



# Annex B to the minutes

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DEPARTMENT: Markets Department and Monetary Policy Department

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## ■ Additional monetary policy measures - reinvestments in Swedish government bonds

### Decision by the Executive Board

The Executive Board decides that

- the Riksbank shall reinvest received coupons from and repayments upon the maturity of the Riksbank's holdings of nominal Swedish government bonds by purchasing nominal Swedish government bonds in accordance with the description in the [annex](#),
- the Head of the Markets Department, with the right to delegate to another person, will have, and after consultation with the Head of the Monetary Policy Department, with the right to delegate to another person, the task of determining the precise details regarding the terms for, and information on, the reinvestments, and
- these decisions will be published on Thursday 11 February 2016 at 09.30.

### Background

In recent years, the Riksbank has made monetary policy more expansionary by cutting the repo rate to negative levels, adjusting the repo rate path down and purchasing large amounts of government bonds. In addition, further purchases during the first half of 2016 were decided in October 2015. The aim of this monetary policy is to push up inflation and stabilise it around the target of 2 per cent and help bring inflation expectations in line with the inflation target. Continued high confidence in the inflation target creates conditions for good economic growth.

### Deliberations

The Riksbank's total holdings of nominal government bonds that have been purchased or will be purchased in accordance with the Executive Board's decisions taken in 2015 are expected to amount to SEK 200 billion in nominal terms at the end of June 2016. This corresponds to just over 30 per cent of the outstanding stock of nominal government bonds denominated in SEK on the Swedish market. In addition

to this, the Riksbank has had holdings of nominal Swedish government bonds totalling about SEK 10 billion in nominal terms since 2012.

The Riksbank's holdings of Swedish government bonds will over time mature. The holdings also generate revenue in the form of coupon payments. If no reinvestments are made, both the Riksbank's holdings of nominal Swedish government bonds and the liquidity surplus will decrease.

Monetary policy needs to remain expansionary in order for inflation to rise and stabilise around the target of 2 per cent. To maintain an expansionary monetary policy, the Riksbank should regularly reinvest both the repayments it receives upon maturity and the coupons as a complementary monetary policy measure. This should be done by the Riksbank, until further notice, reinvesting the received funds attributable to the Bank's Swedish bond holdings by purchasing nominal Swedish government bonds in addition to the bond purchases which the Executive Board has already decided or may decide in the future. As a result of these reinvestments, the Riksbank's holdings of nominal Swedish government bonds may increase slightly over time.

It is deemed appropriate that these latest reinvestments in the form of bond purchases include government bonds in accordance with the same principles that apply for the bonds that the Riksbank has already purchased or will purchase in accordance with the Executive Board's decisions in 2015. This means that the purchases may include government bonds with maturities of up to 25 years, in order to have a broad impact on interest rate-setting. The purchases should be made by means of a bid procedure via an electronic platform in which the Riksbank's monetary policy counterparties and the Swedish National Debt Office's current primary dealers in government bonds have the opportunity to participate. In this way, the pricing and allocation of the Riksbank's transactions will be transparent to the market.

It is furthermore appropriate for the current purchases to take place in close connection with the occasions when the Riksbank receives the funds that are to be reinvested. The Riksbank should, however, strive to achieve a well-considered purchase volume for every bid procedure. For this reason, it may be appropriate in certain cases to spread the received funding over several purchases or otherwise accumulate received funds until an adequate volume is reached. If it is appropriate, considering this, the purchases can be made in conjunction with the Riksbank's purchases of Swedish government bonds within the framework of the Executive Board's decisions that do not refer to reinvestments, which currently take place on a weekly basis.

It can periodically be appropriate to allow smaller deviations between the received funds and the amount actually invested at every time of purchase. This occurs in order to achieve well-considered volumes in the ways described above, but also because the exact acquisition cost for a nominal purchase volume is determined by the bid procedure. Overall, the way the reinvestments are structured means that the Riksbank's nominal holdings and the liquidity surplus may vary slightly over time.

The holdings of government bonds shall be recorded at their market value in the Riksbank's balance sheet.

Purchases in accordance with this decision can start immediately and the decision shall apply until further notice. The conditions and need for the measures referred to in this decision shall be regularly reviewed, however.

- 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 assessed as being compatible with the appropriate provisions regarding monetary financing, cf. the European Court of Justice's decision on 16 June 2015 in the case C-62/14 Gauweiler and others. 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, after consultation with the Head of the Monetary Policy Department, also with the right to delegate to another person.

## ■ Annex

Facts regarding the Riksbank's purchases of nominal Swedish government bonds, pursuant to the provisions of the applicable general terms and conditions

Total nominal amount:	Not applicable. The Riksbank's reinvestments are not limited to a predetermined nominal amount. Instead, the size of the reinvestments is determined by the amounts received by the Riksbank in the form of repayments upon maturity and coupons attributable to the Riksbank's holdings of nominal Swedish government bonds.
Type of security:	Nominal bonds issued in Swedish kronor 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, however at least four banking days prior to the respective Bid procedure.
Form of purchase:	Bid procedure, multiple price method, differentiated pricing on allocation.
Eligible bidders:	Those of the Riksbank's monetary policy counterparties and the Swedish National Debt Office's current primary dealers in government bonds that are eligible to participate as bidders under the applicable general terms and conditions (see below).
Bid procedure:	Bids regarding rate and volume are to be made via Bloomberg Bond Auction System between 09.00 and 10.00 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 Bid procedure.
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.
General terms and conditions:	General terms and conditions for the Riksbank's purchases of Government bonds via bid procedure 2015:3, dated 13 May, subject to the provisions of point 8 in the general terms and conditions (see the Riksbank's website).