



Memorandum background material

DATE: 11 November 2009
DEPARTMENT: AFS/FME
REFERENCE: Anders Rydén

SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel +46 8 787 00 00
Fax +46 8 21 05 31
registratorn@riksbank.se
www.riksbank.se

DNR

■ Lending in US dollars

It is proposed that the Executive Board decide that:

1. The auction of loans in US dollars to be held on 8 December 2009 be cancelled.
2. The credit facility in US dollars be wound up.

Background

Since October 2008, the Riksbank has offered loans in US dollars against collateral to primary monetary policy counterparties. The objective of these loans has been to facilitate banks' access to credits in US dollars. Like most other central banks, the Riksbank has also established a swap facility with the Federal Reserve.

A total of 17 auctions have been held since the first auction on 1 October 2008. The total amount offered was USD 149 billion, while the total amount lent was USD 100.3 billion. At most, USD 30 billion has been lent simultaneously, which took place during three months in the spring of 2009.

The US dollar loan facility initially met with great demand. However, over the past six months, the situation on the financial markets has improved. Access to credits in US dollars has increased at the same time as the cost of these has decreased. This has contributed towards a decrease in interest in and utilisation of the Riksbank's dollar facility. No bids have been submitted in the most recent auctions and the facility currently has no outstanding credits.

Consideration

The main reason for the winding up of the facility is that demand has dissipated. This applies not only to the Riksbank's US dollar facility, but also for other central banks' facilities in US dollars.

Although demand for the Riksbank's dollar facility has dissipated, there may be arguments in favour of retaining it. Access to the facility can be seen as a form of insurance against a further deterioration of the financial markets. Consequently, the Riksbank is maintaining readiness and the conditions to establish a new credit facility in US dollars, should the need arise.