



Memorandum

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DNR

■ Longer-term loans in Swedish krona

Background

During the autumn the international financial turbulence has swept in over Sweden. Banks in many countries have experienced increasing difficulty in finding long-term funding. This has now also affected Swedish banks, which has meant that an increasingly large share of their financing is of very short duration. To the extent that it has been possible to find longer-term funding at all, this has been much more expensive than usual for the banks. This development also means that the differences in maturity structures between the banks' assets and liabilities are increasing, which affects both the banks' interest rate risks and their liquidity risks.

The difficulties for the banks to obtain financing risk having negative consequences for the credit supply to companies and households. This entails risks for macroeconomic stability in general.

The situation in Sweden is not unique. Several other countries have seen a similar development. Other central banks have also acted earlier and tried to facilitate long-term funding in the credit markets.

Considerations

The situation in the financial markets justifies the Riksbank taking action and providing loans in Swedish krona with a longer duration than the normal one-week loans.

The interest rate on these loans should be in harmony with current monetary policy. It is difficult to determine a term premium for the three-month loans, but 0.25 percentage points can be regarded as a good approximation of normal conditions. It is difficult to determine suitable volumes for these auctions in advance and some flexibility may be needed in the final formulation of the auctions. It is therefore suggested that the Head of the Monetary Policy Department adjusts the scope of the auctions according to the prevailing market conditions and the bids received.

Proposed decision

It is proposed that the Executive Board decide that

- 1 The Riksbank shall offer loans in Swedish krona to the Riksbank's monetary policy counterparties. A first auction regarding an announced sum of SEK 60 billion with a duration of 92 days will take place on 6 October. The value date will be 8 October. A further auction will take place on 27 October 2008 for

loans with a value date of 29 October 2008 and a duration of 92 days. The announced sum for this loan will be determined later.

- 2 The interest rate on these loans will be at least equal to the prevailing repo rate with an addition of 0.25 percentage points.
- 3 The Head of the Monetary Policy Department is given the task of determining the more detailed terms for the loans.