



# Basis for decision

DATE: 28 April 2015  
DEPARTMENT: Markets Department, Monetary Policy Department

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REG. NO. xxxx 2105,  
Markets Department

## ■ Extended purchases of government bonds

### Proposed Executive Board decision

The Executive Board decides that

- the Riksbank will during the period May until the end of September 2015 purchase nominal government bonds issued by the state of Sweden for a nominal amount of between SEK 40 and 50 billion in accordance with the description in the annex,
- the Head of the Markets Department will be given, with the right to delegate to another person, and after consultation with the Executive Board and the Head of the Monetary Policy Department, the task of determining the precise amount for the bond purchases within the interval specified under the decision point above,
- the Head of the Markets Department will be given, with the right to delegate to another person and after consultation with the Head of the Monetary Policy Department, the task of determining the precise details regarding the terms for, and information on, the Riksbank's bond purchases, and to
- publish these decisions on Wednesday 29 April 2015 at 9.30 a.m.

### Background

The Riksbank decided at the monetary policy meeting on 11 February 2015 to cut the repo rate by 0.10 percentage points, to -0.10 per cent, and to adjust the repo-rate path downwards somewhat. Moreover, to make monetary policy even more expansionary, the Executive Board decided to make purchases of nominal bonds for SEK 10 billion. These measures emphasise that the Riksbank safeguards the role of the inflation target as anchor for price-setting and wage-formation. At the same time, the Riksbank announced its readiness to take rapid action, even between the ordinary monetary policy meetings, to make monetary policy even more expansionary if this were to prove necessary to ensure that inflation rises towards the target. The Executive Board of the Riksbank decided on 18 March 2015 to make monetary policy even more expansionary by cutting the repo rate by 0.15 percentage points to -0.25 per cent and buying government bonds for SEK 30 billion.

## ■ Considerations

The expansionary monetary policy is assessed to have a positive effect on the Swedish economy and contribute to inflation rising now. However, there is considerable uncertainty over how quickly inflation will rise, particularly given the fact that inflation has been lower than expected on several occasions. To support the positive development and ensure that inflation rises sufficiently quickly, the assessment is now that a more expansionary monetary policy is required.

The Riksbank should therefore, as a complementary monetary policy measure, buy further nominal Swedish government bonds to a nominal value of between SEK 40 and 50 billion, in addition to the purchases of government bonds corresponding to nominal amounts of SEK 10 billion and SEK 30 billion that were decided on 11 February and 18 March 2015. The Riksbank's total purchases will thus amount to between 13 and 15 per cent of the outstanding volume of nominal government bonds on the Swedish market.

The exact amount for the purchases of bonds will be determined by the Head of the Markets Department after consultation with the Executive Board and the Head of the Monetary Policy Department. This consultation can appropriately take place in connection with regular follow-ups.

The purchases now proposed could cover all maturities of up to 25 years, to have a broad impact on interest rate-setting. The purchases should begin in May, after the purchases of government bonds decided on earlier have been concluded, and should continue until the end of September 2015. It is considered appropriate that the Riksbank's purchase of government bonds continue to be implemented weekly on Thursdays. However, it may be appropriate to have fewer bid procedures in the summer, when activity on the market is lower. The purchases should be made by means of bid procedure via an electronic platform in which the Riksbank's monetary policy counterparties and the Swedish National Debt Office's current primary dealers have the opportunity to participate. In this way, the pricing and allocation of the Riksbank's transactions will be transparent to the market. The holdings of government bonds will be booked at market value in the Riksbank's accounts.

The Riksbank's purchases of Swedish government bonds will be made on the secondary market. Moreover, the purchases should not be made directly in connection with the Swedish National Debt Office's issues on the primary market. The purchases are justified for monetary policy reasons as described above. They are therefore compatible with the applicable provisions regarding the ban on monetary financing. More exact details regarding the terms for, and information on, the Riksbank's bond purchases should be determined by the Head of the Markets Department, with the right to delegate to another person, and after consultation with the Head of the Monetary Policy Department.

## ■ Annex

### Facts regarding the Riksbank's purchases of nominal Swedish government bonds made during the period May to September 2015

Total nominal amount:	SEK 40-50 billion
Type of security:	Nominal bonds issued by the state of Sweden through the Swedish National Debt Office
Bid procedures:	Normally Thursdays.
Announcement of more detailed terms and conditions for the respective purchases:	Special terms and conditions will normally be published on the Friday before the respective Bid procedure.
Purchase procedure:	Bid procedure, multiple price method, differentiated pricing on allocation.
Eligible bidders:	<p>Those of the Riksbank's monetary policy counterparties and Swedish National Debt Office's current primary dealers in government bonds that have registered their interest in participating no later than three days prior to the Bid procedure.</p> <p>The registration form comprises part of the terms and conditions of the bidding and will be available on the Riksbank's website.</p> <p>A counterparty who has registered for the Riksbank's earlier purchases of Swedish government bonds in accordance with the General terms and conditions dated 17 February 2015 and has confirmed that such a registration still applies does not need to complete a new registration form, on condition that the information provided in the earlier registration still applies.</p>
Bid procedure:	Bids regarding rate and volume are to be made via Bloomberg Bond Auction System between 0900 and 1000 hours on the day of the auction.
Lowest bid	Bids shall be no lower than SEK 50 million. Each bidder can make several bids.
Highest bid	No individual bid may exceed the total volume requested by the Riksbank at each auction.
Allocation	Normally 10 minutes after the final time for making a bid.
Payment and delivery:	Shall be made the second banking day after the auction concerned in Euroclear Sweden's securities settlement system.
Complete terms and	General terms and conditions will be published on

- conditions: the Riksbank's website on 13 May 2015.