

Press Release

6 FEBRUARY 2002 No 7

Preparations, decision-making and communication in the event of foreign exchange interventions

The Executive Board of the Riksbank decided on 31 January 2002 to clarify its procedures with regard to the preparations, decision-making and communication concerning interventions in the foreign exchange market. A corresponding system for processing decisions regarding the repo rate was established in January 1999. The decision made now should be regarded in the light of the experiences from the interventions in the foreign exchange market during 2001. The clarification emphasises the importance of transparency and clarity when deciding on interventions. With this document, the Riksbank is showing much greater transparency than is normally the case among central banks.

Interventions in the foreign exchange market are primarily a means of signalling and emphasising changes in monetary policy; a process that is considered necessary to maintain price stability. The Riksbank can also, in certain circumstances, act to influence the exchange rate or to promote the efficient functioning of the foreign exchange market. The background is then either that the inflation target has been achieved and that measures are taken to support other economic policy objectives, such as sustainable growth and a high level of employment, or that an intervention is considered desirable to promote a safe and efficient payment system.

Interventions will continue to be used with restraint. The Riksbank's actions are normally guided by an assessment of inflationary trends over the coming years. Short-term exchange rate fluctuations are of little significance in this context.

The process for preparation and decision-making with regard to interventions should, like the rest of the Riksbank's work, be characterised by a high degree of transparency and clarity. The Swedish parliament, the Riksdag, has delegated the responsibility for monetary and foreign exchange policy to the Riksbank. This also includes decisions on any foreign exchange interventions. Given this, it is important that the bases for all decisions, including those on interventions, are reported in an open and clear manner. This facilitates an evaluation of the Riksbank's actions. In addition, transparency and clarity can provide support for the interventions' function as an instrument for signalling.

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Interventions will normally be prepared and decided in the same way as other monetary policy decision. This ensures a clear connection to the other monetary policy work within the Riksbank, while reducing the risk of misunderstandings in external communication.

The Executive Board has decided on a system whereby two separate decisions will be taken in conjunction with foreign exchange interventions: an outline of the motives behind interventions and a nominal intervention mandate. The main elements in the outline of motives will normally be published in the form of a press release. The mandate will usually contain the period of time during which interventions will be made and a framework for the scope of the interventions. It may be more detailed or less detailed, depending on the circumstances.

The considerations with regard to motives for interventions will be reported in separate minutes, which will normally be published with some time lag. The minutes may take the same form as those for other monetary policy decisions with regard to discussion of the factors influencing the decision, how the members of the Executive Board have voted, etc. Decisions on a mandate for interventions will normally be documented in separate minutes. Publishing these minutes could be regarded as counteracting the purpose of the measures that have been decided on or are anticipated.

There is no self-evident balance between transparency and clarity on the one hand and efficient implementation of the measures on the other hand. Bearing in mind that the motive for transparency is primarily to enable an assessment of the activities of the Executive Board, it appears natural that transparency should be greatest with regard to the fundamental discussion on motives, etc.

If there should be a change in the floating exchange rate regime, there would be reason to reconsider the system for foreign exchange interventions.

Any further questions can be answered by:

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