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1-4-2022

FAQ about extended purchases of securities

Sveriges Riksbank

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FAQ about purchases of securities

To mitigate the effects of the coronavirus pandemic on the Swedish economy, the Riksbank offered to purchase assets in an amount of up to SEK 700 billion, up to 31 December 2021, in addition to the purchases planned prior to the pandemic. The purpose was to keep general interest rates low and contribute to efficient credit supply. In 2022, the Riksbank's asset purchases will focus on compensating for maturing securities so that total holdings remain approximately unchanged, thereby contributing to a well-balanced monetary policy. Here we have collected frequently asked questions about the Riksbank's purchases of securities.

Securities is a collective term for bonds, funds, equities and so on. The Riksbank's securities purchases include government bonds, treasury bills, mortgage bonds, corporate bonds and commercial paper as well as municipal bonds.

Why is the Riksbank purchasing securities to such a large extent?

We are doing this to keep the financial markets going. When the economy is turbulent, various types of assets lose value. If the Riksbank then purchases securities, for example government bonds, treasury bills, mortgage bonds and municipal bonds, demand increases for these securities. This leads to upward pressures on the price of the securities and to the return or yield on them thereby being pushed down. It could be said that the increase in demand means that the securities will not fall so much in price, which will reduce unease on the financial markets and increase stability in the system. At the same time, it will lead to lower interest rates.

When the Riksbank purchase securities, for example bonds, these are converted into cash, which is to say liquidity in the form of "new" money on the banks' accounts with the Riksbank. This therefore means that there will be a large surplus of money in the Swedish banking system. The banks can use this new money for transactions with each other, to lend to companies and households or to purchase other assets.

The Riksbank has decided to purchase different types of securities. What is the difference and what determines the type of security the Riksbank purchases?

Government, corporate, mortgage and municipal bonds all have different levels of risk. In well-managed countries, government securities have very low risk as the state can always, in principle, repay its debts by increasing taxes or reducing expenditure. The municipal and mortgage bonds purchased by the Riksbank are also safe securities with high credit ratings, but the yields on these are higher than on government bonds. Corporate bonds are generally higher risk and have higher yields than other securities, as issuers can more easily become insolvent.

The type of security the Riksbank chooses to purchase depends on several factors. The Riksbank has already purchased a large share of all Swedish government bonds. Sweden's national debt is also small in relation to GDP, compared with many other countries. This sets a limit for how many government bonds it is appropriate to purchase. Another important factor is demand for the various assets on the financial markets. For example, if demand for mortgage bonds decreases strongly, there may be reason to purchase these to support the mortgage market.

Why is the Riksbank now purchasing corporate and mortgage bonds when it has not done so previously?

The measures are helping to keep down general interest rates in the economy, and to maintain access to low-cost funding. In this way, the Riksbank is providing support to the recovery in the economy and inflation. By purchasing corporate bonds, we are improving the credit supply to companies. The major Swedish banks fund a large part of their lending by issuing covered bonds. By purchasing covered bonds, the Riksbank directly affects the banks' funding costs, which ultimately contributes to keeping the interest rates faced by households and companies low. The purchases of municipal bonds help keep general interest rates down at a low level.

How much and which commercial paper has the Riksbank purchased?

The purchases of corporate bonds were terminated on 31 December 2021 after the Riksbank's offer had not attracted any interest for a long period of time. The Riksbank's previous purchases of commercial paper are reported on the page [Purchases of commercial paper](#). This specifies the total volume of commercial paper that the Riksbank has purchased per week and in total over the course of the purchase programme. The Riksbank's total holdings of commercial paper was published every month. However, the Riksbank has had no holdings since 31 July 2021.

How much and which corporate bonds has the Riksbank purchased?

The Riksbank's purchases of corporate bonds are reported on the page [Purchases of corporate bonds](#) on this website. This specifies the total volume of corporate bonds that the Riksbank has purchased per week and in total over the course of the purchase programme. A list of the companies with outstanding bonds that meet the criteria to be eligible for purchase by the Riksbank is shown on the page [List of companies with bonds that meet the Riksbank criteria](#). The list will be updated monthly.

When the Riksbank purchases corporate bonds by auction, information on, for instance, total bid volume, number of bids, allocated volume and price per bond directly after the completed auction.

The Riksbank's total holdings of corporate bonds, divided into credit classes 1 and 2, and the allocation of the holdings among sectors and average remaining maturities will be published monthly, starting from the turn of the year 2020/2021.

As of 1 February 2022, a [transaction list](#) is also published, which contains all purchases of corporate bonds, together with a more detailed [list of holdings](#). The lists are updated every quarter, with a one-month time lag.

What is the difference between purchasing corporate bonds through bilateral purchase procedures and by auction?

The bilateral purchase procedures entail transactions between the Riksbank and the counterpart. The security involved, volume and prices are negotiated for each transaction between the Riksbank and the counterpart. An auction involves all counterparties competing

against one another in bidding with regard to the price and volume at which they are prepared to sell a particular bond.

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Updated 04/01/2022