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Reg.no. 2020-00397

# Annex B to the minutes

DATE: 19 March 2020  
DEPARTMENT: Markets Department

## Departure from internal financial regulations

### Decision by the Executive Board

The Executive Board decides that

- the Riksbank may implement transactions in connection with general lending in US dollars during the period up to and including 18 September 2020, even if these are conflict with:
  - Section 2.3 of the *Financial Risk and Investment Policy* (ref.no. 2019-01124) regarding the market risk in the gold and foreign currency reserves,
  - Section 4.1.1 in the *Regulations for the gold and foreign currency reserves* (ref.no. 2019-01014) regarding the lowest permitted share of the respective currencies in the reserves,
  - Section 8.4.1 in the *Regulations for the gold and foreign currency reserves* (ref.no. 2019-01014) regarding the market risk in the gold and foreign currency reserves, and
- to publish the decision on Thursday, 19 March 2020 no later than 20:00.

### Considerations

To finance a general lending in US dollars for monetary policy purposes, pursuant to the decision by the Executive Board on 19 March 2020, the Riksbank may need to implement transactions that affect the composition of the foreign currency reserves. It is therefore judged to be appropriate for the Riksbank to implement these transactions, even if this entails some departures from the Riksbank's Financial risk and investment policy (ref.no. 2019-01124) and the Regulations for the gold and foreign currency reserves (ref.no. 2019-01014).

The credit in US dollars that has been decided on will mean that in the current market situation the Riksbank will need to hold a larger share of US dollars than is stipulated in these governing documents to finance this facility. The financing may take the form of

the Riksbank selling assets in other currencies and converting them to US dollars, or using the swap facility with the Federal Reserve Bank of New York.

Regardless of the financing method, a higher share of US dollars in the foreign currency reserves could lead to an increase in market risk for the gold and foreign currency reserves, which could in turn lead to the limit for market risk being exceeded. A higher share of US dollars in the foreign currency reserves also leads to the shares of the other currencies declining, which means that the Riksbank also needs to depart from the provisions regarding the lowest permitted shares for currencies in the policy portfolio, according to the current rules for the gold and foreign currency reserves.

To be able to supply US dollars to the extent and at the rate judged necessary given the purpose of the general lending, the Riksbank should be able to implement the requisite transactions even if they are in conflict with Section 2.3 of the *Financial Risk and Investment Policy* and Section 8.4.1 of the *Regulations for the gold and foreign currency reserves* in their respective parts referring to the market risk of the gold and foreign currency reserves, and Section 4.1.1 in the *Regulations for the gold and foreign currency reserves* in the parts that refer to the lowest share of the respective currencies in the foreign currency reserves.

This decision is taken in the light of the Risk Division's overall assessment, which states that these departures will not increase the risks in the Riksbank's activities in any material way. Similarly, the Financial Stability Department assesses that these departures are justified. The provisions discussed here are primarily aimed at maintaining the foreign currency reserves intact. However, when situations arise when the reserves need to be put to use, more flexibility can be required than normal. All such situations are unique and must be dealt with in the manner considered most appropriate. According to this assessment, the current departures are compatible with the Riksbank's task, objectives and risk tolerance level.