

# Press Release

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## Restrictions introduced for securities used as collateral for banks' borrowing from the Riksbank

The Board of Sveriges Riksbank has today decided that securities issued by institutions with close links to a bank are no longer acceptable as collateral when borrowing from the Riksbank. The practical consequence is that banks no longer can pledge securities issued by mortgage institutions that belong to the parent bank's financial group.

The argument behind the decision is that lending decisions shall be based on the creditor's total, consolidated, engagement in each borrower's financial group. Thus, the Riksbank does not find it appropriate for a bank to use securities issued by an entity within the same financial group as collateral for borrowing from the Riksbank, since the credit risk stemming from the parent bank and the subsidiary entity may be correlated.

The decision does not apply to the general use of mortgage securities as collateral for borrowing from the Riksbank, only in the case of a parent bank pledging securities issued by its own subsidiary. Securities issued by mortgage institutions are the only debt instruments issued by private institutions that are accepted as collateral by the Riksbank today.

The decision will come into force on April 1st, 1998.

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