



Rules and Regulations for RIX and monetary policy instruments

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Introduction

THE RIKSBANK'S SYSTEM FOR THE SETTLEMENT OF PAYMENTS (RIX)

By statute, the Riksbank shall promote a safe and efficient payments mechanism. In its work on the payment system, the Riksbank primarily aims to reduce systemic risk, that is, the risk that a party's financial or technical problems will spread and threaten the stability of the financial system. Systemic risks in the payment system arise in connection with payments that have large risk exposures, i.e. large payments. Besides monitoring the payment system, for a long time now the Riksbank therefore provides a system, known as RIX, for the settlement of payment commitments between banks as well as certain other agents.

The settlement of payments in RIX is arranged electronically, in accordance with the principle of real time gross settlement (RTGS), by making transfers in the form of debits and credits between the accounts of the banks and certain other agents who are participants in RIX (RIX Participants). This means that the payments are settled one at a time and that funds transferred to RIX Participants' accounts in RIX are immediately available for payments as long as the system is open. Settlement comprises direct payments between RIX Participants as well as payments from customers of RIX-Participants that are processed between RIX Participants. Settlement involves replacing the recipient Participant's claim on the paying RIX Participant by a claim on the Riksbank, accompanied by either a reduction of the paying RIX Participant's claim on the Riksbank or an increase in the Riksbank's claim on that RIX Participant. There is no credit risk in claims on the Riksbank. Payment commitments that arise in the course of the Riksbank's own transactions with RIX Participants, for instance in connection with sales of securities and exchange of notes and coins, are also settled in RIX.

Payments in euro can also be settled in RIX. This has to do with the move to the third and final stage of the Economic and Monetary Union (EMU) on 1 January 1999. In that context the national payment systems within the European System of Central Banks, ESCB (the ECB and the national central banks in the EU) were linked together in a common network for the settlement of large cross-border euro payments. This network is called TARGET (Trans-European Automated Real-time Gross settlement Express Transfer system).

RIX accordingly consists of two parallel but separate systems for the settlement of payments. Payments in Swedish kronor are settled in one system (K-RIX), euro payments in the other (E-RIX). Besides cross-border payments through TARGET, also euro payments between E-RIX Participants are settled in E-RIX.

The Riksbank can provide intra-day credit against collateral for the settlement of payments in RIX (Intra-day Credit). The credit is granted in the form of an overdraft facility in a RIX Participant's RIX account. The Riksbank accepts as collateral mainly bonds or other debt instruments with a high credit rating.

THE MONETARY POLICY INSTRUMENTS

The Riksbank is responsible for Sweden's monetary policy, the objective of which is to maintain price stability. The Riksbank's instruments for attaining this objective are contained in the monetary policy operational framework, which is constructed to steer the *overnight interest rate* on the market. The instruments at the Riksbank's disposal for steering the overnight interest rate are divided into **standing facilities** and **open market operations**.

The Riksbank's **standing facilities** make it possible for banks and certain other agents to borrow money from or deposit money with the Riksbank overnight. Overnight deposits with the Riksbank attract interest at the Riksbank's deposit rate, while banks that borrow overnight from the Riksbank pay interest at the Riksbank's lending rate. The deposit rate constitutes the "floor" and the lending rate the "ceiling" of the so-called interest rate corridor. The overnight interest rate will invariably lie inside the interest rate corridor because a bank in need of liquidity can always borrow from the Riksbank against collateral at the lending rate and a bank with surplus liquidity can always deposit the surplus in the Riksbank at the deposit rate. The spread between the deposit and lending rates gives banks an incentive to agree on an interest rate that lies between the rates they would pay to or receive from the Riksbank.

Open market operations are grouped according to their maturity and purpose into *main operations*, *fine-tuning operations* and *structural operations*.

The *main operations* are performed regularly, normally once a week. In the event of a borrowing requirement in the banking system, the Riksbank meets it with monetary policy *repos* (the Riksbank purchases securities and simultaneously agrees to sell them back on a specified later date) or *credit* (against collateral). If, instead, the banking system has a need to deposit money in the Riksbank, the Riksbank caters to this need by issuing *Riksbank Debt Certificates*.

The interest rate for the monetary policy repos, the credits and the certificates is called the *repo rate*. This rate serves as a signal from the Riksbank as to the level of the overnight interest rate during the term of the transaction.

Fine-tuning operations can be used by the Riksbank to smooth fluctuations in the financial system's need to make deposits in or borrow from the Riksbank and to stabilise the overnight interest rate. The fine-tuning transactions can take the form of credit (against collateral), repos, deposits or foreign exchange swaps (buying or selling Swedish kronor against foreign currency combined with an agreement to sell or buy back forward at a specified delivery date).

The Riksbank normally performs fine-tuning operations in the form of overnight credit (against collateral) or deposits. This is done at interest rates that are more favourable than the deposit and lending rates for the standing facilities. As a result, the overnight interest rate is kept inside a band that is narrower than the interest rate corridor and contributes to clearer monetary policy signalling.

The Riksbank can also perform *structural operations*. Structural operations have longer maturities as a rule than the main and the fine-tuning operations in order to meet longer-term financing requirements in the financial sector and to adjust the structural position of the Riksbank vis-à-vis the financial sector. These transactions do not aim to signal monetary policy and the interest rate is set on the market.

THE RULES AND REGULATIONS

These Rules and Regulations apply to RIX and monetary policy instruments. Where applicable, they constitute terms of agreement for the individual participants.

The Rules and Regulations apply to RIX as well as to monetary policy instruments because these two systems are interconnected in a number of respects. The Riksbank's ability to influence the overnight interest rate ultimately depends on the Riksbank being in a position to set the terms and the extent of overnight deposits from and lending to the banks that are participants in RIX. Moreover, the requirements concerning collateral in RIX are partly the same as those for

monetary policy instruments. The Riksbank is striving for a further coordination of the collateral requirements in the two systems.

Contents

| | | |
|----------|---|-----------|
| A | The Rules and Regulations | 1 |
| 1 | GENERAL | 1 |
| 2 | AMENDMENTS TO THE RULES AND REGULATION | 1 |
| 3 | DEVIATIONS AND SUPPLEMENTS | 1 |
| 4 | LANGUAGE VERSIONS | 2 |
| B | General conditions..... | 3 |
| 1 | DEFINITIONS AND ABBREVIATIONS | 3 |
| 2 | GENERAL ASPECTS OF RIGHTS AND OBLIGATIONS UNDER THE RULES AND REGULATIONS | 9 |
| 3 | ACCESS CRITERIA | 9 |
| 3.1 | Categories of Counterparties | 9 |
| 3.1.1 | <i>RIX Participant.....</i> | <i>9</i> |
| 3.1.2 | <i>Monetary Policy Counterparty.....</i> | <i>9</i> |
| 3.2 | Qualifications..... | 10 |
| 3.2.1 | <i>General requirements</i> | <i>10</i> |
| 3.2.2 | <i>Special requirements for RIX Participants.....</i> | <i>10</i> |
| 3.2.3 | <i>Special requirements for Monetary Policy Counterparties and Counterparties in Foreign Exchange Transactions.....</i> | <i>10</i> |
| 3.2.4 | <i>Maintenance of qualifications</i> | <i>10</i> |
| 4 | APPLICATION TO BECOME A COUNTERPARTY | 11 |
| 4.1 | General aspects..... | 11 |
| 4.2 | Examination of applications | 11 |
| 4.2.1 | <i>Principles for the examination</i> | <i>11</i> |
| 4.2.2 | <i>Investigation in connection with the examination</i> | <i>11</i> |
| 4.2.3 | <i>Other aspects</i> | <i>12</i> |
| 5 | DUTY TO PROVIDE INFORMATION | 12 |
| 6 | CREDIT AND CREDIT LINE..... | 12 |
| 7 | NOTICE OF TERMINATION | 13 |
| 7.1 | The right of Counterparties to give notice..... | 13 |
| 7.2 | The right of the Riksbank to give notice..... | 13 |
| 7.3 | Partial or total notice..... | 14 |
| 8 | EXCLUSION AND OTHER SANCTIONS..... | 14 |
| 8.1 | Prerequisites for exclusion..... | 14 |
| 8.2 | Explanation and rectification | 14 |
| 8.3 | Suspension..... | 15 |
| 8.4 | Withdrawal of the right to receive credit in E-RIX | 15 |
| 8.5 | Partial or total exclusion or suspension..... | 15 |
| 8.6 | Enforcement of sanctions..... | 15 |
| 8.7 | Settlement of open positions..... | 15 |
| 9 | LEGAL SITUATION AFTER NOTICE TO TERMINATE OR EXCLUSION | 15 |
| 10 | LIABILITY AND RIGHT TO COMPENSATION | 16 |
| 10.1 | General aspects..... | 16 |
| 10.2 | Limitation of liability | 16 |
| 11 | NOTICES | 17 |
| 12 | ASSIGNABILITY | 17 |
| 13 | GOVERNING LAW AND DISPUTE RESOLUTION | 17 |
| 14 | ENTRY INTO FORCE OF THE RULES AND REGULATIONS | 17 |
| C | Conditions for the settlement of payments in RIX | 19 |
| 1 | OPERATION OF RIX | 19 |

| | | |
|----------|--|-----------|
| 1.1 | RIX Accounts | 19 |
| 1.1.1 | <i>Participant accounts</i> | 19 |
| 1.1.2 | <i>Central bank accounts</i> | 19 |
| 1.1.3 | <i>RIX Participants without an account</i> | 19 |
| 1.2 | Communication and technical connections | 20 |
| 1.2.1 | <i>General aspects</i> | 20 |
| 1.2.2 | <i>SWIFT communication</i> | 20 |
| 1.2.3 | <i>Online Communication</i> | 20 |
| 1.2.4 | <i>Back-up and security</i> | 21 |
| 1.3 | Operational disruptions..... | 21 |
| 1.4 | Time of operation | 21 |
| 1.4.1 | <i>RIX' time of operation</i> | 21 |
| 1.4.2 | <i>RIX Participants' business hours with RIX</i> | 22 |
| 1.4.3 | <i>Payments when RIX is closed</i> | 22 |
| 1.5 | Special solutions..... | 22 |
| 2 | SETTLEMENT ETC. | 22 |
| 2.1 | Reporting and control..... | 22 |
| 2.1.1 | <i>Domestic Payments and outgoing TARGET Payments</i> | 22 |
| 2.1.2 | <i>Incoming TARGET Payments</i> | 23 |
| 2.2 | Binding payment orders | 23 |
| 2.3 | Settlement | 23 |
| 2.3.1 | <i>Domestic Payments (including Domestic Euro Payments)</i> | 24 |
| 2.3.2 | <i>TARGET Payments</i> | 25 |
| 2.4 | Irrevocability and finality..... | 27 |
| 2.5 | Special solutions..... | 27 |
| 2.6 | Agency payments | 27 |
| 3 | INTRA-DAY CREDIT | 27 |
| 3.1 | Institutions eligible for Intra-day Credit | 27 |
| 3.2 | Access to Intra-day Credit..... | 28 |
| 3.3 | Credit limits | 28 |
| 3.3.1 | <i>Credit lines</i> | 28 |
| 3.3.2 | <i>Special credit limits for Payments in E-RIX</i> | 28 |
| 3.4 | Interest | 28 |
| 3.5 | Settlement of Intra-day Credit | 28 |
| 3.5.1 | <i>Settlement of credit in K-RIX</i> | 28 |
| 3.5.2 | <i>Settlement of credit in E-RIX</i> | 29 |
| 3.6 | Failure to settle Intra-day Credit..... | 29 |
| 3.6.1 | <i>Sanctions</i> | 29 |
| 3.6.2 | <i>Interest compensation with reference to credit in E-RIX</i> | 29 |
| 3.7 | Termination of the right to Intra-day Credit | 29 |
| 3.8 | Special solutions..... | 30 |
| 4 | FEES | 30 |
| 4.1 | General aspects of fees in RIX | 30 |
| 4.2 | Domestic Payments | 30 |
| 4.3 | TARGET Payments..... | 30 |
| 4.4 | Notification of fee changes | 30 |
| 4.5 | Withdrawal from RIX | 31 |
| 5 | SPECIAL COMPENSATION SCHEME FOR TARGET PAYMENTS (E-RIX) | 31 |
| D | Conditions for Monetary Policy Instruments | 32 |
| 1 | OPEN MARKET OPERATIONS | 32 |
| 1.1 | General aspects..... | 32 |
| 1.2 | Forms of transaction | 32 |
| 1.2.1 | <i>Repos</i> | 32 |

| | | |
|----------|---|-----------|
| 1.2.2 | <i>Credit</i> | 33 |
| 1.2.3 | <i>Outright Purchase or Sale</i> | 33 |
| 1.2.4 | <i>Issue</i> | 33 |
| 1.2.5 | <i>Foreign Exchange Swaps</i> | 34 |
| 1.2.6 | <i>Deposits</i> | 34 |
| 1.3 | Counterparties in Open Market Operations | 34 |
| 1.4 | Special obligations | 35 |
| 2 | STANDING FACILITIES | 36 |
| 2.1 | Eligible Institutions | 36 |
| 2.2 | Request to utilise the Standing Facilities | 36 |
| 2.3 | Assessment | 36 |
| 2.4 | Conditions | 36 |
| 2.4.1 | <i>Maturity</i> | 36 |
| 2.4.2 | <i>Interest</i> | 36 |
| 3 | PROCEDURES | 37 |
| 3.1 | Tender procedures | 37 |
| 3.1.1 | <i>General aspects</i> | 37 |
| 3.1.2 | <i>Announcement of tender conditions</i> | 37 |
| 3.1.3 | <i>Submission of tender bids</i> | 38 |
| 3.1.4 | <i>Allotment procedures</i> | 39 |
| 3.1.5 | <i>Announcement of allotments</i> | 40 |
| 3.2 | Procedures for bilateral transactions | 40 |
| 3.3 | Settlement procedures | 41 |
| 3.3.1 | <i>Credit (Open Market Operations and Standing Facilities)</i> | 41 |
| 3.3.2 | <i>Repos</i> | 41 |
| 3.3.3 | <i>Foreign Exchange Swaps</i> | 41 |
| 3.3.4 | <i>Issues</i> | 41 |
| 3.3.5 | <i>Outright Purchase or Sale</i> | 42 |
| 3.3.6 | <i>Deposits</i> | 42 |
| 4 | FOREIGN EXCHANGE TRANSACTIONS THAT ARE NOT FOREIGN EXCHANGE SWAPS | 42 |
| 4.1 | Terms | 42 |
| 4.2 | Forms | 42 |
| 4.3 | Foreign Exchange Transactions outside the Monetary Policy Operational Framework | 43 |
| E | Conditions for collateral etc | 44 |
| 1 | SECURITIES AS COLLATERAL FOR CREDIT | 44 |
| 1.1 | Eligible securities | 44 |
| 1.2 | Valuation and risk control | 45 |
| 1.2.1 | <i>Market valuation</i> | 46 |
| 1.2.2 | <i>Adjusted market value (Valuation haircuts)</i> | 46 |
| 1.2.3 | <i>Supplementary collateral</i> | 46 |
| 1.3 | Pledging securities | 46 |
| 1.3.1 | <i>Pledge accounts</i> | 46 |
| 1.3.2 | <i>Grant of Pledge</i> | 47 |
| 1.3.3 | <i>Third party pledging</i> | 47 |
| 1.3.4 | <i>General right of pledge</i> | 48 |
| 1.3.5 | <i>Sub-pledging</i> | 48 |
| 1.3.6 | <i>Release of pledged securities</i> | 48 |
| 1.3.7 | <i>Encumbrances</i> | 48 |
| 1.3.8 | <i>Substitution of collateral, etc</i> | 48 |
| 1.3.9 | <i>Earnings and maturity</i> | 48 |
| 1.3.10 | <i>Enforcement of pledges</i> | 49 |

| | | |
|-------|--|----|
| 2 | REPOS | 49 |
| 2.1 | Eligible securities | 49 |
| 2.2 | Valuation and risk control | 49 |
| 2.2.1 | <i>Market valuation</i> | 49 |
| 2.2.2 | <i>Adjusted market value (Valuation haircuts)</i> | 50 |
| 2.2.3 | <i>Pricing</i> | 50 |
| 2.2.4 | <i>Supplementary collateral etc.</i> | 50 |
| 2.3 | Other conditions for Repos | 50 |
| 2.3.1 | <i>Initiation and confirmation</i> | 50 |
| 2.3.2 | <i>Earnings and maturity</i> | 51 |
| 2.3.3 | <i>Encumbrances</i> | 51 |
| 2.3.4 | <i>Substitution, etc.</i> | 51 |
| 2.3.5 | <i>Final settlement etc upon exclusion or suspension</i> | 52 |
| 2.3.6 | <i>Failure at the commencement of a Repo</i> | 53 |
| 3 | FOREIGN CURRENCY | 53 |
| 3.1 | Credit against collateral in foreign currency | 53 |
| 3.1.1 | <i>Pledging of account balances deposited in correspondent banks</i> | 53 |
| 3.1.2 | <i>Transfer of euro balances to the Riksbank</i> | 55 |

ANNEXES

| | |
|---|---|
| 1 | Special compensation scheme for TARGET payments |
| 2 | Timetable for E-RIX |
| 3 | Timetable for K-RIX |
| 4 | The Riksbank's monetary policy instruments |
| 5 | Accession Agreement |
| 6 | Grant of Pledge |
| 7 | Form of Confirmation of Repos |
| 8 | Settlement of payments in connection with settlement of securities in VPC |

A The Rules and Regulations

1 GENERAL

- (a) The Riksbank's Rules and Regulations for RIX and monetary policy instruments (The Rules and Regulations) consist of this document and the attached annexes.
- (b) The Rules and Regulations regulate the legal relationship between
 - the Riksbank on the one hand and
 - Counterparties (RIX Participants or Monetary Policy Counterparties) on the other.

2 AMENDMENTS TO THE RULES AND REGULATION

- (a) The Riksbank is entitled to amend the contents of and make additions to the Rules and Regulations.
- (b) The Riksbank shall send proposed amendments and additions to all concerned Counterparties, who shall have the opportunity to provide their points of view on the proposal within 30 days, or the longer period that the Riksbank decides, unless it follows otherwise from (c).
- (c) The Riksbank may refrain from the referral procedure under (b), or decide on a shorter time period than 30 days, if
 - (i) the amendment or addition is occasioned by a legal act or other regulation decided by the ECB, by amended or new legislation or by court decisions or judgements or decisions by a public authority, or
 - (ii) the Riksbank considers it is manifestly unnecessary or that there are special reasons.
- (d) The Riksbank shall inform the Counterparties about amendments and additions the Riksbank has decided.
- (e) A notification under (d) shall be sent to the Counterparties at least 15 days before the amendment becomes effective. Such notification may, however, be sent later if
 - (i) the amendment or addition is occasioned by a legal act or other regulation decided by the ECB, by amended or new legislation or by court decisions or judgements or by decisions by a public authority, or
 - (ii) the Riksbank considers that there are special reasons.

3 DEVIATIONS AND SUPPLEMENTS

- (a) The Riksbank can agree with an individual Counterparty on deviations from or supplements to the Rules and Regulations if this is made necessary by the content of foreign law or if there are other special reasons.
- (b) An agreement under (a) shall be made in writing and be compatible with the principle of neutrality under B.4.2.1.

4 LANGUAGE VERSIONS

- (a) The Rules and Regulations are available in Swedish and English.
- (b) The Swedish version has priority over the English.

B General conditions

1 DEFINITIONS AND ABBREVIATIONS

| | |
|--|---|
| Accession Agreement | the accession agreement, mainly in the form of Annex 5, an Institution has signed with the Riksbank, specifying the respects in which the Institution is the Riksbank's Counterparty |
| Banking Days | every day except Saturday, Sunday, Epiphany, Good Friday, Easter Monday, 1 May, Ascension Day, Sweden's National Day (6 June), Midsummer Eve, Christmas Eve, Christmas Day, Boxing Day, New Year's Eve and New Year's Day (all according to the Swedish calendar) |
| Bilateral link | A TARGET payment process which concerns payments to or from a central bank's RTGS system (connected central bank) which has been connected to TARGET through another central bank (service providing central bank). |
| Clearing Organisation | companies permitted to conduct clearing operations |
| Counterparty | RIX Participant, Monetary Policy Counterparty or Counterparty in Foreign Exchange Transactions |
| Counterparty in Foreign Exchange Transactions | Counterparty in accordance with D.1.3 (c), also known as Primary Dealer |
| Credit | Intra-day Credit, transaction in accordance with D.1.2.2 or credit under the Standing Facilities in accordance with D.2 |
| Credit Institution | Institution that corresponds to the definition in Article 1.1 of Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions |
| Deposit | a transaction in accordance with D.1.2.6 or a deposit under the Standing Facilities in accordance with D.2 |

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| Domestic Payments | payments between RIX Participants that are settled by debiting the RIX Account of one RIX Participant and crediting the RIX Account of the other RIX Participant |
| Domestic Euro Payments | payments in euro between RIX Participants that are settled by debiting the E-RIX Account of one RIX Participant and crediting the E-RIX Account of the other RIX Participant |
| ECB | the European Central Bank |
| EEA | the European Economic Area |
| EMU | the Economic and Monetary Union |
| Equivalent Securities | in respect of each separate Repo, securities that are equivalent to Purchased Securities in that they are of the same issuer, are a part of the same issue (regardless of the issue date) and are identical in type and conditions. Necessary modifications in the case of securities that have undergone redenomination, conversion or a similar process are decided by the Riksbank |
| E-RIX | the part of RIX that is used for the settlement of payments in euro |
| E-RIX Account | RIX Account intended for Payments in euro |
| ESCB | the European System of Central Banks (the ECB and the national central banks in the EU) |
| EU | the European Union |
| Fine-tuning Operations | transactions specifically aimed at stabilising the overnight interest rate and smoothing fluctuations in the financial system's overnight borrowing or deposit requirement with the Riksbank |
| Foreign Exchange Swap | a transaction in accordance with D.1.2.5 |
| Foreign Exchange Transaction | a transaction in accordance with D.1.2.5 or D.4 |
| Institution | a company or organisation engaging in financial operations |
| Intra-day Credit | credit during the day for the settlement of payments |

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| Investment Firm | an Institution corresponding to the definition in section 1 of Article 1.2 of the Council directive 93/22/EEC of 10 May 1993 on investment services in the securities field |
| Issue | issue of Riksbank Debt Certificates |
| K-RIX | the part of RIX that is used for Payments in Swedish kronor |
| K-RIX Account | RIX Account intended for Payments in Swedish kronor |
| Main Operations | transactions aimed at steering interest rates and managing the financial system's borrowing or deposit requirement with the Riksbank; normally performed once a week, as a rule with a maturity of one week. The duration may be shorter or longer than one week if necessary, for example on account of public holidays |
| Market Value at Exclusion or Suspension | the market value of a security, in accordance with E.2.2.1, at the, in accordance with E.2.3.5, applicable valuation date for exclusion or suspension or, if the security has been sold by the Riksbank before that date, the selling price less reasonable costs |
| Monetary Policy Counterparty | Institution that, according to an Accession Agreement, has access to the Standing Facilities or is accepted as a Counterparty in accordance with D.1.3 (a) |
| Monetary Policy Instrument | Open Market Operations and Standing Facilities |
| Monetary Policy Operational Framework | arrangements between the Riksbank and Monetary Policy Counterparties or Counterparties in Foreign Exchange Transactions that are based on these Rules and Regulations |
| New Purchased Securities | securities which substitutes Purchased Securities according to E.2.3.4 |
| Online Communication | terminal connection from RIX Participants to RIX |
| Open Market Operations | Main Operations, Fine-tuning Operations and Structural Operations |

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|---|--|
| Outright Purchase or Sale | a transaction in accordance with D.1.2.3 |
| Payments | settlement of payment commitments |
| Price Differential | in respect of each separate Repo, the difference between the Repurchase Price and the Purchase Price, calculated on an actual/360 days basis at the current Repo Rate for the period commencing on the Purchase Date and ending on the date of calculation or, if earlier, the Repurchase Date |
| Primary Monetary Policy Counterparty | Institution that, according to an Accession Agreement, is accepted as a Counterparty in accordance with D.1.3 (b) |
| Purchase Date | in respect of each separate Repo, the date (and, where appropriate, the time on that date) when the sale of the Purchased Securities by the seller to the buyer is to be settled |
| Purchased Securities | in respect of each separate Repo, securities that the seller has sold or shall sell to the buyer, including any New Purchased Securities that have been delivered to the buyer in that Repo |
| Purchase Price | in respect of each separate Repo, the cash amount at which Purchased Securities are sold or are to be sold by the seller to the buyer on the Purchase Date |
| Repo Rate | the yearly interest rate the Riksbank decides from time to time for Main Operations |
| Repos | transactions in accordance with D.1.2.1 |
| Repurchase Date | in respect of each separate Repo, the date (and, where appropriate, the time on that date) when the sale of Equivalent Securities by the buyer to the seller is to be settled |
| Repurchase Price | in respect of each separate Repo, the sum of the Purchase Price and the Price Differential |
| Riksbank | Sveriges Riksbank, i.e. Sweden's central bank |
| Riksbank Debt Certificate | negotiable promissory note in accordance with D.1.2.4 |

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|------------------------------|---|
| RIX | the Riksbank's system for the settlement of payments |
| RIX Account | E-RIX Accounts and K-RIX Accounts |
| RIX Participant | Institution with which the Riksbank has a current Accession Agreement for RIX The Riksbank itself can also act as a RIX Participant and thus send and receive payments in RIX. |
| Rules and Regulations | these Rules and Regulations for the settlement of payments in RIX and for monetary policy instruments together with annexes 1- 8 |
| Standing Facilities | the lending and deposit facilities the Riksbank provides for monetary policy purposes, to be used by the competent institutions at their initiative in accordance with the conditions and terms in D.2 |
| Structural Operations | transactions aimed at meeting the financial sector's borrowing or deposit requirement in the longer term and affecting the Riksbank's structural position vis-à-vis the financial sector |
| Swap Point | the difference between the forward and the spot rates in a Foreign Exchange Swap |
| SWIFT | Society for Worldwide Interbank Financial Telecommunication s.c. |
| SWIFT FinCopy Service | the message handling service provided by SWIFT for the special checking of certain communications (FIN messages) that are sent via the SWIFT network |
| SWIFT System | the system for the transfer of payment orders that SWIFT provides by agreement, e.g. with the Riksbank |
| TARGET | Trans European Automated Real-time Gross settlement Express Transfer system: a system for the settlement of large cross-border euro payments in the EU, linking together for this purpose the ECB and the national central banks' systems |
| TARGET payments | payments through TARGET that are settled in RIX |

VPC

VPC Aktiebolag (organisation number 556112-8074), the Swedish Securities Register Centre

2 GENERAL ASPECTS OF RIGHTS AND OBLIGATIONS UNDER THE RULES AND REGULATIONS

- (a) An Institution that fulfils the relevant access criteria in accordance with B.3 becomes, after application and consideration in accordance with B.4, a Counterparty and will be bound by the Rules and Regulations in those parts to which the application refers by signing the Accession Agreement with the Riksbank, and has the rights and obligations in relation to the Riksbank that are set out in the relevant parts of the Rules and Regulations.
- (b) By signing the Accession Agreement an Institution becomes a RIX Participant and/or a Monetary Policy Counterparty, in accordance with what is stated in the Accession Agreement with the Counterparty.
- (c) A RIX Participant can join both K-RIX and E-RIX or either one of these systems in accordance with what is stated in the Accession Agreement with the RIX Participant.
- (d) A Counterparty can be a Monetary Policy Counterparty for all the Monetary Policy Instruments or for some of them, as prescribed in more detail in these General Conditions (B) and Conditions for Monetary Policy Instruments (D).

3 ACCESS CRITERIA

3.1 Categories of Counterparties

3.1.1 RIX Participant

- (a) The following Institutions can be RIX Participants:
 - (i) Credit Institutions,
 - (ii) Investment Firms, provided the firm is permitted to trade in financial instruments on behalf of others in its own name or on its own account, or provide guarantees in connection with issues of securities,
 - (iii) Clearing Organisations, and
 - (iv) Treasury departments and public sector bodies in the EU that are responsible for a State's payments and cash management.

3.1.2 Monetary Policy Counterparty

Only Credit Institutions are acceptable as Monetary Policy Counterparties. For Outright Purchase or Sale, however, the Riksbank may also turn to institutional categories other than Credit Institutions (cf. D.1.3 (d)).

3.2 Qualifications

3.2.1 General requirements

After application in accordance with B.4., the following prerequisites shall be met to be accepted as a Counterparty:

- (a) The Institution shall have adequate financial stability and capital.
- (b) Credit Institutions, Investment Firms and Clearing Organisations shall be subject to adequate supervision by an authority or other competent body in its country of domicile (home country).
- (c) The Institution shall have an appropriate organisation, necessary systems and routines for risk management, secure technical systems and be suitable in other respects as a RIX Participant, Monetary Policy Counterparty and/or Counterparty in Foreign Exchange Transactions.
- (d) The Institution shall have valid legal status and the capacity to assume with binding effect the rights and obligations ensuing from the Rules and Regulations.
- (e) The Rules and Regulations shall be valid according to the law of and enforceable in, the Institution's country of domicile.

3.2.2 Special requirements for RIX Participants

- (a) To be accepted as an E-RIX Participant, an Institution must have its domicile or a branch in the EEA. There is no corresponding requirement for participation in K-RIX.
- (b) To be accepted as a RIX Participant, besides complying with B.3.2.1, an Institution shall fulfil the requirements under C.1.2.2.

3.2.3 Special requirements for Monetary Policy Counterparties and Counterparties in Foreign Exchange Transactions

An Institution, besides complying with B.3.2.1, shall fulfil the additional requirements set out in

- (i) D.1.3 for the Institution to be accepted as a Monetary Policy Counterparty and/or Counterparty in Foreign Exchange Transactions for certain Open Market Operations, and
- (ii) D.2.1 for the Institution to have access to the Standing Facilities.

3.2.4 Maintenance of qualifications

The requirements laid down in the Rules and Regulations for an Institution to be accepted as a Counterparty shall be fulfilled for as long as the Institution is a Counterparty.

4 APPLICATION TO BECOME A COUNTERPARTY

4.1 General aspects

- (a) An Institution that desires to be a RIX Participant or a Monetary Policy Counterparty in respect of *Open Market Operations*, Primary Monetary Policy Counterparty or Counterparty in Foreign Exchange Transactions shall submit an application to the Riksbank, except in the cases provided for under (c).
- (b) An application pursuant to (a) shall be drawn up and contain information in accordance with more detailed instructions obtainable from the Riksbank.
- (c) No application to be a Monetary Policy Counterparty is required for
 - (i) Open Market Operations in the form of *Outright Purchase or Sale* (cf. D.1.3 (d)), and
 - (ii) the *Standing Facilities* because access to them is provided automatically for Authorised Institutions in accordance with D.2.1.

4.2 Examination of applications

4.2.1 Principles for the examination

In its examination of an application under 4.1 the Riksbank shall apply the principles of:

- (i) *free access*, which means that any party that fulfils the requirements for Counterparties according to the Rules and Regulations shall be accepted as a Counterparty, and
- (ii) *neutrality*, which means that the Rules and Regulations shall be applied uniformly to all Institutions.

4.2.2 Investigation in connection with the examination

- (a) The Riksbank has the right (in addition to what follows from B.5) at the applicant Institution's expense to undertake or request any investigations the Riksbank finds necessary for its assessment of whether the applicant meets the requirements according to the Rules and Regulations.
- (b) Without restricting the Institution's obligations under (a), at the Riksbank's request an Institution shall:
 - (i) submit a legal opinion regarding the Institution's legal status and capacity to assume with binding effect the rights and obligations ensuing from the Rules and Regulations, and
 - (ii) if the Institution is domiciled abroad, submit a legal opinion regarding such rules of law in the Institution's home country as are significant for the validity, applicability and enforcement of the Rules and Regulations in that country, unless indicated otherwise under (d).

- (c) The legal opinions under (b) shall be arranged and drawn up in accordance with instructions provided by the Riksbank.
- (d) A request for legal opinions under (b) will not be made if the Riksbank already has access to a corresponding analysis and does not require updated information.

4.2.3 Other aspects

The examination procedure is described in more detail in the Riksbank's instructions for Counterparty applications.

5 DUTY TO PROVIDE INFORMATION

- (a) In addition to what follows from (c) and B.4.2.2, at the Riksbank's request a Counterparty shall provide the Riksbank with such information about the Counterparty's operations as the Riksbank considers necessary for ensuring that the qualifications required under B.3.2 are complied with and for a proper application of the Rules and Regulations.
- (b) In addition to what follows from (a), (c) and B.4.2.2, a Counterparty shall voluntarily inform the Riksbank of operational changes that might be significant either for checking the qualifications required under B.3.2 or for the functioning of RIX or of the Monetary Policy Operational Framework.
- (c) Additional provisions concerning information are contained in Conditions for Payment Settlement in RIX (C) and in Conditions for Monetary Policy Instruments (D).

6 CREDIT AND CREDIT LINE

- (a) The Riksbank can grant credit within the frameworks for RIX (Intra-day Credit) and the Monetary Policy Operational Framework (as an Open Market Operation or under the Standing Facilities).
- (b) Credit can be granted in euro as well as in Swedish kronor within the framework for RIX but only in Swedish kronor within the framework for the Monetary Policy Operational Framework.
- (c) The credit line for a Counterparty is determined – except in the case of government agencies – in relation to the value of the assets the Counterparty has pledged as collateral, in accordance with the methods for valuation and risk management that are specified in Conditions for Collateral etc. (E). For credit in the form of an Open Market Operation (D.1.2.2), the credit line corresponds to the allocated amount.
- (d) When a Counterparty pledges an asset as collateral for Intra-day Credit or for credit under the Standing Facilities, the Counterparty's credit line is extended once the Riksbank has received a valid right of pledge in the asset or, where applicable, once the Riksbank has been informed that pledging is completed. The equivalent applies even when a credit is collateralised in another way than by pledging.
- (e) The assets a Counterparty has provided as collateral in accordance with Conditions for Collateral etc. (E) or under a separate agreement constitute collateral for Credit in both RIX and the Monetary Policy Operational Framework.

- (f) If a Counterparty has been granted Credit in Swedish kronor as well as in euro, pledged collateral can be used for commitments in both currencies.
- (g) An asset that a Counterparty has pledged as collateral serves as collateral for all Credit granted to the Counterparty.
- (h) Notwithstanding (g), a Counterparty's credit lines for Credit in Swedish kronor and euro, respectively, are determined on the basis of the value of the assets that are primarily pledged as collateral for each currency.
- (i) Notwithstanding (g), a security shall be utilised as collateral in the first place for Credit in the currency for which the security has primarily been pledged. A security primarily pledged as collateral for Credit in a specified currency shall be utilised as collateral for Credit in another currency only when the Riksbank has found that the collateral primarily pledged for Credit in the latter currency is inadequate.
- (j) Further provisions for Credit and collateral are contained in Conditions for Payment Settlement in RIX (C), Conditions for Monetary Policy Instruments (D) and Conditions for Collateral etc. (E).

7 NOTICE OF TERMINATION

7.1 The right of Counterparties to give notice

- (a) A Counterparty is entitled to give notice to withdraw from RIX or the Monetary Policy Operational Framework.
- (b) The Counterparty's participation in the respective system ceases one month after the end of the month in which the Riksbank receives the notice, or at a later date if so stated in the notice.
- (c) Notice in accordance with (a) shall be given in writing.

7.2 The right of the Riksbank to give notice

- (a) The Riksbank is entitled (in addition to the provisions in B.8) to give notice simultaneously to terminate the participation of *all* Counterparties in RIX or the Monetary Policy Operational Framework.
- (b) The Riksbank is not entitled to give notice to terminate the participation of a *single* Counterparty in RIX or the Monetary Policy Operational Framework except by means of exclusion in accordance with B.8.
- (c) In the event of notice in accordance with (a), Counterparty participation in RIX and the Monetary Policy Operational Framework ceases in the respects covered by the notice one month after the end of the month in which the Riksbank sent the notice, or at the later date specified by the Riksbank in the notice.
- (d) Notice in accordance with (a) shall be given in writing.

7.3 Partial or total notice

Notice to terminate can relate to RIX and the Monetary Policy Operational Framework as a whole or to only either K-RIX, E-RIX or the Monetary Policy Operational Framework or to some part or combination of these.

8 EXCLUSION AND OTHER SANCTIONS

8.1 Prerequisites for exclusion

- (a) The Riksbank can exclude a RIX Participant from RIX or a Monetary Policy Counterparty from the Monetary Policy Operational Framework if the Participant or Counterparty:
 - (i) no longer meets the conditions for being a RIX Participant or a Monetary Policy Counterparty according to B.3,
 - (ii) breaches any provision in the Rules and Regulations,
 - (iii) is declared bankrupt, applies for bankruptcy, suspends payments, is the object of a composition, a company reconstruction or other similar procedure, or, according to the reasonable view of the Riksbank, can be assumed for other reasons to be insolvent or have an uncertain financial position,
 - (iv) enters liquidation,
 - (v) is subject to an intervention pursuant to Chapter 7, sections 15–20, of the Banking Business Act (1987:617) or another comparable measure from the supervisory authority or an equivalent body, or
 - (vi) for other reasons, according to the reasonable view of the Riksbank, no longer meets the requirements for a RIX Participant or a Monetary Policy Counterparty.
- (b) Furthermore, the Riksbank can exclude a RIX Participant from RIX if the Participant:
 - (i) one year after signing the Accession Agreement has not commenced the settlement of payments in RIX,
 - (ii) during a continuous period of six months has not settled payments in RIX, or
 - (iii) fails at the proper time to pay fees that the RIX Participant is bound to pay according to the Rules and Regulations.

8.2 Explanation and rectification

- (a) The Riksbank shall, when considering the exclusion of a Counterparty, give the Counterparty an opportunity of providing an explanation and undertaking rectification within a certain time.
- (b) The Riksbank need not inform a Counterparty in accordance with (a) in advance of an exclusion if the Riksbank considers this is clearly unnecessary or that there are special reasons.

8.3 Suspension

The Riksbank has the right immediately to suspend a RIX Participant from the RIX system or a Monetary Policy Counterparty from the Monetary Policy Operational Framework pending the final decision on the matter of exclusion in accordance with B.8.1 if the Riksbank finds reasonable cause to assume that grounds for exclusion exist pursuant to that provision.

8.4 Withdrawal of the right to receive credit in E-RIX

The Riksbank can, instead of excluding a RIX Participant from RIX due to circumstances specified in B.8.1, withdraw the RIX Participant's right to receive credit for Payments in E-RIX with or without a time limit.

8.5 Partial or total exclusion or suspension

Exclusion or suspension can refer to RIX and the Monetary Policy Operational Framework as a whole or to only either K-RIX, E-RIX or the Monetary Policy Operational Framework or to some part or combination of these.

8.6 Enforcement of sanctions

- (a) If the Riksbank decides on exclusion, suspension or withdrawal of the right to Credit, the Riksbank shall state when the decision comes into force.
- (b) The Riksbank may decide that a decision on exclusion, suspension or withdrawal of the right to Credit shall have immediate effect.

8.7 Settlement of open positions

- (a) A Counterparty that is excluded or suspended from RIX or the Monetary Policy Operational Framework shall immediately settle utilised Credit.
- (b) The obligation under (a) does not apply if it is incompatible with applicable bankruptcy legislation or other binding regulations.
- (c) If the Institution is both a K-RIX or E-RIX Participant and a Monetary Policy Counterparty and an exclusion or suspension refers to only one of these capacities, (a) and (b) shall be applied only in respect of the system to which the intervention refers.
- (d) A RIX Participant shall settle credit utilised for Payments in E-RIX immediately if the Riksbank has withdrawn the right to credit in accordance with B.8.4 or C.3.6.1.
- (e) Further provisions for the final settlement of business between the Riksbank and the Counterparty are contained in B.9.

9 LEGAL SITUATION AFTER NOTICE TO TERMINATE OR EXCLUSION

- (a) The Accession Agreement – and thereby an Institution's role as RIX Participant or Monetary Policy Counterparty – ceases to apply through notice to terminate or exclusion in accordance with the provisions in the Rules and Regulations unless otherwise provided for in (b) and (c).

- (b) If notice to terminate or exclusion refers to only one or a part of the systems (K-RIX, E-RIX or the Monetary Policy Operational Framework), then the Accession Agreement and the Rules and Regulations apply in other respects even after the notice or exclusion.
- (c) Repos and other commitments occasioned by the Rules and Regulations and the provisions contained therein shall continue to apply where applicable between the Counterparty and the Riksbank until all their relations and transactions in connection with K-RIX, E-RIX or the Monetary Policy Operational Framework have been finally settled.

10 LIABILITY AND RIGHT TO COMPENSATION

10.1 General aspects

- (a) The Rules and Regulations contain two alternative systems for compensation:
 - (i) a conventional liability-based system of compensation under Swedish law, applicable to K-RIX, E-RIX and the Monetary Policy Operational Framework, and
 - (ii) a special compensation scheme for TARGET Payments, applicable only to E-RIX.
- (b) (i) The conventional compensation system under (a)(i) is based on a standard of care and is regulated in B.10.2.
- (ii) The compensation scheme under (a)(ii) applies regardless of negligence and is regulated in C.5 and Annex 1.
- (c) A Counterparty that has received compensation for a malfunctioning in accordance with the special compensation scheme under (a)(ii) has no right to compensation for the same malfunctioning through an application of B.10.2.

10.2 Limitation of liability

- (a) Neither the Riksbank nor a Counterparty is liable for damage that has arisen if the Riksbank or the Counterparty, respectively, has exercised normal care.
- (b) Neither the Riksbank nor a Counterparty is liable for damage occasioned by Swedish or foreign law or statutory provision, the act of a Swedish or foreign authority, acts of war, electric power cuts, telephone breakdown, fire, water damage, strikes, blockades, lockouts, boycotts, or other similar circumstance outside the party's control, the consequences of which the party could not reasonably have avoided or overcome. The proviso relating to strikes, blockades, lockouts or boycotts also applies if the party itself is the object of or undertakes such an act of conflict.
- (c) If there are obstacles to the Riksbank or a Counterparty undertaking an action according to the Rules and Regulations due to a circumstance according to (b), the action may be postponed until it has become feasible in practice.
- (d) The Riksbank is not liable for:
 - (i) damage occasioned by disruptions in the SWIFT System or in a Counterparty's connection to SWIFT,

- (ii) damage occasioned by disruptions in on-line communication or in a Counterparty's connection with this, or
 - (iii) the correctness of underlying payment obligations when payment orders in RIX are sent from a party other than the Riksbank.
- (e) The Riksbank or a Counterparty are not liable for loss of profit or other consequential damage.

11 NOTICES

Notices and other communications (confirmations included) in connection with these Rules and Regulations shall, unless otherwise indicated in the Rules and Regulations, primarily be sent by the SWIFT System and otherwise by facsimile, mail or in another way agreed between the Riksbank and the Counterparty. Such notice shall be effective when received by the recipient.

12 ASSIGNABILITY

A Counterparty may not assign or otherwise deal with rights or obligations under the Accession Agreement or these Rules and Regulations.

13 GOVERNING LAW AND DISPUTE RESOLUTION

- (a) The Rules and Regulations shall be governed by and construed in accordance with Swedish law.
- (b) Disputes relating to these Rules and Regulations shall be finally settled by arbitration in accordance with the Rules of the Arbitration Institute of the Stockholm Chamber of Commerce.
- (c) A dispute shall be settled by a single arbitrator if the value of the disputed object when the dispute is submitted to arbitration evidently does not exceed ten (10) price base amounts as defined in the Public Insurance Act (1962:381).

14 ENTRY INTO FORCE OF THE RULES AND REGULATIONS

- (a) These Rules and Regulations ("New Rules and Regulations") replace Rules and Regulations for settlement of payments in RIX (latest version 1 July 2003) ("Old Rules and Regulations").
- (b) The Riksbank applies the New Rules and Regulations as of 17 November 2003 ("The Changeover Date") for Institutions that have then signed the Accession Agreement.
- (c) The following transitional provisions apply to Institutions referred to in (b):
 - (i) For Institutions that become RIX Participants under the New Rules and Regulations, any accession agreements, agreements on credit and deposits and pledge agreements connected with the Old Rules and Regulations for settlement of payments in RIX cease to apply as of the Changeover Date.

- (ii) Notwithstanding (c)(i), specially constructed pledge agreements relating to the pledging of securities that are registered abroad or of assets other than securities shall remain in force after the Changeover Date.
- (iii) For Institutions that become Monetary Policy Counterparties under the New Rules and Regulations, any primary dealer agreements for the money and bond market cease to apply as of the Changeover Date.
- (iv) The provisions in B.4 relating to application procedure shall not apply to Institutions that:
 - (1) are already RIX Participants under the Old Rules and Regulations and that not later than the Changeover Date inform the Riksbank that the Institution wishes to be a RIX Participant under the new Rules and Regulations,
 - (2) have signed a primary dealer agreement for the money and bond market and not later than the Changeover Date inform the Riksbank that the Institution wishes to be a Monetary Policy Counterparty under the New Rules and Regulations, or
 - (3) have signed a primary dealer agreement for the foreign exchange market and not later than the Changeover Date inform the Riksbank that the Institution wishes to be a Monetary Policy Counterparty for Foreign Exchange Swaps under the New Rules and Regulations.

C Conditions for the settlement of payments in RIX

1 OPERATION OF RIX

1.1 RIX Accounts

1.1.1 Participant accounts

- (a) The Riksbank provides two types of RIX Account for RIX Participants. One type (K-RIX Account) shall be used for Payments in Swedish kronor. The other type (E-RIX Account) shall be used for Payments in euro.
- (b) A RIX Participant is not required to hold both a K-RIX Account and an E-RIX Account.
- (c) A RIX Participant has the right to send payments and the obligation to receive payments via its RIX Accounts.
- (d) A RIX Participant has the right to earmark an amount on its RIX Account for certain types of payment that the Riksbank has approved.
- (e) The RIX Participant need not have coverage on its RIX Account for an earmarking in accordance with (d) when the earmarking is made.
- (f) At the settlement of a payment for which an amount has been earmarked in accordance with (d), the earmarked amount is reduced to the same extent.
- (g) An earmarking in accordance with (d) can be revoked by the RIX Participant.
- (h) A Clearing Organisation or an Investment Firm may use its RIX Account only to make Payments arising from its clearing operations and securities business, respectively.

1.1.2 Central bank accounts

- (a) The Riksbank, in its capacity as a TARGET participant, has opened E-RIX Accounts for the ECB and each of the central banks in the EU.
- (b) The accounts referred to under (a) are destined for TARGET Payments.

1.1.3 RIX Participants without an account

A RIX Participant that only makes agency payments in accordance with C.2.6 is not required to hold a RIX Account.

1.2 Communication and technical connections

1.2.1 General aspects

- (a) Communication between RIX Participants and the Riksbank shall take place via SWIFT communication or via another system that can replace SWIFT communication in RIX.
- (b) In addition to the communication referred to under (a), the Riksbank supplies Online Communication to be used in the event of disruptions or breakdowns in the SWIFT communication or in the RIX Participant's system, as well as for information purposes to RIX Participants that so wish. The Riksbank's Online Communication may be used also for revocation of payment orders.

1.2.2 SWIFT communication

- (a) A RIX Participant shall have the technical equipment that participation in RIX requires and be connected to SWIFT or to another system for payment information that can come to be used in RIX.
- (b) A RIX Participant shall keep the Riksbank continuously informed about the Participant's technical equipment.
- (c) For the purpose referred to under (b) the RIX Participant shall provide the Riksbank with a technical description containing information about:
 - (i) computers and operational systems, as well as types of technical connection and communication equipment,
 - (ii) technical equipment and software, specifying program version and suppliers of technical equipment and software,
 - (iii) back-up systems in the event of operational or communication breakdowns, and
 - (iv) other circumstances the Riksbank considers to be of importance for the operation of RIX.
- (d) The Riksbank's technology for handling messages is based on the SWIFT message format, the SWIFT network and uses SWIFT FinCopy Service as support for Payments.

1.2.3 Online Communication

- (a) The Riksbank may lease modems, encrypting equipment and a computer line to a RIX Participant in accordance with a written specification for Online Communication supplied by the Riksbank; other equipment required for Online Communication shall be acquired by the RIX Participant.
- (b) The RIX Participant shall take good care of the equipment provided by the Riksbank under (a).
- (c) Compensation for leasing in accordance with (a) is included in the fixed fee for participation in RIX.

- (d) A RIX Participant that is not located in Stockholm shall compensate the Riksbank for the costs for transferring communications over and above what is stipulated in (c).

1.2.4 Back-up and security

- (a) The Riksbank's facilities for operation of RIX shall be located at geographically separate operating sites.
- (b) Communications to the facilities shall be duplicated and the operation of the facilities shall be monitored on a 24-hour basis. The Riksbank shall apply disk mirroring so that all production data are updated at the same time.
- (c) In the event of an operational breakdown, a transfer to RIX back-up within two hours after the decision shall be feasible.

1.3 Operational disruptions

- (a) A RIX Participant shall inform the Riksbank if the Participant is aware of circumstances that can disrupt the flow of Payments in RIX.
- (b) The Riksbank shall inform the RIX Participants if it is aware of circumstances referred to under (a).
- (c) If operational or communication disruptions at a RIX Participant prevent the Participant from sending a payment order or receiving information about a payment, contingency routines can be applied whereby reporting takes place through the Riksbank's Online Communication according to a special menu or the Participant uses contingency equipment at the Riksbank's premises.
- (d) In the event of an operational or communication disruption, in order to use the contingency routines a RIX Participant shall submit a request to do so.
- (e) In a request in accordance with (d) the RIX Participant shall state whether it is a sender or a recipient of the payments affected by the disruption and, where relevant, which net settlements are affected.
- (f) The RIX Participant shall submit a written report to the Riksbank, at the latest on the Banking Day after the contingency routine started to function, concerning the causes of the disruption, the steps that have been taken to rectify the fault and the preventive measures that have been taken.
- (g) In the event of an operational breakdown of RIX, in certain cases the Riksbank can send a very limited number of Payments on behalf of the RIX Participants by means of alternative modes of communication. It is up to the Riksbank to decide which Payments can be sent with this reserve procedure.

1.4 Time of operation

1.4.1 RIX' time of operation

- (a) For Payments in euro (E-RIX), RIX shall be open every day except Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, 1 May (Labour Day), Christmas Day and 26

December (Boxing Day). The daily hours of business and other important hours are specified in the time schedule for E-RIX in Annex 2.

- (b) For Payments in Swedish kronor (K-RIX), RIX shall be open every Banking Day. The daily hours of business and other important hours are specified in the time schedule for K-RIX in Annex 3.
- (c) The daily hours of business can be changed temporarily by the Riksbank. In such cases the Riksbank shall inform the RIX Participants in the way the Riksbank finds appropriate.

1.4.2 RIX Participants' business hours with RIX

- (a) A RIX Participant shall keep its connections with RIX open and staff them adequately during the hours when RIX is open, except as follows otherwise from (b) or (c).
- (b) The Riksbank may consent to a RIX Participant being closed on a day when RIX is open if there are particular reasons. An application for this shall be submitted to the Riksbank at the latest 30 days prior to the day in question.
- (c) On request, the Riksbank may consent to a RIX Participant restricting its daily hours of business. However, a RIX Participant cannot be entitled to open later than 8 a.m. or to close before 5 p.m.

1.4.3 Payments when RIX is closed

- (a) When the system is closed, the Riksbank may debit and credit RIX Participants' accounts, e.g. enter interest or make corrections.
- (b) Incoming payments through TARGET can be credited to the E-RIX Account of the recipients after closing time. For Domestic Payments the equivalent does not apply.

1.5 Special solutions

The Riksbank can agree with a Clearing Organisation that the settlement of payments for special purposes shall be arranged differently from the way described in C.2. The conditions for such a special solution – as regards the relationship between the Riksbank and the RIX Participants – are stated separately in an annex.

2 SETTLEMENT ETC.

2.1 Reporting and control

2.1.1 Domestic Payments and outgoing TARGET Payments

- (a) A RIX Participant shall send payment orders to the Riksbank via SWIFT FinCopy in accordance with the current SWIFT standard for Domestic Payments and outgoing TARGET Payments unless the RIX Participant and the Riksbank have agreed on another method of transfer.
- (b) When a payment order has been received, the Riksbank shall check:

- (i) that the advice agrees with the requirements under (a),
 - (ii) that the value date for the Payment is the same as the reporting date, and
 - (iii) where relevant, that the recipient central bank is open for payments through TARGET.
- (c) The Riksbank may reject a payment order that does not meet the requirements under (b) or has the same identity as another incoming payment order.
 - (d) The Riksbank shall inform the RIX Participant if a payment order has been rejected.
 - (e) The Riksbank is entitled to postpone the settlement of a payment if the Riksbank finds special reasons to check a payment order in some respect.

2.1.2 Incoming TARGET Payments

- (a) In the case of cross-border payments through TARGET to a RIX Participant, the Riksbank shall check the unique identifier of the payment order and make the other checks that correct settlement requires.
- (b) The Riksbank may reject a payment order if the Riksbank is aware that the advice has been sent in error or if the advice has the same identity as another incoming payment order.
- (c) The Riksbank shall notify the foreign central bank when a rejection has taken place. If the payment order has been sent via a bilateral link, the notification shall be sent to the service providing central bank.
- (d) The notification under (c) shall contain information about the payment the Riksbank has received in accordance with the payment order.
- (e) A payment according to a payment order that has been rejected under (b) shall be returned by the Riksbank to the foreign central bank. If the payment order has been sent via a bilateral link, the payment shall be returned to the service providing central bank.

2.2 Binding payment orders

- (a) A RIX Participant is invariably bound by a payment order that has been sent to the Riksbank by using the SWIFT key or, in the case of contingency routines, the codes the Riksbank has placed at the disposal of the RIX Participant.
- (b) The Riksbank is not obliged to complete the settlement of a payment if the payment order has been delivered in a way other than by the standards and routines specified in C.2.1.1(a) or C.1.3(c).
- (c) The provisions concerning payment orders in C.2.2 (a) and (b) also apply to the withdrawal of payment orders.

2.3 Settlement

When a payment order has been checked in accordance with C.2.1, settlement shall take place as follows.

2.3.1 Domestic Payments (including Domestic Euro Payments)

2.3.1.1 General aspects

- (a) Settlement of payments in Swedish kronor and Domestic Euro Payments takes place by debiting the paying RIX Participant's RIX Account and crediting the recipient RIX Participant's RIX Account, except as follows otherwise from (c) or (d).
- (b) The Riksbank shall notify the recipient of the payment when the payment has been credited.
- (c) A payment order may be placed in a special queue if the paying RIX Participant does not have coverage for the Payment because:
 - (i) there is not a sufficiently large positive balance or credit line in the RIX Participant's RIX Account, or
 - (ii) a positive balance or credit line in the RIX Participant's RIX account is partly or wholly earmarked in accordance with C.1.1.1 (d) for other types of payment than that of the payment order.
- (d) The Riksbank may reject a payment order if there is not sufficient coverage when RIX closes for the day.
- (e) The Riksbank can decide to give priority in the settlement process to one or more categories of payment the Riksbank considers to be time critical. The Riksbank communicates such a decision in due course.

2.3.1.2 Special conditions for settlement of payments included in net settlement

For payment orders that are included in a net settlement administered by a Clearing Organisation, the provisions in (a) or (b) below apply in relation to RIX Participants that have specifically notified their participation in such a specified net settlement procedure.

- (a) The provisions in (i) to (iii) below apply instead of C.2.3.1.1 for payment orders in Swedish kronor.
 - (i) Payments reported to or from the clearing organisation with reference to the net settlement are placed in a separate queue for each settlement round.
 - (ii) Settlement of the payments in a settlement round is carried out at a set time agreed between the clearing organisation and The Riksbank and when the clearing organisation has sent a confirmation to the Riksbank in the form of an online notification.
 - (iii) Settlement of payments in a settlement round can only take place if:
 - (a) there is sufficient coverage in all the paying RIX Participants' RIX Accounts, and

- (b) the total amount for all payments into the RIX Account of the clearing organisation agrees with the total amount of all payments from this account.
- (b) Payment orders in euro that are included in a net settlement are subject to general provisions in C.2.3.1.1; however, settlement in RIX does not take place until payment orders for the clearing participants that are net recipients have been sent by the clearing organisation to the Riksbank.

2.3.2 TARGET Payments

2.3.2.1 Outgoing TARGET Payments

- (a) Settlement of TARGET Payments *from* a RIX Participant takes place by debiting the E-RIX Account of the Participant and crediting the E-RIX Account of the recipient (or intermediary) foreign central bank, except as follows otherwise from (c) or (d).
- (b) When crediting has taken place, the Riksbank shall send a payment order to the foreign central bank for verification and settlement in that central bank's system.
- (c) The payment order may be placed in a separate queue if:
 - (i) The RIX Participant does not have coverage for the Payment in the form of a sufficiently large positive balance or credit line in its E-RIX Account, or
 - (ii) a payment order is received after 5 p.m. and the RIX Participant does not have a sufficiently large positive balance in its E-RIX Account.
- (d) The payment order may be rejected if there is not coverage in the RIX Participant's E-RIX Account when RIX closes for the day.
- (e) If the recipient central bank (or in the case of a payment made through a bilateral link, the service providing central bank) has returned a payment to the Riksbank because of an error in the payment order, the Riksbank shall annul the payment by crediting the E-RIX Account of the RIX Participant.
- (f) The Riksbank shall notify the RIX Participant of an annulment in accordance with (e).
- (g) The Riksbank can decide to give priority in the settlement process to one or more categories of payment the Riksbank considers to be time critical. The Riksbank communicates such a decision in due course.
- (h) A positive acknowledgement issued by a service providing central bank in relation to cross-border payments to participants in a connected central bank's RTGS system certifies the crediting of the connected central bank's account with the service providing central bank but does not certify the crediting of the receiving participant's account with the connected central bank.

2.3.2.2 Incoming TARGET Payments

- (a) Settlement of TARGET Payments *to* a RIX Participant takes place by debiting the E-RIX Account of the paying (or intermediary) foreign central bank and crediting the E-RIX Account of the RIX Participant.

- (b) The Riksbank shall send confirmation of the Payment to the foreign central bank.

2.4 Irrevocability and finality

- (a) A payment order in accordance with C.2.3.1 (Domestic Payments) or C.2.3.2.1 (outgoing TARGET Payments) cannot be revoked once the RIX Account of the paying RIX Participant has been debited in accordance with the payment order.
- (b) A rejection of a payment order and a repayment in accordance with C.2.1.2 (incoming TARGET Payments) cannot be made once the E-RIX Account of the RIX Participant has been credited in accordance with C.2.3.2.2.
- (c) At the application of the Act on system for settling commitments in the financial market (SFS 1999:1309, *Lagen om system för avveckling av förpliktelser på finansmarknaden*), a payment order is considered entered into RIX when the order has been checked according to C.2.1 and settlement shall take place according to C.2.3.

2.5 Special solutions

The Riksbank can agree with a Clearing Organisation that the settlement of payments for special purposes shall be arranged differently from the way described in C.2. The conditions for such a special solution – as regards the relationship between the Riksbank and the RIX Participants – are stated separately in an annex.

2.6 Agency payments

- (a) A RIX Participant can send payment orders in an agent capacity on behalf of another RIX Participant (agency payment).
- (b) For an agency payment to be settled, the agent shall have entered into a separate agreement to that effect with the Riksbank and the RIX Participant on whose behalf the payment order is sent shall have issued a power of attorney for the agent that has been approved by the Riksbank.

3 INTRA-DAY CREDIT

3.1 Institutions eligible for Intra-day Credit

- (a) A K-RIX Participant can be granted Intra-day Credit for Payments in Swedish kronor.
- (b) An E-RIX Participant can be granted Intra-day Credit for euro Payments provided it is domiciled or has a branch in Sweden, except as follows otherwise from (c) or (d).
- (c) A Clearing Organisation can be granted Intra-day Credit in euro only after special approval by the ECB.
- (d) An Investment Firm can be granted Intra-day Credit in euro only if it holds an account with a central securities depository.

3.2 Access to Intra-day Credit

- (a) A RIX Participant wishing to obtain Intra-day Credit shall pledge collateral in accordance with the Conditions for Collateral etc. (E).
- (b) A Swedish government agency is not required to pledge collateral in accordance with (a) for Intra-day Credit in Swedish kronor.
- (c) The ECB can decide that a government agency which manages central government debt and is accountable for central government borrowing shall be exempted from the requirement concerning the provision of collateral for credit in euro.

3.3 Credit limits

3.3.1 Credit lines

Provisions concerning credit lines, e.g. for Intra-day Credit, are contained in B.6.

3.3.2 Special credit limits for Payments in E-RIX

- (a) The total Intra-day Credit in euro for all RIX Participants for Payments in E-RIX may not exceed 0.5 billion euro.
- (b) The Riksbank decides in a special procedure both the distribution of the supply of Intra-day Credit among the Participants in E-RIX and the allocation of costs associated with processing the credit.
- (c) A RIX Participant cannot be granted additional Intra-day Credit for Payments in E-RIX after 5 p.m. Swedish time.

3.4 Interest

Intra-day Credit does not attract interest.

3.5 Settlement of Intra-day Credit

3.5.1 Settlement of credit in K-RIX

- (a) Investment Firms, Clearing Organisations and central government agencies may not be granted overnight credit in Swedish kronor.
- (b) RIX Participants that are not eligible for credit under the Standing Facilities are obliged to settle utilised Intra-day Credit on their K-RIX Account at the latest at the system's closing time or at an earlier time the Riksbank announces in a special procedure.
- (c) Credit against collateral in foreign currency is admissible only for Intra-day Credit in Swedish kronor, in accordance with E.3.1. This means that credit with such collateral must be either settled or covered with eligible collateral other than foreign currency at the latest at the system's closing time.

3.5.2 Settlement of credit in E-RIX

- (a) Overnight credit cannot be granted in euro.
- (b) A RIX Participant is obliged to settle a debt balance on its E-RIX Account at the latest by 5.15 p.m. Swedish time or at an earlier time the Riksbank announces in a special procedure.

3.6 Failure to settle Intra-day Credit

3.6.1 Sanctions

- (a) If Intra-day Credit is not settled in accordance with C.3.5.1 or C.3.5.2, interest is payable on the deficit at a rate that
 - (i) for credit in Swedish kronor is equivalent to the Riksbank's interest rate for Credit under the Standing Facilities, in accordance with D.2.4.2 (lending rate) and
 - (ii) for credit in euro is equivalent to the ECB's marginal lending rate with a supplement of five percentage points that is increased by two-and-a-half percentage points each time such a failure is repeated during a consecutive period of twelve months.
- (b) A RIX Participant that fails to settle Intra-day Credit in Swedish kronor or euro four times in a twelve-month period shall be suspended for a week from access to credit for Payments in Swedish kronor and euro, respectively. In the event of further failure, the RIX Participant's access to credit for Payments in Swedish kronor and euro, respectively, may be withdrawn by the Riksbank until further notice.
- (c) For an unsettled credit in euro, the Riksbank shall pay an amount to the ECB that corresponds to the difference between the interest compensation according to (a)(ii) and the ESCB's deposit facility rate.
- (d) Only the ECB has the right to grant exceptions to the sanctions for euro according to (a) and (b).
- (e) (a) and (b) shall not apply to credit in euro that is unsettled because of malfunctioning referred to in C.5 (special compensation scheme for TARGET payments).

3.6.2 Interest compensation with reference to credit in E-RIX

In addition to what follows from C.3.6.1, a RIX Participant that has not settled Intra-day Credit in euro is obliged to compensate the Riksbank for the interest expenditure associated with covering the deficit that arises from the Participant not having settled the credit in time.

3.7 Termination of the right to Intra-day Credit

- (a) A RIX Participant ceases to have the right to Intra-day Credit if the RIX Participant's access to RIX has been terminated by notice or exclusion.
- (b) A RIX Participant ceases to have the right to Intra-day Credit if the RIX Participant is suspended from RIX according to B.8.3.

- (c) If exclusion, suspension or a notice to terminate refers to only one of the two systems K-RIX and E-RIX, the right to Intra-day Credit ceases only for the system in question.
- (d) In addition to the provisions in (a) to (c), the right to Intra-day Credit in euro can cease by the Riksbank withdrawing the right until further notice in accordance with B.8.4 or C.3.6.1.

3.8 Special solutions

The Riksbank can agree with a Clearing Organisation that settlement of payments and granting of intra-day credit for special purposes shall take place differently from the way described in C.2 and C.3. The conditions for such a special solution – as regards the relationship between the Riksbank and the RIX Participants – are stated separately in an annex.

4 FEES

4.1 General aspects of fees in RIX

- (a) A RIX Participant shall pay fees to the Riksbank in accordance with the price list the Riksbank applies from time to time.
- (b) Fees shall be set on the principles of cost coverage and non-discrimination and, furthermore, shall be designed to promote the use of RIX for the gross settlement of large payment commitments.
- (c) The fees are made up of a fixed and a variable portion.
- (d) The Riksbank may charge a RIX Participant separately in a special procedure for development costs in connection with accession to RIX or the development of new services, or for other costs not included in the basis for fee-setting.
- (e) The fees shall be at the disposal of the Riksbank at the time stated in the price list the Riksbank applies from time to time.

4.2 Domestic Payments

Fees for Domestic Payments are set by the Riksbank.

4.3 TARGET Payments

Fees for TARGET Payments are set by the ECB.

4.4 Notification of fee changes

- (a) A notification of changes in fees is to be sent by the Riksbank to the RIX Participants at the latest 15 days before the Riksbank begins to apply the new fees, except as follows otherwise from (b).
- (b) A notification of a change in fees may, however, be sent later than stated in (a) if:

- (i) the change in fees is occasioned by a legal act or other regulation decided by the ECB, by amended legislation or by court decisions or judgements or decisions by a public authority, or
- (ii) the Riksbank considers there are special reasons.

4.5 Withdrawal from RIX

An Institution that ceases to be a RIX Participant is not entitled to either full or partial repayment of fees paid.

5 SPECIAL COMPENSATION SCHEME FOR TARGET PAYMENTS (E-RIX)

- (a) B.10.1 states that there are two alternative systems for compensation for damage: a compensation procedure that applies to K-RIX, E-RIX and the Monetary Policy Operational Framework and a special compensation scheme for TARGET Payments, applicable only to E-RIX.
- (b) The conditions for the compensation procedure that applies to K-RIX, E-RIX and the Monetary Policy Operational Framework are contained in B.10.2.
- (c) The conditions for the special compensation scheme for TARGET Payments are contained in Annex 1.

D Conditions for Monetary Policy Instruments

1 OPEN MARKET OPERATIONS

1.1 General aspects

- (a) Open Market Operations can be carried out in the form of:
 - (i) Repos,
 - (ii) Credit against collateral,
 - (iii) Outright Purchase or Sale,
 - (iv) Issues,
 - (v) Foreign Exchange Swaps, and
 - (vi) Deposits.
- (b) The different categories of Open Market Operations can be carried out in the forms described in Annex 4.
- (c) The Riksbank has the right to choose the form of transaction to be used for a market operation if more than one form can be considered according to D.1.2 and Annex 4.
- (d) Open Market Operations invariably refer to Swedish kronor.
- (e) Unless stated otherwise, for calculating interest the Riksbank applies the day-count convention Actual/360.

1.2 Forms of transaction

1.2.1 Repos

- (a) A Repo involves one party (the seller) selling such securities as are eligible according to E.2.1 to the other party (the buyer) and simultaneously agreeing to repurchase Equivalent Securities at a specified price on a specified future date (a Repo).
- (b) Ownership of the security is transferred to the buyer in the first leg of the Repo. At the time of the repurchase the ownership of the securities returns to the seller.
- (c) All Repos entered into by a seller and a buyer in accordance with the Rules and Regulations constitutes a single business and contractual relationship between the parties.
- (c) Further conditions for Repos are contained in E.2.

- (d) Repos can be used for Main Operations, Fine-tuning Operations and Structural Operations.

1.2.2 Credit

- (a) Credit involves the Riksbank lending Swedish kronor against collateral in eligible securities.
- (b) Further conditions for Credit are contained in B.6, E.1 and E.3.
- (b) Credit can be used for Main Operations, Fine-tuning Operations and Structural Operations.

1.2.3 Outright Purchase or Sale

- (a) The Riksbank can buy or sell securities in the market in order to affect the financial system's structural borrowing or deposit requirement vis-à-vis the Riksbank.
- (b) Outright Purchase or Sale involves a transfer of ownership without the parties making a repurchase agreement.
- (c) Outright Purchase or Sale is carried out as agreed between the Riksbank and the Counterparty and in accordance with market practice for the security in question.
- (d) The circle of Counterparties that are entitled to participate in Outright Purchase or Sale is not restricted in advance (cf. D.1.3 (d)).
- (e) Outright Purchase or Sale is used only for Structural Operations.

1.2.4 Issue

- (a) The Riksbank can issue Riksbank Debt Certificates.
- (b) A Riksbank Debt Certificate is a debt obligation of the Riksbank vis-à-vis the holder of the certificate, issued and held in a book-entry form in the central securities depository in accordance with the Accounting of Financial Instruments Act (1998:1479, *Lagen om kontoföring av finansiella instrument*).
- (c) Riksbank Debt Certificates are not subject to any restrictions on public trading.
- (d) Riksbank Debt Certificates are issued at a discount, which means that the issue price is below the nominal value.
- (e) Riksbank Debt Certificates are redeemed at maturity at the nominal value.
- (f) The difference between the issue price and the nominal value of a Riksbank Debt Certificate equals the interest accrued on the issued amount.
- (g) The maturity of a Riksbank Debt Certificate shall always be less than 12 months.
- (h) Issue can be used for Main Operations and Structural Operations.

1.2.5 Foreign Exchange Swaps

- (a) The Riksbank can buy or sell Swedish kronor against another currency and at the same time sell or buy back respectively Swedish kronor forward at a specified repurchase date.
- (b) The Riksbank executes Foreign Exchange Swaps in currencies with good liquidity and in accordance with market practice.
- (c) In a Foreign Exchange Swap the Riksbank and the Monetary Policy Counterparty agree on the transaction's swap points, which shall be the difference between the spot and the forward rate.
- (d) The swap points for Swedish kronor against the foreign currency shall be calculated according to general market conventions.
- (e) Foreign Exchange Swaps can be used for Fine-tuning Operations and Structural Operations.

1.2.6 Deposits

- (a) The Riksbank can collect Deposits in order to absorb liquidity in the market.
- (b) The Riksbank gives no collateral in exchange for Deposits.
- (c) The interest on Deposits shall be paid by the Riksbank at maturity.
- (d) Deposits can be used for Fine-tuning Operations.

1.3 Counterparties in Open Market Operations

- (a) Only a Credit Institution that is a K-RIX Participant and is domiciled or has a branch in Sweden may be a Counterparty in *Main Operations* and *Structural Operations* in the form of *Repos*, *Credit* and *Issue*.
- (b) Furthermore, a Credit Institution that fulfils the requirements under (a) and has a share of the money and bond market the Riksbank considers to be sufficiently large may be a Counterparty in *Fine-tuning Operations* in the form of *Repos*, *Credit* and *Issue* (Primary Monetary Policy Counterparty).
- (c) A Credit Institution that
 - (i) fulfils the requirements in accordance with B.3.2.1, and
 - (ii) has a share of the foreign exchange market that the Riksbank considers to be sufficiently largemay be a Counterparty in *Foreign Exchange Transactions*.
- (d) The Riksbank can carry out *Outright Purchase or Sale* with Institutions other than Monetary Policy Counterparties. The Riksbank can carry out also other Open Market Operations than *Outright Purchase or Sale* with Institutions other than Monetary Policy Counterparties if there are special reasons.

1.4 Special obligations

(a) A Primary Monetary Policy Counterparty shall

- (i) report daily to the Riksbank, in accordance with the Riksbank's detailed instructions, the size of the turnover the Primary Monetary Policy Counterparty has had in the money and bond market,
- (ii) as soon as practically possible inform the Riksbank:
 - (1) about notable structural changes and tendencies in the Swedish money and bond market,
 - (2) about factors that could affect the Swedish money and bond market in the short term and that the Riksbank cannot be assumed to have received information about in any other way,
 - (3) if the Counterparty suspects or knows of anomalies in the trading on the money and bond market, e.g. because transactions deviate from what is normal as regards their size, frequency or price,
 - (4) about notable personnel changes that have significance for the Riksbank's contacts with the institution, particularly with regard to the responsible contact person.
- (iii) at the Riksbank's request, meet Riksbank representatives and present an account of its organisation, net earnings, strategy, risk management and plans for the future; such meetings are normally held once a year.

(b) A Counterparty in Foreign Exchange Transactions shall

- (i) report daily to the Riksbank, in accordance with the Riksbank's detailed instructions, the size of the turnover the Counterparty has had in the foreign exchange market and which currency positions the Counterparty holds,
- (ii) in the interbank market, on request, quote binding two-way market prices in Swedish kronor spot against euro for the equivalent of EUR 5 million and forward against US dollars for the equivalent of USD 10 million,
- (iii) via Reuters or similar information system show indicative prices in these currencies during normal opening hours in the market,
- (iv) as soon as practically possible inform the Riksbank:
 - (1) about notable structural changes and tendencies in the foreign exchange market,
 - (2) about factors that could affect the foreign exchange market in the short term and that the Riksbank cannot be assumed to have received information about in any other way ,
 - (3) if the Counterparty suspects or knows of anomalies in the trading on the foreign exchange market, e.g. because transactions deviate from what is normal as regards their size, frequency or price, and

- (4) about notable personnel changes that have significance for the Riksbank's contacts with the institution, particularly with regard to the responsible contact person.
- (v) at the Riksbank's request, meet Riksbank representatives and present an account of its organisation, net earnings, strategy, risk management and plans for the future; such meetings are normally held once a year.

2 STANDING FACILITIES

2.1 Eligible Institutions

Only a Credit Institution that is a K-RIX Participant and is domiciled or has a branch in Sweden has access to the Standing Facilities.

2.2 Request to utilise the Standing Facilities

- (a) A RIX Participant that has a negative balance on its K-RIX account at RIX's closing time shall be considered to have asked for Credit under the Standing Facilities.
- (b) A RIX Participant that has a positive balance on its K-RIX account at RIX's closing time shall be considered to have asked to make a Deposit under the Standing Facilities.

2.3 Assessment

- (a) The Riksbank grants Credit under the Standing Facilities provided the conditions under D.2.1 (Eligible Institution), B.6 and E.1 (credit line and collateral) are fulfilled.
- (b) The Riksbank grants Deposits under the Standing Facilities provided the conditions under D.2.1 (Eligible Institution) are fulfilled.

2.4 Conditions

2.4.1 Maturity

The maturity of Credit and Deposits under the Standing Facilities is overnight from the K-RIX closing time until the opening time the following Banking Day.

2.4.2 Interest

- (a) The interest rates on Credit and Deposits under the Standing Facilities shall be published in press releases as well as on the Riksbank's website (www.riksbank.se).
- (b) Unless stated otherwise, when calculating interest the Riksbank applies the day-count convention Actual/360.

3 PROCEDURES

3.1 Tender procedures

3.1.1 General aspects

- (a) Main Operations and Structural Operations in the form of Credit or Repos will normally be executed in the form of tender procedures.
- (b) For all forms of Fine-tuning Operations and for Structural Operations in the form of Outright Purchase or Sale or Foreign Exchange Swaps, bilateral procedures will normally be used instead of tender procedures.
- (c) The Riksbank can choose between announcing a fixed rate (volume) tender and a variable rate (interest) tender.
- (d) In a fixed rate tender the Riksbank specifies the interest rate in advance and each participating Monetary Policy Counterparty bids the amount of money it wants to transact at that rate.
- (e) In a variable rate tender, each participating Monetary Policy Counterparty bids the amount of money and the interest rate at which it wants to enter into the transaction in question.
- (f) In a *fixed rate Foreign Exchange Swap* tender, the Riksbank fixes the Swap Points and each participating Monetary Policy Counterparty shall offer the amount in Swedish kronor it wants to sell (and buy back) or buy (and sell back) at the fixed rate.
- (g) In a *variable rate Foreign Exchange Swap* tender, each participating Monetary Policy Counterparty shall offer an amount in Swedish kronor and state the Swap Points at which the Counterparty wants to execute the transaction in question.

3.1.2 Announcement of tender conditions

- (a) The Riksbank asks for tenders by announcing the conditions for the transaction in advance in a public electronic data base.
- (b) As a rule the announcement under (a) shall provide information about:
 - (i) the date of the tender procedure,
 - (ii) the type of Open Market Operation (provision or absorption of liquidity and the form of transaction),
 - (iii) the maturity of the operation,
 - (iv) the interest rate, the price or the Swap Points for the operation (fixed rate tender),
 - (v) the minimum/maximum accepted interest rate, price or Swap Points (where applicable),
 - (vi) the method of allotment (where applicable) (see D.3.1.4.4),

- (vii) the minimum/maximum accepted bid amount (where applicable),
- (viii) the start date and maturity date of the transaction (where applicable) or the value date and maturity date of the instrument (for Issues),
- (ix) the currencies involved in a Foreign Exchange Swap and the currency, the amount of which is kept fixed in the swap,
- (x) the spot exchange rate used for the calculation of bids in Foreign Exchange Swaps,
- (xi) the latest time or the time schedule for the submission of bids,
- (xii) the denomination of certificates (for Issues),
- (c) For Fine-tuning Operations the Riksbank can choose not to announce tenders publicly in advance.

3.1.3 Submission of tender bids

- (a) A Monetary Policy Counterparty shall follow the Riksbank's instructions for tender bids for the form of transaction in question.
- (b) In a *fixed rate* tender a Monetary Policy Counterparty shall state the amount of money it wants to transact. In a *fixed rate Foreign Exchange Swap* tender the Counterparty shall state the amount of money it wants to transact with the Riksbank in the currency kept fixed.
- (c) In a *variable rate* tender a Monetary Policy Counterparty may submit bids for up to ten different levels of interest rate, price or Swap Point. For each bid the Counterparty shall state the amount of money it is willing to transact and the respective interest rate, price or Swap Point for that transaction. For *Issues*, the Riksbank can decide that a tender bid shall be expressed by Counterparties quoting a price instead of an interest rate.
- (d) A Monetary Policy Counterparty shall have a sufficient amount of securities or currency to be able to settle its bids. A Counterparty that is unable to deliver or pay its undertakings shall pay interest on the part of the delivery or payment that has not been executed at a rate that equals the current reference rate as defined in Section 9 of the Interest Act (9 § *Räntelagen*) plus eight (8) percentage points. Interest shall be charged for the same period as was intended for the transaction in question.
- (e) A bid can be *revoked* or *changed* up to the tender submission deadline but not thereafter.
- (f) The Riksbank rejects bids that;
 - (i) are received after the specified deadline,
 - (ii) exceed the maximum bid amount or the maximum accepted interest rate, price or Swap Points, or
 - (iii) are below the minimum bid amount or the minimum accepted interest rate, price or Swap Points.
- (g) The Riksbank may reject bids that are incomplete or do not follow the Riksbank's instructions.

3.1.4 Allotment procedures

3.1.4.1 Fixed rate tenders

- (a) In the allotment of a fixed rate tender, the bids received from the Monetary Policy Counterparties are added together.
- (b) If the aggregate amount bid according to (a) exceeds the total amount to be allotted, the Counterparties shall be satisfied pro rata, according to the ratio of the amount to be allotted to the aggregate amount bid, with the amount allotted to each Counterparty rounded to the nearest million Swedish kronor.

3.1.4.2 Variable rate tenders

- (a) In transactions where the banking system needs to *borrow* (or receive payment in Repos) at a variable interest rate, allotment is arranged as follows:
 - (i) The bids shall be listed in diminishing order of the offered interest rates.
 - (ii) The bid with the highest interest rate shall be accepted with priority, followed by the bid with the next highest interest rate and so on until the total borrowing requirement is exhausted.
 - (iii) If, at the lowest interest rate level accepted, the aggregate amount bid exceeds the remaining amount to be allotted, the remaining amount shall be allocated pro rata among the bids according to the ratio of the remaining amount to be allotted to the total amount bid at the lowest accepted rate.
 - (iv) The allotments shall be rounded to the nearest million Swedish kronor.
- (b) In transactions where the banking system needs to *deposit* at a variable rate, allotment is arranged as follows:
 - (i) The bids shall be listed (a) in increasing order of offered interest rates or (b) in diminishing order of offered prices.
 - (ii) The bid with the lowest interest rate (highest price) shall be satisfied with priority, followed by the bid with the next lowest interest rate (next highest price) and so on until the banking system's total deposit requirement is exhausted.
 - (iii) If, at the highest interest rate (lowest price) level accepted, the aggregate amount bid exceeds the remaining amount to be withdrawn, the remaining amount shall be allocated pro rata among the bids according to the ratio of the remaining amount to be allotted to the total amount bid at the highest interest rate (lowest price) level accepted.
 - (iv) The allotments shall be rounded to the nearest million Swedish kronor.

3.1.4.3 Foreign Exchange Swaps

- (a) The procedure for *fixed rate Foreign Exchange Swaps* tenders corresponds to that under D.3.1.4.1.

- (b) In *variable rate Foreign Exchange Swap* tenders, the allotment is based on the bids that are most favourable for the Riksbank in terms of the offered interest rate differential between the foreign currency and Swedish kronor.

3.1.4.4 *Method of allotment*

- (a) For variable rate tenders, the Riksbank can apply the allotment procedure with either a single rate or multiple rates.
- (b) In a single rate procedure, the interest rate, the price or the Swap point for all accepted bids is the same as the marginal interest rate, the marginal price and the marginal Swap Point, respectively (i.e. the level at which the total amount to be allotted is exhausted).
- (c) In a multiple rate procedure, allotment is made at the interest rate, price or Swap Point the Monetary Policy Counterparty offered in its bid.

3.1.5 *Announcement of allotments*

The results of tenders are announced by the Riksbank in the form of a public message in an electronic data base. As a rule, the announcement shall contain information about:

- the date of the tender operation,
- the type of Open Market Operation,
- the maturity of the transaction,
- the currencies involved (in the case of Foreign Exchange Swaps),
- the total amount allotted,
- the percentage of the total amount bid that has been allotted,
- the spot exchange rate (in the case of Foreign Exchange Swaps),
- the accepted interest rate, price or Swap Points (in the case of variable rate tenders),
- the lowest and highest offered rates and the weighted average allotment rate (in the case of multiple rate allotment procedures), and
- the start date and maturity date of the transaction (if applicable) or the value date and maturity date of the instrument (in the case of Issues).

3.2 Procedures for bilateral transactions

- (a) The Riksbank can execute transactions on the basis of bilateral procedures for Fine-tuning Operations and Structural Operations in the form of Outright Purchase or Sale or Foreign Exchange Swaps.
- (b) Bilateral procedures involve the Riksbank executing a transaction with one or more Counterparties without a tender.
- (c) In bilateral procedures, either the Counterparties can be contacted directly by the Riksbank or the transactions are executed through stock exchanges or market agents.

- (d) As a rule, bilateral transactions will not be announced publicly.
- (e) A Monetary Policy Counterparty shall have a sufficient amount of securities or currency to be able to carry out the transaction. A Counterparty that is unable to deliver or pay its undertakings shall pay interest on the part of the delivery or payment that has not been executed at a rate that equals the current reference rate as defined in Section 9 of the Interest Act (9 § *Räntelagen*) plus eight (8) percentage points. Interest shall be charged for the same period as was intended for the transaction in question.

3.3 Settlement procedures

3.3.1 Credit (Open Market Operations and Standing Facilities)

- (a) Provisions concerning credit and credit lines are contained in B.6.
- (b) Credit in Open Market Operations and under the Standing Facilities is settled on the Counterparty's K-RIX account.
- (c) C.3.6.1 contains provisions for sanctions for Institutions that do not have access to Credit under the Standing Facilities and which fail to settle a negative end-of-day balance on their K-RIX account.

3.3.2 Repos

- (a) Additional conditions for Repos are contained in E.2.
- (b) Obligations to deliver securities in Repos are settled in accordance with the procedures and rules that apply to the securities settlement system in question.
- (c) Obligations to pay for securities in Repos are settled in accordance with the procedures and rules that apply to the securities settlement system in question and to Payments in RIX.

3.3.3 Foreign Exchange Swaps

- (a) The first leg in a Foreign Exchange Swap (i.e. when the Riksbank sells or buys Swedish kronor) is settled on the agreed value date
 - (i) by debiting or crediting the relevant K-RIX account in Swedish kronor, and
 - (ii) local foreign time by crediting or debiting the Riksbank's account in the country in question in the foreign currency.
- (b) The second leg in a foreign Exchange Swap (i.e. when the Riksbank buys back or sells back Swedish kronor) is settled in the way that corresponds to (a) on the agreed value date.

3.3.4 Issues

- (a) The Riksbank's commitment to deliver securities in an Issue (of Riksbank Debt Certificates) is settled in accordance with the procedures and rules that apply to the securities settlement system in question.

- (b) The Counterparties' commitments to pay for the issued securities are settled in accordance with the procedures and rules that apply to the securities settlement system in question and to Payments in RIX.

3.3.5 Outright Purchase or Sale

- (a) Commitments to deliver securities for Outright Purchase or Sale are settled in accordance with the procedures and rules that apply to the securities settlement system in question.
- (b) Payment commitments for Outright Purchase or Sale are settled in accordance with the procedures and rules that apply to the securities settlement system in question and to Payments in RIX.

3.3.6 Deposits

- (a) Deposits are settled by crediting the Riksbank's K-RIX account with the amount in question.
- (b) At maturity, the amount of Deposits in accordance with (a) is credited to the Counterparty's K-RIX account.

4 FOREIGN EXCHANGE TRANSACTIONS THAT ARE NOT FOREIGN EXCHANGE SWAPS

4.1 Terms

In addition to foreign exchange swaps in accordance with D.1.2.5 the Riksbank may execute certain other foreign exchange transactions within the scope of the Monetary Policy Operational Framework, with the purpose of influencing the exchange rate. These transactions are executed in currencies with good liquidity. The exact terms are determined by market practice and in bilateral agreements between the Riksbank and the counterparty.

4.2 Forms

- (a) The foreign exchange transactions referred to in 4.1 can be executed
 - (i) through a spot transaction, i.e. purchase or sale of Swedish kronor against another currency with delivery close to the transaction date, or
 - (ii) through a forward transaction, i.e. purchase or sale of Swedish kronor against another currency with later delivery than a spot transaction.
- (b) The Riksbank usually executes these foreign exchange transactions with Counterparties in Foreign Exchange Transactions.

4.3 Foreign Exchange Transactions outside the Monetary Policy Operational Framework

The Riksbank may execute transactions with foreign currency outside of the Monetary Policy Operational Framework. The detailed terms for such transactions are determined by market practice and in bilateral agreements between the Riksbank and the Counterparty.

E Conditions for collateral etc.

1 SECURITIES AS COLLATERAL FOR CREDIT

1.1 Eligible securities

- (a) As collateral for Credit the Riksbank can – subject to the restrictions that follow from (b) and (c) below – accept Swedish or foreign debt instruments that:
 - (i) are listed on a Swedish or foreign security exchange, other authorised market place or other regulated market according to the Council's Directive 93/22/EEC of 10 May 1993 on investment services in the securities field,
 - (ii) are registered in book-entry form with a central securities depository
 - (1) licensed in accordance with the Act (1998:1479) on Accounting of Financial Instruments (*Lagen (1998:1479) om kontoföring av finansiella instrument*), or
 - (2) in a state other than Sweden and subject to rules and systems, as well as to arrangements for pledging and transfer to the Riksbank, that the Riksbank considers sufficiently secure,
 - (iii) have been issued by
 - (1) a state that in the Riksbank's opinion has a satisfactory credit rating, or
 - (2) a central bank, local government authority or other public body or by a company, provided
 - (a) the issuer or the debt instrument has a satisfactory credit rating, and
 - (b) the country
 - in which the issuer is registered, if its legal capacity is dependent on the registration,
 - the law of which (apart from any registration) shall be applied to the establishment of the issuer, and
 - in the territory of which the issuer has operations the Riksbank considers are substantial,
- (iv) are issued in currencies of countries the Riksbank considers have a satisfactory credit rating, and
- (v) are included in an issue with a fixed ISIN (or equivalent designation) with a minimum outstanding volume of 100 million Swedish kronor.

- (b) The Riksbank does not accept collateral in the form of debt instruments that:
 - (i) have been issued or guaranteed by the Counterparty or by an entity with which the Counterparty has close links (as defined in Article 1.26 of Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions), or
 - (ii) have been issued or guaranteed by Swedish banks or by foreign Credit Institutions domiciled in the same country as the Counterparty (securities issued by central banks or development banks and similar financial institutions can, however, be accepted),
 - (iii) are linked to equity (e.g. convertible debt instruments, debt instruments with new-issue options, participating debentures and convertible debentures),
 - (iv) have subordinated payment rights (e.g. subordinated debentures and, with regard to structured issues, securities with a subordinated right to payment in relation to other securities in the same issue).
 - (v) comprise debt instruments issued in a securitisation process where the assets that are to generate cash flows have not been acquired through a true sale, or
 - (vi) comprise debt instruments issued in a securitisation process where the assets that are to generate cash flows wholly or partly consist of or are supported by so-called credit derivatives or similar instruments.
- (c) For debt instruments issued in accordance with the Swedish Covered Bonds Act (2003:1223) the conditions in E 1.1 (b) (i) and (ii) do not apply.
- (d) For debt instruments issued in accordance with the Swedish Covered Bonds Act (2003:1223) and issued or guaranteed by the Counterparty or by a company with close links to the Counterparty, the issuer limits and the haircut specified in the Riksbank's instructions for collateral management will apply.
- (e) For debt instruments issued or guaranteed by Swedish banks or by foreign Credit Institutions the issuer limits stated in the Riksbank's instructions for collateral management will apply.
- (f) As collateral for Credit in euro the Riksbank can only accept types of securities the ECB has approved as eligible for the collateralisation of intraday euro-credit in TARGET.
- (d) The Riksbank shall provide lists of securities it has approved for Credit in Swedish kronor and euro, respectively. The lists shall be kept up to date by the Riksbank.

1.2 Valuation and risk control

- (a) The Riksbank checks that the amount of Credit for each Counterparty does not exceed the Counterparty's credit line according to B.6(c). Furthermore, Intra-day Credit in euro is subject to special credit limits according to C.3.3.2.
- (b) Control in accordance with (a) shall be exercised with the following methods for valuation and risk control for Credit in Swedish kronor. For Credit in euro the methods for valuation and risk control specified by the Eurosystem shall be applied.

1.2.1 Market valuation

- (a) Securities are valued at or on the basis of the prices and exchange rates at the end of the preceding Banking Day, unless otherwise required for special reasons.
- (b) Accrued earnings and, where appropriate, detached but unpaid coupons are included in the market value.
- (c) The Riksbank specifies which market place shall be used as the price source for securities provided as collateral.
- (d) If there is no independent daily price source for a security, the Riksbank estimates the market value on the basis of credit rating, line of business, size of issue and demand.

1.2.2 Adjusted market value (Valuation haircuts)

- (a) The market value of a security shall be adjusted with valuation haircuts based on, among other things, liquidity, residual maturity and any foreign exchange risk.
- (b) The Riksbank can decide on further valuation haircuts if necessary in view of the securities' risk properties.
- (c) For Credit in Swedish kronor the valuation haircuts at each time published on the Riksbank's website (www.riksbank.se) shall be applied.

1.2.3 Supplementary collateral

The Riksbank has the right to request supplementary collateral if, in a daily valuation of the Counterparty's collateral, the adjusted market value in accordance with E.1.2.2 is more than one (1) per cent less than the utilised Credit plus accrued interest.

1.3 Pledging securities

Securities used as collateral for Credit shall be pledged under the following conditions.

1.3.1 Pledge accounts

- (a) An account for pledged securities (Pledge Account) shall be opened with a central securities depository licensed under the Act (1998:1479) on Accounting of Financial Instruments (*Lagen (1998:1479) om kontoföring av finansiella instrument*), or with a central securities depository abroad that is subject to rules and systems, as well as to arrangements for pledging or transfer to the Riksbank, that the Riksbank considers sufficiently secure.
- (b)
 - (i) A Pledge Account can be designated for primary collateral for Credit in either Swedish kronor or euro.
 - (ii) At least two Pledge Accounts shall be opened if a Counterparty wants to have Credit in both Swedish kronor and euro.
 - (iii) In connection with the registration of a security in a Pledge Account, the Counterparty shall state whether the security constitutes collateral primarily for

Credit in Swedish kronor or for Credit in euro by stating in which Pledge Account the security is to be registered.

1.3.2 Grant of Pledge

- (a) The Counterparty shall sign a grant of pledge. An example of a grant of pledge is contained in Annex 6.
- (b) If the Counterparty has Credit in both Swedish kronor and euro, a pledged security is primary collateral for Credit in *one* of these currencies, depending on which Pledge Account the security is registered in (cf. E.1.3.1).

1.3.3 Third party pledging

If there are special reasons, the Riksbank can accept pledging of securities by a third party as collateral for a Counterparty's commitments according to these Rules and Regulations.

1.3.4 General right of pledge

Pledged securities shall also constitute collateral for other commitments to the Riksbank that the Counterparty has or incurs as RIX Participant or Monetary Policy Counterparty, such as e.g.:

- liability to pay for collection of the secured undertakings, including costs of payment reminders and other collection measures as well as litigation costs, both with respect to the secured undertakings and to the realisation of pledge securities, as well as
- liability to pay net amounts to the Riksbank after final settlement procedures in accordance with E.2.3.5.

1.3.5 Sub-pledging

In pledged securities, further rights of pledge may not be granted to a third party.

1.3.6 Release of pledged securities

At the request of a pledgor, the Riksbank can return pledged securities if the remaining collateral is sufficient to cover outstanding Credit as well as accrued interest and other undertakings according to these Rules and Regulations.

1.3.7 Encumbrances

The pledgor guarantees that pledged securities are owned by the pledgor and are neither pledged nor encumbered with other rights in favour of a third party.

1.3.8 Substitution of collateral, etc

- (a) A pledgor is not entitled to substitute a pledged security without the Riksbank's consent in each particular case.
- (b) The Riksbank has the right to request that a pledgor replaces a pledged security with another prior to maturity.

1.3.9 Earnings and maturity

- (a) The Riksbank shall have continued right of pledge in earnings detached or paid out from pledged securities and in payments from pledged securities that have matured.
- (b) The Riksbank can credit the Counterparty's K-RIX Account with payments in Swedish kronor and the Counterparty's E-RIX Account with payments in euro, unless otherwise stated under (e).
- (c) The Riksbank has the right to retain the payments referred to under (b) until the utilised Credit and other liabilities have been reduced to such an extent that in the Riksbank's opinion the payment amount is not required as collateral.
- (d) The Riksbank does not pay interest on payment amounts retained in accordance with (c).

- (e) A pledgor shall notify how a disbursement to the pledgor shall take place if the pledgor does not have a RIX Account for the same currency as that of the payment or if the pledgor wishes the payment to be made to a different account from those indicated under (b).

1.3.10 Enforcement of pledges

- (a) The provisions in Chapter 10, section 2, of the Commercial Code shall not be applicable in any case to pledging under these Rules and Regulations.
- (b) If a Counterparty does not meet its obligation to pay in accordance with the Rules and Regulations, the Riksbank may immediately and without further consultation with the Counterparty enforce the pledge and realise the securities in the way the Riksbank deems appropriate.
- (c) When enforcing a pledge the Riksbank shall in the first place call into requisition securities that in accordance with E.1.3.1 (b)(iii) have been pledged primarily as collateral for the matured Credit.

2 REPOS

2.1 Eligible securities

- (a) Subject to the limitations that follow from (b), the Riksbank can accept Swedish or foreign debt instruments that:
 - (i) meet the requirements set out under E.1.1 (a)(i), (iii) and (v),
 - (ii) are booked with VPC AB and included in VPC AB's money market clearing, and
 - (iii) are denominated in Swedish kronor.
- (b) For Repos the Riksbank does not accept debt instruments that are not eligible as collateral in accordance with E.1.1 (b).

2.2 Valuation and risk control

The Riksbank applies the following methods for valuation and risk control for securities in Repos.

2.2.1 Market valuation

- (a) The market value of the security is determined on the basis of a valuation on the Banking Day immediately preceding the Purchase Date of the Repo. Thereafter a market valuation is performed daily.
- (b) Accrued earnings and, where applicable, detached but unpaid coupons are included in the calculation of the market value in accordance with (a).
- (c) The valuation shall be made at or on the basis of the prices that applied at the end of the preceding Banking Day, unless otherwise required for special reasons.

- (d) The Riksbank shall specify which market place shall be used as the price source for securities.
- (e) If there is no independent daily price source for a security, the Riksbank estimates the market value on the basis of credit rating, size of issue and demand.

2.2.2 Adjusted market value (Valuation haircuts)

- (a) The market value of a security shall be adjusted with valuation haircuts based on, among other things, liquidity and residual maturity.
- (b) The Riksbank can decide on further valuation haircuts if necessary in view of the securities' risk properties.
- (c) The valuation haircuts at each time published on the Riksbank's website (www.riksbank.se) shall be applied.

2.2.3 Pricing

The cash amount (including accrued interest) that a Monetary Policy Counterparty proposes for each security the Counterparty sells in a Repo may not exceed the security's adjusted market value according to E.2.2.2.

2.2.4 Supplementary collateral etc.

- (a) The Riksbank has the right to request supplementary collateral from a Monetary Policy Counterparty if, in a daily valuation, the adjusted market value of the Purchased Securities the Riksbank has purchased from the Counterparty is more than one (1) per cent less than the allotted amounts plus accrued interest.
- (b) A Monetary Policy Counterparty has the right to request the return of Equivalent Securities if the adjusted market value of Purchased Securities exceeds the allotted amounts plus accrued interest by more than one (1) per cent.
- (c) Delivery of securities in accordance with (a) or (b) shall be made at the latest at the first settlement time that falls due four hours after the party receives the request to deliver securities.

2.3 Other conditions for Repos

2.3.1 Initiation and confirmation

- (a) Not later than 1 p.m. on the day of the announcement of the results of the tender, a Monetary Policy Counterparty shall confirm a Repo in writing via SWIFT or facsimile. The confirmation shall be formulated substantially in accordance with Annex 7.
- (b) The confirmation, together with these Rules and Regulations, shall constitute evidence of the terms agreed between the Monetary Policy Counterparty and the Riksbank, unless the Riksbank promptly objects after receiving the confirmation.

- (c) If terms in the confirmation conflict with those in the Rules and Regulations, the confirmation shall have priority only in relation to the Repo to which the confirmation refers.
- (d) The seller in a Repo shall transfer the Purchased Securities to the buyer against payment of the Purchase Price at the time, in the manner and on the terms prescribed in the confirmation and in these Rules and Regulations so that settlement of the transfer can be made on the Purchase Date.
- (e) The aggregate Purchase Price for all Purchased Securities that a Monetary Policy Counterparty offers in a Repo shall be equal to the amount allotted to the Counterparty.
- (f) On the Repurchase Date the buyer in a Repo shall, in accordance with the terms of the confirmation and these Rules and Regulations, transfer Equivalent Securities back to the seller against payment of the Repurchase Price by the seller to the buyer.

2.3.2 Earnings and maturity

- (a) If an income record date occurs during the term of a Repo, on the income payment date the buyer shall credit the seller's K-RIX Account with an amount equivalent to the income.
- (b) If the Monetary Policy Counterparty, as the seller, has transferred securities as supplementary collateral in accordance with E.2.2.4 and an income record date occurs before Equivalent Securities have been returned, the Riksbank, as the buyer, shall credit the Monetary Policy Counterparty's K-RIX Account with an amount equivalent to the income.
- (c) Under (a) and (b) above, income refers to income without any deduction for taxes or duties or any equivalent reduction.

2.3.3 Encumbrances

The Counterparty and the Riksbank are responsible for ensuring that at the time of purchase or substitution of securities in Repos, they have an unrestricted right to dispose of the securities in question and that the other party receives them with ownership free from any form of encumbrance, demands or rights in favour of a third party.

2.3.4 Substitution, etc.

- (a) If a party so requests and the other party so agrees, a Repo can be modified at any time during its term by the buyer returning securities equivalent to Purchased Securities to the seller in exchange for the transfer by the seller of other securities (New Purchased Securities) to the buyer (substitution).
- (b) The adjusted market value of New Purchased Securities on the substitution date shall at least equal the adjusted market value of the securities for which the New Purchased Securities are substituted.
- (c) In this E.2.3.4, Purchased Securities includes securities transferred as supplementary collateral in accordance with E.2.2.4 (a).

- (d) Substitution of securities presupposes a prior separate agreement between the Riksbank and the Counterparty, specifying the proportion of the securities in a Repo that shall be substituted and which New Purchased Securities are acceptable. Confirmation of the substitution shall be made in accordance with E.2.3.1.
- (e) Notwithstanding (d), the Riksbank has the right to request the substitution of securities if Purchased Securities included in a Repo cease to be eligible securities in accordance with E.2.1.
- (f) A substitution is subject to D.3.3.2, E.2.2.3 and E.2.3.3.
- (g) In the event of substitution in a Repo, the conditions for the Repo shall continue to apply as though the Purchased Securities in that Repo consisted of or included New Purchased Securities instead of the securities that were originally transferred.

2.3.5 Final settlement etc upon exclusion or suspension

- (a) If the Riksbank has decided to exclude or suspend the Counterparty in accordance with B.8.1 or B.8.3, (b) – (e) shall apply from the time when the decision comes into force.
- (b) The Repurchase Date for every Repo in accordance with these Rules and Regulations shall be deemed to occur immediately and the performance of the parties' respective obligations as regards the repurchase shall be regulated entirely by the provisions under (c) below.
- (c)
 - (i) The Market Value at Exclusion or Suspension of the Equivalent Securities that shall be included in the repurchase, including securities equivalent to the securities that have been delivered as supplementary collateral, and the Repurchase Prices that shall be paid, shall be established by the Riksbank for all Repos as of the Repurchase Date.
 - (ii) On the basis of the established sums, the Riksbank shall calculate the delivery and payment obligations that are due from each party (on the understanding that each party's claim to receive Equivalent Securities and securities equivalent to securities delivered as supplementary collateral equals the Market Value at Exclusion or Suspension of these securities). These obligations shall be set off against each other so that only a single net balance shall be payable between the parties. This payment shall be made on the next following Banking Day.
- (d) The Counterparty is liable to compensate the Riksbank for all reasonable costs, including legal expenses, that have arisen from maintaining the Riksbank's rights connected with exclusion or suspension, together with interest thereon at a rate equivalent to the Riksbank's current interest rate for credit under the Standing Facilities.
- (e) In the event of exclusion or suspension the Riksbank has the right to decide whether the securities included in Repos shall be sold or retained at the Repurchase Date.
- (f) If, on the Repurchase Date, the Counterparty, as the seller, has not performed its obligation to pay the Repurchase Price, or, as the buyer, has not performed its obligation to deliver Equivalent Securities, the Riksbank has the right, instead of considering exclusion or suspension, to decide a new repurchase date.

2.3.6 Failure at the commencement of a Repo

- (a) If the Counterparty, as the seller, has not delivered Purchased Securities to the Riksbank, as the buyer, on the Purchase Date, the Riksbank can:
 - (i) if the Riksbank has paid the Purchase Price, require the Counterparty immediately to repay the equivalent amount, and
 - (ii) as long as the Counterparty's failure to deliver Purchased Securities continues, terminate that Repo. If the Repo is terminated, the obligations of the Counterparty and the Riksbank, respectively, under that specific Repo shall cease to apply and the Counterparty shall be liable to compensate the Riksbank in accordance with D.3.1.3 (d).
- (b) If the Counterparty, as the buyer, has not paid the Purchase Price to the Riksbank, as the seller, on the Purchase Date, the Riksbank can:
 - (i) if the Riksbank has delivered Purchased Securities, require the Counterparty immediately to return Equivalent Securities, and
 - (ii) as long as the Counterparty's failure to pay the Purchase Price continues, terminate that Repo. If the Repo is terminated, the obligations of the Counterparty and the Riksbank, respectively, under that specific Repo shall cease to apply.

3 FOREIGN CURRENCY

Within the framework of these Rules and Regulations, in certain cases the Riksbank can accept *foreign currency* as collateral for Credit in Swedish kronor in accordance with the conditions specified under E.3.1. The Riksbank can also execute Foreign Exchange Swaps (D 1.2.5) where one leg in the transaction is in *foreign currency*. Foreign Exchange Swaps are subject to the conditions under E.3.2.

3.1 Credit against collateral in foreign currency

- (a) If there are special reasons, as *collateral for Intra-day Credit in Swedish kronor* the Riksbank can accept account balances denominated in foreign currency that meet the requirements in E.1.1(a)(v) in the ways and conditions stated under E.3.1.1 and E.3.1.2. In such cases, the valuation haircuts for foreign exchange risk at each time published on the Riksbank's website (www.riksbank.se) shall also be applied.
- (b) Because of the ECB's rules concerning eligible collateral, credit in euro cannot be granted against account balances denominated in foreign currency.

3.1.1 Pledging of account balances deposited in correspondent banks

As collateral for Intra-day Credit in Swedish kronor the Riksbank can accept account balances deposited in a foreign correspondent bank in accordance with the following conditions.

3.1.1.1 Account with a foreign central bank

The pledgor shall have an account in the foreign currency in question with a foreign central bank nominated by the Riksbank.

3.1.1.2 Grant of pledge

- (a) The pledgor shall sign a grant of pledge, formulated by agreement in each particular case.
- (b) The grant of pledge under (a) shall comply with the rules and systems that are applicable in the foreign jurisdiction in question.
- (c) If the Riksbank requires a legal opinion to certify what is specified in (b), the Counterparty shall defray the costs of such an opinion.

3.1.1.3 Third party pledge

If there are special reasons, the Riksbank can accept that a third party pledges account balances denominated in foreign currency as collateral for a Counterparty's Credit in Swedish kronor and other commitments according to these Rules and Regulations.

3.1.1.4 Credit line

A pledging does not provide access to additional credit until the foreign central bank has notified the Riksbank that the pledge has been made.

3.1.1.5 General right of pledge

The pledged account balance shall also constitute collateral for other commitments to the Riksbank the Counterparty has or incurs as RIX Participant or Monetary Policy Counterparty, such as e.g.:

- liability to pay for the collection of the secured undertakings, including costs of payment reminders and other collection measures as well as litigation costs, both with respect to the secured undertakings and to the realisation of pledged securities, as well as
- liability to pay net amounts to the Riksbank after final settlement procedures in accordance with E.2.3.5.

3.1.1.6 Sub-pledging and other procedures

- (a) A pledgor may not:
 - (i) grant further rights of pledge in pledged account balances to a third party, or
 - (ii) otherwise dispose of a pledged account balance without the consent of the Riksbank in each particular case.
- (b) The Riksbank can permit the debiting of the account or the release of funds in favour of the pledgor if other collateral sufficiently covers utilised Credit and other commitments in accordance with the Rules and Regulations.

3.1.1.7 *Earnings*

Earnings from pledged account balances are also covered by the pledge.

3.1.1.8 *Enforcement of pledges*

If a Counterparty does not fulfil payment commitments in accordance with the Rules and Regulations, the Riksbank may immediately utilise the pledged account balance.

3.1.1.9 *Correspondent bank agreement*

Further provisions for the pledging routines are agreed with the foreign central bank in question in each particular case.

3.1.2 *Transfer of euro balances to the Riksbank*

The Riksbank can accept payment in euro to the Riksbank as collateral for a Counterparty's Intra-day Credit in Swedish kronor (pledge in own debt). In such case the valuation haircuts for foreign exchange risk, at each time published on the Riksbank's website (www.riksbank.se), will apply

3.1.2.1 *Agreement on transfer of euro as collateral*

A Counterparty shall sign a special grant of pledge where he pledges as collateral an account balance in euro which he holds on a special collateral account with the Riksbank. E.3.1.1.2. (a), E.3.1.1.5, E.3.1.1.6. shall apply when transferred amounts in euro are used as collateral.

3.1.2.2 *Final settlement*

If a Counterparty is declared bankrupt, or for some other reason does not meet its obligation to pay in accordance with the Rules and Regulations, the Riksbank may immediately and without further consultation with him or anyone else utilise the entire transferred amount or part thereof pursuant to a final settlement determined by the Riksbank. The transferred amount shall be offset against the Riksbank's claim on the participant pursuant to the average exchange rate on the date of the final settlement.

Special compensation scheme for TARGET payments

Background

In the event of malfunctioning of TARGET, the Participants in the national RTGS systems are offered compensation in accordance with a special compensation scheme for TARGET payments. The Riksbank is bound by the compensation scheme in relation to the other national central banks (NCBs) in the ESCB through the ESCB's rules for TARGET (see background section in the Rules and Regulations). It is the Riksbank's responsibility to implement the TARGET Compensation Scheme at the national level in relation to participants in E-RIX.

1. Definitions

For the purpose of this Annex:

- *cross-border payments* shall mean payments effected or to be effected within two national RTGS systems or between a national RTGS system and the ECB payment mechanism,
- *deposit facility* shall mean the deposit facility organised by the Eurosystem,
- *deposit facility rate* shall mean the interest rate applicable from time to time for the Eurosystem deposit facility,
- *domestic payments* shall mean payments effected or to be effected within one national RTGS system (Domestic Euro Payments) or within the ECB payment mechanism,
- *ECB payment mechanism* or *EPM* shall mean the payment arrangements organised within the ECB and connected to TARGET for the purpose of effecting (i) payments between accounts held at the ECB; and (ii) payments through TARGET between accounts held at the ECB and at the NCBs,
- *Eurosystem* shall mean the ECB and the NCBs of the participating Member States,
- *indirect participant* shall mean an institution without its own RTGS account which is nevertheless recognised by a national RTGS system and subject to its RTGS rules and which can be directly addressed in TARGET; all transactions of an indirect participant are settled on the account of a participant (as defined in this Annex) which has accepted to represent the indirect participant,
- *interlinking* shall mean the technical infrastructures, design features and procedures which are put in place within, or constitute adaptations of, each national RTGS system and the ECB payment mechanism for the purpose of processing cross-border payments within TARGET,
- *intraday credit* shall mean credit extended and reimbursed within a period of less than one business day,
- *malfunctioning of a national RTGS system* or *malfunctioning of TARGET* or *malfunctioning* shall mean technical difficulties, defects or failures in the technical infrastructure and/or the computer systems of any national RTGS system or the ECB payment mechanism or the

computerised network connections for interlinking, or any other event related to any national RTGS system or the ECB payment mechanism or interlinking, that makes it impossible to execute and complete the same day processing of payment orders within TARGET; the definition shall also cover cases where a malfunction occurs simultaneously in more than one national RTGS system (due to, for instance, a breakdown related to the network service provider),

- *marginal lending facility* shall mean the marginal lending facility organised by the Eurosystem,
- *marginal lending rate* shall mean the interest rate applicable from time to time for the Eurosystem marginal lending facility,
- *national RTGS-system* shall mean those real-time gross settlement systems which are components of TARGET (E-RIX),
- *network service provider* shall mean the undertaking appointed by the ECB to provide computerised network connections for interlinking,
- *participants* shall mean the entities which have direct access to a national RTGS system and have an RTGS account with the NCB concerned (Participants in E-RIX) (or, in the case of the ECB payment mechanism, with the ECB) and shall include such NCB or the ECB, whether in its capacity as settlement agent or otherwise,
- *participating Member States* shall mean all Member States which have adopted the single currency,
- *payment order* shall mean an instruction by a participant in accordance with the applicable RTGS rules to place at the disposal of a receiving participant, including an NCB or the ECB, an amount of money by means of a book entry on an RTGS account,
- *receiving NCB* shall mean the NCB at which the receiving participant maintains its RTGS-account,
- *receiving participant* shall mean the participant designated by the sending participant as the participant to whose RTGS account the amount specified in the relevant payment order shall be credited,
- *RTGS account* shall mean an account opened in the name of a participant on the books of an NCB or the ECB on which domestic payments or cross-border payments are settled (an E-RIX Account),
- *RTGS rules* shall mean the regulations or contractual provisions which are applied to a national RTGS system (the Rules and Regulations),
- *sending participant* shall mean the participant which has initiated a payment by giving a payment order,
- *standing facilities* shall mean the marginal lending facility and the deposit facility organised by the Eurosystem.

2. General principles

- (a) In the event of a malfunctioning of TARGET, direct and indirect participants (for the purposes of this Annex hereinafter referred to as 'TARGET participants') shall be entitled to submit claims for compensation in accordance with the rules laid down in this Annex.

- (b) The TARGET Compensation Scheme shall apply to all national RTGS systems and to the ECB payment mechanism (EPM) and shall be available for all TARGET participants (including TARGET participants of national RTGS systems of participating Member States that are not counterparties to the Eurosystem monetary policy operations and TARGET participants of national RTGS systems of non-participating Member States) in relation to all TARGET payments (without distinguishing between domestic payments and cross-border payments). The TARGET Compensation Scheme shall not apply to customers in the EPM in accordance with the Terms and Conditions governing the use of the EPM, which are available on the ECB's web site (www.ecb.int) and are updated from time to time.
- (c) Unless otherwise decided by the Governing Council of the ECB, the TARGET Compensation Scheme shall not apply where the malfunctioning of TARGET is caused by:
 - (i) external events beyond the control of the ESCB; or
 - (ii) the failure of a third party other than the operator of the national RTGS system where the malfunctioning occurred.

For the purposes of Article 2 c (ii), a service providing NCB shall not be regarded as a third party.

- (d) Offers under the TARGET Compensation Scheme ("compensation offers") shall be the only compensation offered by the ESCB in cases of a malfunctioning. The TARGET Compensation Scheme does not exclude the possibility for TARGET participants to avail themselves of other legal means to claim compensation in case of a malfunctioning of TARGET. However, the acceptance of a compensation offer by a TARGET participant shall constitute its irrevocable agreement that it thereby waives all claims (including any claims for consequential damages) it may have against any member of the ESCB, in accordance with national laws or otherwise, and that the receipt by it of the corresponding compensation payment shall be in full and final settlement of all such claims. The TARGET participant shall indemnify the ESCB up to the amount received under the TARGET Compensation Scheme from any further compensation which might be claimed by any other TARGET participant concerning the respective payment order.
- (e) The making of any compensation offers and/or payments shall not constitute an admission of liability by any NCB or the ECB in respect of a malfunctioning.
- (f) If a connected NCB cannot process cross-border payments due to a malfunctioning of the service providing NCB's RTGS system, the service providing NCB shall be regarded as the malfunctioning NCB in relation to such payments.

3. Conditions for compensation

- (a) With respect to a sending TARGET participant, a claim for an administration fee and an interest compensation shall be considered if due to a malfunctioning:
 - (i) the same day processing of a payment order was not completed; or
 - (ii) such TARGET participant can show that it had the intention to enter a payment order into TARGET but was unable to do so due to a stop-sending status of a national RTGS system.

- (b) With respect to a receiving TARGET participant, a claim for an administration fee shall be considered if due to a malfunctioning such TARGET participant did not receive a TARGET payment that it was expecting to receive on the day of malfunctioning. In this event a claim for an interest compensation shall also be considered if:
 - (i) such TARGET participant had recourse to the marginal lending facility or, if a TARGET participant does not have access to the marginal lending facility, such TARGET participant was left with a debit balance or had a spill-over from intraday credit into overnight credit on its RTGS account at the close of business of TARGET or had to borrow amounts from the respective NCB; and
 - (ii) either the NCB of the national RTGS system where the malfunctioning occurred ("the malfunctioning NCB") was the receiving NCB, or the malfunctioning occurred so late in the TARGET operating day that it was technically impossible or impracticable for the receiving TARGET participant to have recourse to the money market.

4. Calculation of compensation

4.1 Compensation of sending TARGET participants

- (a) The compensation offer under the TARGET Compensation Scheme shall consist of an administration fee only or an administration fee and an interest compensation.
- (b) The administration fee shall be determined at EUR 50 for the first payment order not completed on the processing date, and, in case of multiple adjustments, EUR 25 for each of the next four such payment orders and EUR 12,50 for each further such payment order. The administration fee shall be determined by reference to each receiving TARGET participant.
- (c) The interest compensation shall be determined by applying the rate ("the reference rate"), from day-to-day whichever is the lower of the EONIA rate (the euro overnight index average) and the marginal lending rate, to the amount of the payment order not processed as a result of a malfunctioning for each day in the period starting on the date of the entering or the intended entering of the payment order into TARGET and ending on the date that the payment order was or could have been successfully completed ("the period of malfunctioning"). When calculating the interest compensation, the proceeds of any actual use of funds by having recourse to the deposit facility (or, in the case of TARGET participants of national RTGS systems of participating Member States that are not counterparties to the Eurosystem monetary policy operations, the remuneration received on excess funds in the settlement account, or, in the case of TARGET participants of national RTGS systems of non-participating Member States, the remuneration received for incurring additional positive end-of-day balances on the RTGS account) shall be deducted from the amount of compensation.
- (d) In the case of the placing of funds in the market or using the funds for the fulfilment of minimum reserve requirements, the TARGET participant shall not receive any interest compensation.
- (e) With respect to sending TARGET participants of national RTGS systems of non-participating Member States, any limit to the remuneration on the aggregate amount of overnight deposits on the RTGS accounts of such TARGET participants shall be disregarded to the extent that such amount can be attributed to the malfunctioning.

4.2 Compensation of receiving TARGET participants

- (a) The compensation offer under the TARGET Compensation Scheme shall consist of an administration fee only or an administration fee and an interest compensation.
- (b) The amount of the administration fee shall be as determined under paragraph 4.1 (b) and the administration fee shall be determined by reference to each sending TARGET participant.
- (c) The calculation method for the interest compensation as referred to in paragraph 4.1(c) above shall apply, except that the interest compensation shall be based on the difference between the marginal lending rate and the reference rate, and shall be calculated on the amount of the recourse to the marginal lending facility as a result of the malfunctioning.
- (d) With respect to receiving TARGET participants of (i) national RTGS systems of participating Member States that are not counterparties to the Eurosystem monetary policy operations, and (ii) national RTGS systems of non-participating Member States, to the extent that a debit balance or a spill-over from intraday credit into overnight credit or the need to borrow amounts from the respective NCB can be attributed to the malfunctioning, that part of the applicable penalty rate (as stipulated in C.3.6.1 of the Rules and Regulations) which is above the marginal lending rate, shall be waived (and disregarded in future cases of spill-over) and for TARGET participants of national RTGS systems referred to in (ii) above, it shall be ignored for the purpose of access to intraday credit and/or continued participation in the national RTGS system concerned.

5. Procedural rules

- (a) Any claim for compensation shall be submitted on a claim form (the content and form of which shall be as determined and made public by the ECB from time to time) together with any relevant information and evidence required thereby. A sending TARGET participant shall submit one separate claim form in respect of each receiving TARGET participant. A receiving TARGET participant shall submit one separate claim form in respect of each sending TARGET participant. Claims in relation to a specific TARGET payment can be submitted only once, either by a direct or an indirect participant on their own behalf or by a direct participant on behalf of an indirect participant.
- (b) TARGET participants shall submit their claim form(s) to the NCB where the RTGS account that has or should have been debited or credited is maintained ("the home NCB") within two weeks of the date of the malfunctioning. Any additional information and evidence requested by the home NCB shall be supplied within two weeks of such request being made.
- (c) The Governing Council of the ECB shall carry out the assessment of all claims received and decide whether compensation offers shall be made. Unless otherwise decided by the Governing Council of the ECB and communicated to the TARGET participants, such assessment shall be made no later than twelve weeks after the malfunctioning.
- (d) The malfunctioning NCB shall communicate the result of the assessment referred to in (c) above to the relevant TARGET participants. If the assessment comprises a compensation offer, the TARGET participants concerned shall, within four weeks of the communication of such offer, either reject the offer or accept it, in respect of each payment order comprised within each claim, by signing a standard letter of acceptance (the content and form of which shall be determined and made public by the ECB from time to time). If such letter has not been received by the malfunctioning NCB within that four week period, the TARGET participants concerned shall be treated as having rejected the compensation offer.

- (e) Compensation payments shall be made by the malfunctioning NCB upon receipt of the TARGET participant's letter of acceptance. There shall be no interest payable on any compensation payment.

Timetable for E-RIX

| <i>Time</i> | <i>Event</i> |
|---------------|--|
| 7 a.m. | RIX is opened for reporting and settlement of Domestic Payments and TARGET Payments. |
| 7 a.m.–5 p.m. | A reported Payment is placed in a queue if a RIX Participant does not have a sufficiently large balance or credit line in its E-RIX Account. |
| 5 p.m. | <p>RIX is closed for reporting of Payments on behalf of customers.</p> <p>New inter-bank payments that are reported can be settled only if the Participant has a sufficiently large positive balance in its E-RIX Account.</p> <p>All RIX Participants begin to take measures to ensure that a utilised intra-day credit is settled before 5.15 p.m.</p> |
| 5.05 p.m. | Customer payments that are placed in a queue due to an insufficient positive balance or credit line are rejected. |
| 5.15 p.m. | Closing time for RIX Participants to settle Intra-day Credit in euro. |
| 6 p.m. | RIX is closed for reporting of interbank payments. |
| 6.05 p.m. | Interbank payments, which are still held in a queue due to an insufficient positive balance or credit line, are rejected. |
| 6.15–7 p.m. | <p>The matching process for TARGET Payments between the national central banks and the ECB is initiated.</p> <p>E-RIX is closed for incoming TARGET Payments from the central banks for which matching is achieved.</p> <p>RIX is closed when matching has been achieved in relation to all national central banks and ECB.</p> |

Timetable for K-RIX

| <i>Time</i> | <i>Event</i> |
|----------------------|---|
| 7 a.m. | RIX is opened for reporting and settlement of payments for customers and interbank. |
| 7 a.m.-5 p.m. | A reported payment is placed in a queue if a RIX Participant does not have a sufficiently large balance or credit line in its K-RIX Account. |
| 5 p.m. | RIX is closed for reporting of payments. Payments which are held in a queue due to an insufficient positive balance or credit line are rejected. |

THE RIKSBANK MONETARY POLICY INSTRUMENTS

ANNEX 4

| | | Types of transaction | | Maturity | Frequency | Procedure |
|---------------------------|---|---|-------------------------------------|---|--|-----------|
| | | Provision of liquidity | Absorption of liquidity | | | |
| A OPEN MARKET OPERATIONS | | | | | | |
| Main Operations | Repos Credit | | Standardised (minimum 1 week) | Regular | Tender procedure | |
| | | Issues (Riksbank Debt Certificates) | Standardised | | | |
| Fine-tuning Operations | Repos Credit Foreign Exchange Swaps | Deposits Foreign Exchange Swaps | Overnight or non- standardised | Non-regular | Bilateral procedures or tender procedures | |
| | | | | | | |
| Structural Operations | Repos Credit | Issues (Riksbank Debt Certificates) | Standardised or non-standardised | Regular and non- regular | Tender procedures | |
| | Foreign Exchange Swaps Outright Purchase (of securities) | Foreign Exchange Swaps Outright Sale (of securities) | | Non-regular | Bilateral procedures | |
| B STANDING FACILITIES | | | | | | |
| Lending facility | Credit | | Overnight | Access on the Counterparty's initiative | | |
| Deposit facility | | Deposits | Overnight | Access on the Counterparty's initiative | | |

Accession Agreement

*for the Riksbank's Rules and Regulations for RIX and Monetary Policy Instruments
(the Rules and Regulations)*

Sveriges Riksbank (the Riksbank) and [NAME OF THE INSTITUTION], [REGISTRATION NUMBER OR EQUIVALENT] (the Institution) hereby enters into the following Accession Agreement according to the alternatives marked below.

1 ACCESSION TO RIX

The Riksbank hereby accepts the Institution as RIX Participant with the right to settle payment obligations in

- ☐ Swedish kronor (K-RIX)
- ☐ Euro (E-RIX)

2 ACCESSION TO THE MONETARY POLICY OPERATIONAL FRAMEWORK

2.1 Standing Facilities

- ☐ The Institution has access to the Standing Facilities since it is a Credit Institution that is a K-RIX Participant and is domiciled or has a branch in Sweden.

2.2 Open Market Operations

The Riksbank hereby accepts the Institution as

- (a) Counterparty in
 - ☐ (i) Main Operations and Structural Operations in the form of Repos, Credit or Issues, or
 - ☐ (ii) all operations according to (i) and Fine-tuning Operations in the form of Repos, Credit or Deposits (Primary Monetary Policy Counterparty)
- (b) Counterparty in
 - ☐ Foreign Exchange Transactions

3 LEGAL EFFECT

The Institution is hereby legally bound by the Rules and Regulations in those parts to which this Accession Agreement refers and receives the rights and obligations in relation to the Riksbank that are set out in relevant parts of the Rules and Regulations.

This Accession Agreement has been drawn up in duplicates, of which the parties have each taken one.

Stockholm [DATE]

[PLACE AND DATE]

For

For

Sveriges Riksbank

[NAME OF THE INSTITUTION]

[SIGNATURES]

[SIGNATURES]

[NAME OF COUNTERPARTY/PLEDGOR], [REGISTRATION NUMBER OR EQUIVALENT] (The Institution) hereby gives the following

Grant of Pledge

*according to the Riksbank's Rules and Regulations for RIX and Monetary Policy Instruments
(the Rules and Regulations)*

For the fulfilment of all obligations [NAME OF COUNTERPARTY], [REGISTRATION NUMBER] (the Counterparty) has or may have in relation to the Riksbank according to the Rules and Regulations, on the terms and conditions set up in the Rules and Regulations the undersigned hereby pledges as collateral in favour of the Riksbank

a) the book-entry securities held on account in [THE NAME OF THE CENTRAL SECURITIES DEPOSITORY] which from time to time are registered in pledge account no. [X (och Y)] with [NAME OF THE CENTRAL SECURITIES DEPOSITORY],

b) the book-entry securities which from time to time are registered on one or more Pledge Accounts for Securities Settlement (in the Rules and Regulations called PASS and in VPC's Rules and Regulations called collateral account) directed by the pledgor in the way more closely described in the VPC's rules and regulations, and

c) claims on settlement payments which the pledgor receives in connection with the transfer of securities referred to in b).

This Grant of Pledge has been drawn up in duplicates, of which the Riksbank and the [COUNTERPARTY/PLEDGOR] have taken one each.

[PLACE AND DATE]

For

[NAME OF COUNTERPARTY/PLEDGOR]

[SIGNATURES]

The above Grant of Pledge is accepted

Stockholm [DATE]

For

Sveriges Riksbank

[SIGNATURES]

CONFIRMATION OF REPO TRANSACTION WITH SVERIGES RIKSBANK

To be sent to facsimile +46 (0)8-24 77 11 not later than 1:00 p.m CET

according to the Riksbank's Rules and Regulations for RIX and Monetary Policy Instruments (the Rules and Regulations)

Counterparty

Contact and phone

The counterparty sells with settlement on
(the Purchase Date)

and repurchases with
settlement on
(the Repurchase Date)

the following securities (Purchased Securities) according to the terms for Repos in the Rules and Regulations:

| <u>Purchased Securities</u> | | <u>Nominal amount mSEK</u> | | <u>Purchase settlement amount</u> | <u>Repurchase settlement amount</u> |
|-----------------------------|--|----------------------------|--|-----------------------------------|-------------------------------------|
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Total Settlement Amount

Purchase Price

Repurchase Price

The Purchase Price equals exactly the allocation in the tender.

Date

Signature

Settlement of payments in connection with settlement of securities in VPC

1 SCOPE OF THIS ANNEX 8

Together with the conditions specified in other parts of the Rules and Regulations, the conditions in this Annex apply to payments in connection with the settlement of securities in VPC in accordance with General conditions, Section C, of VPC's rules and regulations when payments are transacted on accounts in the Riksbank by RIX Participants that are Settlement Institutions.

2 DEFINITIONS

In addition to the definitions and abbreviations that apply in accordance with Section B.1 of the Rules and Regulations, the following definitions and abbreviations apply for the conditions in this Annex 8.

Central Bank Credit (CB Credit): Intra-day credit granted by the Riksbank to RIX Participants by special arrangement for the purpose of facilitating the settlement of securities in VPC

Central Bank Credit Account (CBCA): Credit account in the Riksbank administered by VPC and used for booking Central Bank Credit

Liquidity Settlement Account (LSA): Account in the Riksbank administered by VPC and used in VPC's securities settlements; a LSA with the balance denominated in SEK can be held only by a K-RIX Participant; a LSA with the balance denominated in Euro can be held only by an E-RIX Participant

Pledge Account for Securities Settlement (PASS): A pledge account in VPC that is used specifically for pledging securities to the Riksbank in connection with CB Credit settlement in VPC, and which are called security account in VPC's rules and regulation.

Settlement Institution: An institution that in accordance with VPC's rules and regulations is called Settlement Bank and which executes and receives payments on behalf of Clearing Members.

3 OPENING A LIQUIDITY SETTLEMENT ACCOUNT (LSA)

RIX Participants wishing to execute payments referred to in section 1 shall conclude a separate agreement with the Riksbank to open one or more LSA.

4 CREDITING A LIQUIDITY SETTLEMENT ACCOUNT (LSA)

Crediting a LSA occurs either

- (i) as a consequence of a RIX Participant receiving liquidity for sold securities in the context of VPC settlement,

- (ii) through a transfer from another LSA when both LSAs are held by the same RIX Participant,
- (iii) through a transfer from the RIX Participant's RIX Account to VPC's RIX Account in accordance with Section C.2.1.1 of the Rules and Regulations, or
- (iv) after the RIX Participant has been granted CB Credit in accordance with Section 7 below.

5 DISPOSAL OF CREDIT BALANCE ON LIQUIDITY SETTLEMENT ACCOUNTS (LSA)

- (a) A RIX Participant can dispose of a credit balance on a LSA only by
 - (i) executing payment through participation in VPC's settlement in accordance with VPC's rules and regulations, or
 - (ii) initiating a transfer to its own RIX Account, its own CBCA or another of the RIX Participant's LSAs, in accordance with the technical routines VPC applies according to its rules and regulations.
- (b) A transfer in accordance with (a)(ii) cannot involve a LSA balance that has been marked "ready to settle" on account of the RIX Participant in VPC's settlement but has not yet been finally settled in accordance with VPC's rules and regulations.
- (c) A transfer in accordance with (a)(ii) can never involve an amount whereby any negative CBCA balance is no longer covered by a remaining LSA balance. Such a transfer can however be executed if it involves a LSA that is not connected to a CBCA.

6 ZEROING A LIQUIDITY SETTLEMENT ACCOUNT (LSA)

A positive LSA balance shall be zeroed daily no later than at the time of VPC's last liquidity settlement. The Riksbank has the right to perform such a zeroing by using any positive balance on the RIX Participant's LSA, after VPC's last settlement round, to regulate any credit on the RIX Participant's CBCA. The Riksbank has the right to transfer any remaining positive LSA balance to the RIX Participant's RIX Account.

7 GRANTING CREDIT

- (a) A RIX Participant with a right to Intra-day Credit is entitled to obtain CB Credit against collateral in a separate pledge account for securities settlement (PASS). In addition to the provisions in VPC's rules and regulations, CB Credit is subject to Section E 1 of the Rules and Regulations. The Riksbank announces in a special procedure which securities that cannot be used as collateral for CB Credit. The provisions in this Section 7 also apply.
- (b) A prerequisite for granting credit to the RIX Participant in accordance with this Section 7 is that a separate grant of pledge has been signed with the Riksbank. An example of a grant of pledge is contained in Annex 6. This grant of pledge pledges the securities that from time to time are registered on one or more PASSs (called Security account in VPC's rules and regulations) that the pledgor has assigned in the way that is described in more detail in VPC's rules and regulations, whereupon VPC accepts such assignments on behalf of the Riksbank.
- (c) A RIX Participant who has obtained CB Credit in accordance with Section 7 (a) is bound to repay the credit before 3 p.m. on the settlement day. If the Settlement Institution has not repaid the credit in time, the Riksbank has the right to transfer all or parts of the securities that have been pledged on the RIX Participant's PASS as collateral in accordance with

Section 7 (a) to a pledge account the content of which the RIX Participant has pledged as collateral for received Intra-day credit in RIX without connection with securities settlement in VCP. Furthermore, the Riksbank has the right, with the pledged securities as collateral, to transfer requisite amounts as credit from the Riksbank for settlement of the RIX Participant's CB credit.

- (d) The RIX Participant has the right to dispose of pledged securities registered in the PASS only insofar as CB credit has been settled or any outstanding CB credit is collateralised with remaining securities in the PASS that fulfil the Riksbank's collateral requirements in accordance with Section E.2 in the Rules and Regulations. Even if the provisions in the preceding sentence have not been complied with, pledged securities can be transferred for securities settlement in VCP, whereupon the Riksbank obtains collateral in the RIX Participant's claim on settled liquidity instead of the transferred securities. Such a transfer presupposes that the RIX Participant's claim on settled liquidity as a result of the transfer, together with the value of remaining collateral in the PASS, at least equals the value of outstanding CB credit. After such a transfer has been marked as clear in the VPC settlement, the RIX Participant cannot have recourse, even for continued settlement, to amounts equivalent to the claim on settled liquidity pledged thereby before the time when the CB credit is settled.

8 IRREVOCABILITY AND FINALITY

- (a) The following applies in connection with an application of the Act (1999:1309) on system for settling commitments in the financial market. A transfer between LSA that constitutes payment in securities settlement in accordance with VPC's rules and regulations is considered according to the Rules and Regulations not to be founded on an order placed in the RIX system. Such a transfer is considered instead to be founded on an order placed in VPC's settlement system at the time stated in VPC's rules and regulations.
- (b) A transfer order in accordance with (a) cannot be revoked by the RIX Participant or a third party after the time that VPC's rules and regulations specify for the revocation of transfer orders. The prerequisites for the transfer of assets from LSA to the RIX Participant's regular RIX Account are specified in Section 5 of this Annex.

9 RESPONSIBILITY

- (a) The Riksbank is not responsible for damage occasioned by disruptions in VPC's settlement system.
- (b) Payments referred to in Section 1 above presuppose cooperation between the Riksbank and VPC. If for some reason this cooperation is discontinued, the Riksbank is not responsible for damage that may then be occasioned.