

# PM



DATE: 2009-05-26  
DEPARTMENT: Asset Management Department / Financial Stability Department

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## ■ Strengthening of the foreign currency reserve

### Proposed decision

- The foreign currency reserve to be increased by the equivalent of SEK 100 billion in foreign currency
- The Head of the Asset Management Department to be assigned, on behalf of the Riksbank, to borrow the above mentioned sum through existing agreements with the Swedish National Debt Office.
- Additions to the financial risk policy to be adopted in accordance with Appendix A.

### Background

During the financial crisis, the Riksbank has provided loans in both kronor and foreign currency to Swedish banks. The aim has been to safeguard financial stability in Sweden and to ensure that the financial markets function effectively. The scope of the Riksbank's international commitments in the form of loan agreements with other central banks, as well as its commitments towards international organisations, has also increased. The Riksbank has, for example, entered into swap agreements with the central banks of Iceland, Estonia and Latvia and increased its commitments towards the International Monetary Fund (IMF). Consequently, the foreign currency reserve is now committed to a level of approximately SEK 100 billion for various measures, and currently totals the equivalent of SEK 110 billion.

The ability of the Riksbank to provide liquidity assistance is fundamental to its ability to ensure the satisfactory functioning of the financial system. The effective functioning of the financial system is in turn a precondition for the ability to conduct monetary policy. As the Swedish banks fund a significant part of their operations in foreign currency, the Riksbank also needs to be able to provide liquidity assistance in foreign currency. It cannot be ruled out that the financial crisis will be both severe and prolonged, and if this proves to be the case the Riksbank must be able to use the instruments at its disposal to supply the Swedish banks with the liquidity they need in both foreign currency and Swedish kronor.

The Riksbank should therefore, under existing agreements with the Swedish National Debt Office, request the borrowing of the equivalent of SEK 100 billion in foreign currency.

The strengthening of the foreign currency reserve is temporary and should be phased out when all the extraordinary lending from the Riksbank has ceased and other government support measures relating to the crisis have also been phased out.

# Appendix A – Appendix to the financial risk policy



DATE: 2009-05-26  
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## ■ 1. Amendment of exposure limits and concentration limit for counterparties

### 1.1. Addition of paragraphs 4.2. and 4.2.1. to Appendix B

4.2. *For central banks in countries with an AAA credit rating, unrestricted net and settlement limits apply.*

4.2.1. *BIS is equated with a central bank in its role as the central bank of the central banks.*

### 1.2. Amendment of paragraph 5.1 in Appendix B

The total net counterparty exposure may not exceed SEK 27 000 million. *The total counterparty exposure does not include exposure to central banks with an AAA credit rating.*