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Additional measures to mitigate the effects of the corona pandemic on the Swedish economy

Sveriges Riksbank

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Additional measures to mitigate the effects of the corona pandemic on the Swedish economy

○ PRESS RELEASE To mitigate the effects on the Swedish economy and combat the ongoing market unease, the Executive Board of the Riksbank has decided on new measures at an extraordinary monetary policy meeting. The Riksbank will enable loans in US dollars to ensure continued good supply of one of the most important currencies for Swedish companies. To provide banks with more scope to borrow from the Riksbank, the limit rules for mortgage bonds (covered bonds) are being removed. Finally, the Riksbank now also intends to buy commercial paper.

The Riksbank to offer loans in US dollars

A good supply of both Swedish kronor (SEK) and US dollars (USD) is important to mitigate the consequences for output and employment in the wake of the corona pandemic. Central banks around the world have therefore taken a number of measures to alleviate the situation.

The Riksbank will now offer loans in US dollars against collateral. The framework amount is USD 60 billion for the period 19 March 2020 up to and including 18 September 2020. An initial auction of USD 10 billion will take place next week.

“To manage the strained situation on financial markets, the Riksbank and other central banks have decided to enable lending in US dollars by banks. By taking this action, we will combat the current market unease. The Riksbank is prepared to take further measures if necessary,” says the Governor of the Riksbank, Stefan Ingves.

Amended regulations for collateral

The Riksbank has decided to remove limit rules for covered bonds. This is to enable counterparties to use significantly more covered bonds for credit at the Riksbank and help improve functionality on the market for covered bonds.

The decision means that

- The permitted share of covered bonds of a counterparty's total collateral volume when borrowing from the Riksbank will increase from the currently applicable 80 per cent to 100 per cent.
- The permitted collateral value for covered bonds issued by an individual issuer, or group of individual issuers, will be raised from 50 per cent to 100 per cent, and that
- The Riksbank will accept covered bonds issued by the counterparty, or institution with close links to the counterparty, as collateral for credit at the Riksbank.

The Riksbank intends to buy commercial paper

Within the framework of the decision to purchase more securities for up to SEK 300 billion this year, the Riksbank also intends to include purchases of securities issued by non-financial companies.

Economic development and the situation on financial markets, both in Sweden and other countries, are now deteriorating very rapidly. Given this, the Riksbank is prepared to take further measures and supply the necessary liquidity even between the ordinary monetary policy meetings. All the Riksbank's tools can be put to use. How the tools will be used depends on future developments.

More details about the dollar loans and the date and time for the first auction, and the purchases of commercial paper will be published shortly on the Riksbank's website, riksbank.se.

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