



# Decision

DATE: 15 November 2021  
DEPARTMENT: Financial Stability Department and Markets Department

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## Publication of historical estimates for SWESTR

### Decision by the Executive Board

The Executive Board decides that

1. The Riksbank shall publish a data series with historical estimates<sup>1</sup> of SWESTR (Swedish krona Short Term Rate) for the period from 4 January 2016 (inclusive) to 31 August 2021 (inclusive), as described in the considerations below,
2. this publication will be made on 15 November 2021 on the Riksbank's website, and that
3. the Head of the Markets Department will be tasked, with the right to delegate this to another, after consultation with the Head of the Monetary Policy Department and the Head of the Financial Stability Department, with the right of each of them to delegate this task to another, with implementing this decision.

### Background

According to the EU Benchmark Regulation (BMR), users of reference rates shall have arrangements for fallback in case the reference rate should cease to apply. The requirement for a fallback arrangement applies to both existing and new financial contracts. In addition, according to the BMR, it is the competent supervisory authority – in Sweden, Finansinspektionen – that has the right to supervise reference values and it is not the role of central banks to ensure that this happens.

A working group under the Swedish Bankers' Association, where the Riksbank and Finansinspektionen participate as observers, is preparing a recommendation for fallback arrangements for STIBOR. In a consultation, the Swedish Bankers' Association has

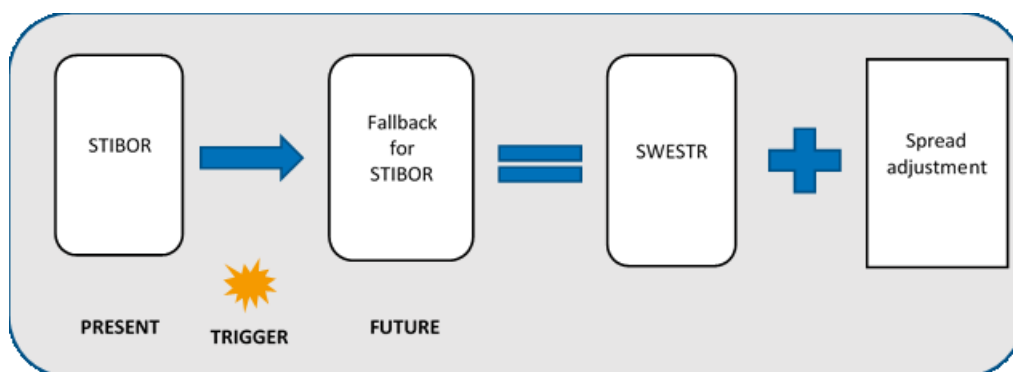
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<sup>1</sup> The term *estimate* is used to emphasize that it does not concern official SWESTR values. This is in line with how other central banks have chosen to describe similar estimated time series with the English term *proxy*.

proposed that the fallback rate) for STIBOR should follow international practice and be based on the central bank's transaction-based reference rate, i.e. in this case SWESTR. More specifically, this means that a fallback rate for STIBOR, in accordance with international practice, shall consist of SWESTR<sup>2</sup> plus a spread adjustment consisting of the historical difference between STIBOR and SWESTR going back five years.<sup>3</sup>

The historical estimate of SWESTR will only be used to determine the fallback rate if a trigger event occurs within the next five years. Because the Swedish Bankers' Association plans to determine the spread adjustment based on a rolling five-year window a consecutively larger share of the data used will consist of official SWESTR values and the historical estimates will therefore ceased to have relevance in five years.

Figure 1. A schematic illustration of how the fallback rate for STIBOR could be constructed



The Riksbank supports the Swedish Bankers' Association's work on producing a recommendation for a fallback rate for STIBOR as robust fallback arrangements contribute to financial stability. Essentially, the Riksbank had no comments to make on the specific issues raised by the Swedish Bankers' Association in its consultation regarding recommendation about fallback arrangements. However, the Riksbank emphasises that the production of a fallback rate for STIBOR should not be regarded as a replacement for the transition to using SWESTR instead of STIBOR in new financial contracts as soon as possible.<sup>4</sup>

The Riksbank further considers that participants should as soon as possible stop using STIBOR at its shortest maturity and instead use SWESTR. In the longer run, the Riksbank considers that STIBOR should cease for all maturities. A transition needs to take place in

<sup>2</sup> SWESTR has an overnight maturity while STIBOR exists for a number of maturities ranging from tomorrow-next to six months.

<sup>3</sup> The purpose of this calculation of the fallback rate is to minimize the risk of value transfers between contractors in the event of the reference rate ceasing to exist. If a particular fallback rate were to involve significant value transfers between contractors, it would have difficulty gaining market acceptance, which would make implementation of a fallback solution more difficult and probably delay it.

<sup>4</sup> [The Riksbank's response - Open consultation on reform of STIBOR](#)

an orderly manner, and is therefore a development project over the course of several years.<sup>5</sup>

## Considerations

At present, there is no five-year history for official SWESTR values. The Riksbank has therefore produced a data series with estimates of SWESTR five years back, based on historical transaction data from 4 January 2016 (inclusive) to 31 August 2021 (inclusive), which the banks provided to the Riksbank.<sup>6</sup> However, it should be pointed out that the estimates should not be regarded as official SWESTR values.

The publication of a longer time series with historical estimates of SWESTR may also promote the use of SWESTR, as expressed in discussions in the Advisory Group for SWESTR.

### Transaction dataset and calculation

Since the transaction dataset has been partly recreated retrospectively, it has not undergone the same quality controls as the transactions underlying SWESTR. Instead, the Riksbank has applied manual methods for quality control, which have as far as possible been similar to the methods used for SWESTR. This means, among other things, that deviations in interest rates and volume of transactions have been checked and followed up with the reporting banks. In addition, it has been verified that transactions between the banks have been correctly reported by the respective banks. Based on these quality controls, the transaction data is deemed to be of acceptable quality.

When calculating the historical data series for SWESTR, the same calculation method has been used as is currently applied to determine daily values for SWESTR. In other words, the historical estimates have been calculated as a volume-weighted average of interest rates after the transaction base has first been trimmed.

The historical time series includes the test period for SWESTR. For the period from 26 January 2021 (inclusive) to 30 June 2021 (inclusive), the previously published, recalculated values for SWESTR are used.<sup>7</sup> These recalculated values are based on the revised transaction dataset as of 8 July 2021, and are available on the Riksbank's website.<sup>8</sup> The reason why these values are used is the minor adjustment made in the calculation method for SWESTR as of 1 July 2021.

The Riksbank will publish the same information about the transaction dataset for the historical estimates as is published daily for SWESTR values. Information on the calculation method and, if relevant, the reason for using an alternative calculation

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<sup>5</sup> [SWESTR is part of the global reform of the reference interest rates, article in the Financial Stability Report 2021:1 \(riksbank.se\)](#)

<sup>6</sup> The calculation method and the transaction selection applied to SWESTR have been applied to the historical data. For the period 4 January 2016 (inclusive) to 30 September 2019 (inclusive), the data is taken from the seven STIBOR banks. For the remainder of the period, the data is based on information from the TORA transaction reporting system, which includes two additional banks.

<sup>7</sup> For the period from 1 July 2021 (inclusive) to 31 August 2021 (inclusive), the preliminary SWESTR values are used as they were originally published.

<sup>8</sup> [See information on the Riksbank's website, Test period for SWESTR](#)

method should also be provided. The transaction dataset for each individual day has met the same robustness requirements as the Riksbank imposes on the transaction dataset for SWESTR.<sup>9</sup> The alternative calculation method used for SWESTR if the transaction dataset does not meet the robustness requirements has therefore not been used for any value date in the historical data series.

## Conditions for use

The estimation will be published on the Riksbank's website with information about which conditions apply for use of the data series. Even if the data series is to form the basis for the production of a fallback rate for STIBOR, the data series is published for information only and should in itself not constitute a reference value.<sup>10</sup>

Furthermore, the Riksbank does not provide a calculation or a determination of the historical interest rate differential between STIBOR and SWESTR. In line with international practice, it is instead up to market participants to ensure that one or more calculation agents based on the historical time series that the Riksbank is providing calculates this interest rate differential.

The Riksbank is providing historical estimates only for SWESTR with a maturity of *overnight*. Any adjustments to the data series in order for it to be able to be used in fallback arrangements for the different maturities of STIBOR should be done by the private calculation agents.

## Publication of a data series with historical estimates

It is appropriate that the Riksbank publishes a data series with historical estimates of SWESTR for the period from 4 January 2016 (inclusive) to 31 August 2021 (inclusive) on the Riksbank's website. This is because the publication of the data series for historical estimates by SWESTR is a prerequisite for the fallback rate for STIBOR being implemented in accordance with international practice. A number of other central banks, in currency areas where, as in the case of SWESTR, no long time series for transaction-based reference rates are available, have chosen to publish historical time series with estimates of these rates in a similar way, for instance Denmark's Nationalbank, the ECB and the Federal Reserve.<sup>11</sup>

## Delegation to Markets Department

The Head of the Markets Department is tasked, with the right to delegate this to another, after consultation with the Head of the Monetary Policy Department and the Head of the Financial Stability Department, with the right of each of them to delegate this task to another, with implementing this decision.

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<sup>9</sup> The robustness requirements for the transaction data are that, for a given day, it shall meet a total volume of SEK 6 billion, be represented by at least three reporters and that the data from one reporter shall not exceed 75 per cent of the total volume.

<sup>10</sup> For more detailed information on the conditions for use and re-publication of SWESTR, see: [Conditions for the use and re-publication of SWESTR | Sveriges Riksbank](#)

<sup>11</sup> In cases where central banks have not published this type of estimated time series, there is often already a longer history of transaction-based reference rates, such as in Norway, Switzerland and the United Kingdom.