank fails to publish SWESTR has been added to the information document. A clarification was also made that the information published about the transaction data for SWESTR relates to the transaction data before trimming. In connection with the revision, some minor changes were also made to the internal process at the Riksbank. Examples of this are that the time for calculating average interest rates has been brought forward by 30 minutes and that a reasonability assessment has been introduced before publication of SWESTR. A separate e-mail channel has also been introduced for any complaints about SWESTR. A number of editorial changes have also been made to improve clarity.

Prior to the meeting, a comparison of the information document had been requested before and after the changes. The Riksbank disseminated this comparison to the participants prior to the meeting.

One participant asked whether it is clear who makes the reasonability assessment and what the assessment criteria are. The Riksbank replied that the intention is to identify clearly unreasonable figures and that it is those responsible for the operational process on the day in question who make the assessment. The participant also asked whether there will be a correction of the average interest rates for SWESTR if the SWESTR value is corrected, regardless of the size of the adjustment in the average interest rate. The Riksbank replied that it is correct and added that a correction of the average interest rates and indices will only be considered if there is a correction of SWESTR or if an error is detected in the previous calculation. The participant felt that this should be clarified in the information document. The participant also asked for clearer information to the market in cases where a corrected level for SWESTR is published. In addition, the participant felt that the minimum volume requirement for including transactions in the transaction dataset for SWESTR (SEK 10 million) was too low and that, according to the

participant, this meant that SWESTR could include transactions that do not fully reflect the money market.

Another participant wondered how the Riksbank had reasoned about the parameters and levels of the robustness requirements for SWESTR. The Riksbank replied that the criteria are similar to those of other central banks and that the robustness requirements were discussed in the Riksbank's consultation in autumn 2020. The Riksbank also added that it should be possible to review and change the robustness requirements.

The Riksbank thanked the participants for their views. The Riksbank will consider the views in the further work on SWESTR.

#### **4. Issued related to the publication of SWESTR**

The Riksbank began by providing a summary of how SWESTR is published. At present, SWESTR is published at 11:00 CET and reflects the transactions made on the value day prior to publication. Information about the transaction dataset is also provided in connection with the publication of SWESTR. Average interest rates and indices are published 5 minutes later and take into account the newly published SWESTR value. Corrected values are published at 14:00 (SWESTR) and 14:05 (average interest rates and indices) respectively. SWESTR, including average interest rates and indices, is available via an API at the Riksbank and is published on the Riksbank's website. These values are then published by other agents.

The Riksbank asked for comments on the publication of SWESTR.

One participant expressed the view that the publication times should be synchronised with the times at which other central banks publish their reference rates. In particular, the participant considered it important that the timing of any corrected SWESTR value be brought forward so that back office operations at market participants can do their job even under stressed market and/or operational conditions. The participant also called for greater transparency regarding the transaction dataset for SWESTR, for example, by the Riksbank also starting to publish percentiles in order to give a better picture of the distribution of interest rates in the transaction dataset. The participant felt that such information could increase the understanding of SWESTR, which in turn could promote its use. Finally, the participant considered that information on any miscalculations of SWESTR should be available more quickly than the information that the Riksbank currently provides once every four months in *The SWESTR transaction dataset report*.

The Riksbank thanked the participant for their views and will consider them in the further work on SWESTR.

#### **5. The underlying market for SWESTR**

The Riksbank asked for views on how the underlying market for SWESTR, i.e. the overnight market in Swedish kronor, is functioning at present.

One participant commented that investments are being made in the market, but that the pricing at different banks is relatively fragmented. However, this is not a phenomenon that is unique to the SEK market according to the participant, but a pattern that is also seen in the markets for EUR and USD. In summary, the participant thought it was difficult to say how the overnight market is functioning at present.

Another participant asked whether the Riksbank has any thoughts about how the tightening of the corridor in the monetary policy operational framework in autumn 2019 has affected the overnight market. The participant considered that the narrower corridor reduces the incentive to deposit liquidity with other banks. The Riksbank reminded the meeting that it carried out daily fine-tuning operations prior to October 2019, which meant that the banks in practice encountered very similar interest rates and thereby incentives, compared with the current narrow corridor.

A third participant mentioned that there is a little trade in the overnight market. The participant considered that this limited interest in the market was due to the large liquidity surplus of in banking system towards the Riksbank.

A fourth participant pointed out that the banks have large liquidity buffers, partly due to various liquidity regulations, and therefore rarely have a need to take in short-term deposits. This means that some banks are keeping a low profile in the overnight market, which may lead to a large variation in the prices offered.

## **6. The turn of the year**

The Riksbank gave a brief account of the outcome for SWESTR at the turn of the year from 2021 to 2022. Prior to the turn of the year, SWESTR was significantly reduced. The transaction dataset was also smaller than usual in terms of both total transaction volume and number of transactions and fewer reporters. The spread of interest rates in the transaction dataset was also greater than usual. The Riksbank noted that the phenomenon of substantially reduced interest rates ahead of the turn of the year is also clearly visible in the historical estimates for SWESTR.

The Riksbank reiterated that it considers that a transaction-based reference rate should reflect interest rate formation in the underlying market every day of the year. The Riksbank also reminded the meeting that one of the main objectives of the ongoing reform of reference rates around the world and the development of transaction-based reference rates is to reduce the element of discretionary assessments.

The Riksbank then asked for views and comments from the participants regarding the turn of the year.

One participant expressed some surprise that the outcome for SWESTR at the recent turn of the year 2021-2022 differed greatly from the last turn of the year (2020-2021), based on the historical estimates of SWESTR. The participant did not consider the prices received to be much different from one year to another.

A participant representing a sector organisation said that its members agree with the Riksbank's view that it is important for SWESTR to mirror the market as it is, even at the turn of the year. The participant added that its members consider it important to understand the mechanisms surrounding the major changes at the turn of the year. The participant emphasised the resolution fee and the risk tax for banks as the key factors that affect liquidity management and thereby SWESTR prior to the turn of the year.

One participant added that the introduction of the bank tax may have further affected pricing prior to the turn of the year, thereby pushing SWESTR down compared with previous years.

Another participant commented that average interest rates for maturities less than three months may be difficult to use due to the turn of the year. However, this is not a major problem for the OIS market.

One participant added that it is not really the fact *that* SWESTR is being reduced at the turn of the year that they see as a problem. The participant pointed out that it is above all the considerable uncertainty regarding *to which level* SWESTR is being lowered that is a problem.

Another participant also expressed that it is good that SWESTR reflects the underlying transactions. The effects of the resolution fee and the new bank tax are also reflected in the price picture for other instruments, which is a good thing.

## **7. Other issues**

One participant asked about a rumour about a reorganisation of SWESTR at the Riksbank and what this means for users of SWESTR.

The Riksbank replied that there is nothing to communicate about these at present. Work is being carried out on the centralisation of data management at the Riksbank, which will also include the management of the information on which SWESTR is based. However, the Markets Department will retain its administrator role for SWESTR. Only the operational units that manage data collection and the daily calculation and publication process will move to another department. The work on preparing the move has started, but the move itself is still some way off.

Another participant asked questions about the working group that the Riksbank announced earlier during the meeting. The participant mentioned the work carried out in Norway on the same theme and asked if the SWESTR Advisory Group was the right forum to raise questions about developing an OIS market and discuss how to do so. The participant considers it important that a market standard be developed in this respect. The Riksbank replied that the idea is that the SWESTR Advisory Group should be about making SWESTR as good as possible, while the forthcoming working group should work on issues concerning the promotion of the use of SWESTR and, in particular, the development of an OIS market. The Riksbank will come back with more information about the new group as well as the intended timetable.

## **8. Next meeting**

The Riksbank asked the group whether the next meeting should be held before or after the summer. The participants did not express any preferences about this. The Riksbank will therefore come back with a date for the next meeting.