Memorandum

DATE: 30 November 2012
DEPARTMENT: Asset Management Department (KAP)

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DNR 2012-855-AFS

Change in the Investment policy for asset management 2012

Proposed decision

The proposal is for the Executive Board to decide:

- that the Investment policy for asset management 2012 is adopted in accordance with Annex 1.

Background

The Riksbank is considering reinforcing the foreign exchange reserve by the equivalent of SEK 100 billion by borrowing foreign currency from the Swedish National Debt Office. This reinforcement would mean that the Investment policy for asset management 2012 needs to be amended with regard to the parts concerning currency loans.

Deliberations

The Investment policy for asset management 2012 states that currency loans from the Swedish National Debt Office can only be taken out in USD and EUR. Moreover, it is stated that foreign currency loans that mature are to be refunded, that the total value of the foreign currency loans should not exceed the equivalent of SEK 100 billion at the time of the refunding and that new loans that are taken should not have a longer maturity than 3½ years.

If the foreign exchange reserve is reinforced with a further SEK 100 billion, the wording of the policy must be changed so that the total value of the foreign currency loans does not exceed the equivalent of SEK 200 billion at the time of the refunding.

When the foreign currency loans mature the Riksbank takes out new loans and to avoid excessive refunding needs in the short term, the maturity dates of the loans are spread over a period of time. If the size of the foreign currency loans doubles, the maturity dates of the loans should be spread over a period of time that is twice as long to avoid an increase in the refinancing risk. This indicates that the Riksbank should be able to borrow at maturities of up to seven years. On the other hand, the possible reinforcement of the foreign exchange reserve is regarded as a temporary measure, which argues against the Riksbank entering into very long-term loan agreements. The overall assessment is that the foreign currency loans could have a maturity of up to 5½ years. In this way, the Swedish National Debt Office can issue bonds with a maturity of 5 years, which is attractive to investors.