

DECISION



DATE: 16 December 2008
DEPARTMENT: Monetary Policy Department/Division for Market Analysis & Operations
REFERENCE:

SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

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

DNR 2008-975-APP

■ Preparedness for new loans in US dollars against collateral

Background

As a result of the international financial turmoil the Riksbank has on several occasions during autumn 2008 offered auctions for loans in US dollars against collateral to its primary monetary policy counterparties. These loans have been financed by funds from the Riksbank's foreign exchange reserve and via a swap agreement with the Federal Reserve Bank of New York. Some of the loans have already matured, and these have been replaced by loans offered in new auction procedures.

In January 2009 two of the loans with an original maturity of three months will mature. Given that the international financial turmoil is persisting, it is appropriate that the Riksbank continues to offer the primary monetary policy counterparties liquidity in US dollars, both through new auction procedures being held in connection to the old loans maturing, and also by being prepared to hold further auctions if the circumstances so require.

Considerations

Loans in US dollars to a total sum of USD 10 billion will mature on 9 January 2009 and loans for a further USD 10 billion will mature on 16 January 2009. It is appropriate that the primary monetary policy counterparties continue to be given the opportunity to borrow US dollars from the Riksbank through an auction procedure, both in connection with these two occasions and on other occasions in the future, if the international market for short-term liquidity in US dollars remains strained.

However, it is difficult to determine the exact terms for these new auctions in advance and some flexibility may be needed in the final formulation of the auctions. It is therefore proposed that the Head of the Monetary Policy Department be given the opportunity to adjust the scope of the auction according to the prevailing market conditions and the bids received and otherwise determine the more detailed terms.

Proposed decision

It is proposed that the Executive Board decide that

- - The Riksbank will offer loans in US dollars to the Riksbank's primary monetary policy counterparties. The loan will be offered through two auction procedures held on 7 January and on 14 January 2009, with the value dates of 9 and 16 January 2009 respectively. The maturity of the loans will be 84 days and 28 days respectively, which means that the loans will mature on 3 April and 13 February 2009 respectively,
- to give the head of the Monetary Policy Department the task after consultation with the Head of the Financial Stability Department and the Head of the Asset Management Department, of deciding on the amounts to be offered in the respective auctions. The minimum interest rate in these auctions shall be the interest on overnight index swaps in US dollars for the relevant duration with an addition of 0.50 percentage points,
- to give the head of the Monetary Policy Department the task, after consultation where required by the circumstances with the Head of the Financial Stability Department and the Head of the Asset Management Department, of deciding on holding new auctions for loans in US dollars. However, the total loans offered may not exceed USD 37 billion, and
- to give the Head of the Monetary Policy Department the task of determining the more detailed terms for the loans.