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# Annex to the minutes

DATE: 3 April 2020  
Monetary Policy Department, Markets Department  
DEPARTMENT: and Financial Stability Department

## Continuing purchases of commercial paper

### Decision by the Executive Board

The Executive Board decides

1. that between 8 April and 31 May 2020, the Riksbank will offer to purchase from monetary policy counterparties commercial paper issued in Swedish krona by Swedish non-financial corporations for a nominal amount of SEK 32 billion, in accordance with the description in the annex,
2. that on Wednesday, 8 April 2020, the Riksbank will offer to purchase from monetary policy counterparties commercial paper issued in Swedish krona by Swedish non-financial corporations for a nominal amount of SEK 4 billion, in accordance with the description in the annex,
3. to instruct the Head of the Markets Department, with the right to delegate this to another, after consultation with the Executive Board and the Head of the Monetary Policy Department and the Head of the Financial Stability Department, with the right for these department heads to delegate this task to another, to decide on the exact bid procedure dates within the framework of this purchase programme and on the offered amounts at each respective bid procedures,
4. to instruct the Head of the Markets Department, with the right to delegate this to another, after consultation with the Executive Board and the Head of the Monetary Policy Department and the Head of the Financial Stability Department, with the right for these department heads to delegate this task to another, the details regarding the terms and conditions for, and information about, the purchases of the commercial paper, and
5. to publish the decision on Friday, 3 April, no later than 17.00.

## Background

The corona pandemic is having widespread humanitarian consequences and is affecting the global and the Swedish economy to a great extent. Across the entire world, strong measures have been adopted to restrict the spread of the virus. The precautionary measures adopted by governments, companies and private persons are affecting increasingly more sectors of the economy, with significant falls in turnover, and the number of company bankruptcies has increased. Several major manufacturing companies have also been forced to close their production facilities and lay off their staff due to problems with deliveries of input goods. Additionally, small and medium-sized enterprises are experiencing significant problems. The abruptness of the downturn is reflected by the statistics on redundancy notices.

There are clear signs of liquidity problems on the financial markets, both in Sweden and abroad. Several companies report that they are having difficulties in refinancing their loans and several larger manufacturing companies are worried that their smaller subcontractors and customers will have problems with their funding. The continued turbulence on the financial markets means that the credit supply in the Swedish economy may deteriorate further. This would risk further aggravating the already serious downturn in the economy, with prolonged negative consequences for output and employment in Sweden. It would also make it more difficult for the Riksbank to achieve its price stability target.

## Considerations

To support credit supply broadly in the Swedish economy, the Executive Board decided on 12 March 2020 to implement a programme for corporate loans in Swedish kronor, where banks that are monetary policy counterparties to the Riksbank can borrow, in total, up to SEK 500 billion from the Riksbank for onward lending to Swedish non-financial corporations.

In addition, with the aim of keeping monetary policy expansionary and providing support to the economy, the Executive Board decided on 16 March 2020 to implement purchases of bonds in the period March–December 2020 to a total nominal amount of up to SEK 300 billion. This decision covers purchases of government bonds, bonds issued by Swedish municipalities and Kommuninvest i Sverige AB and covered bonds issued by Swedish institutions. On 19 March 2020, the Executive Board decided that during the same period, within the programme for bond purchases, the Riksbank shall also purchase bonds and commercial paper issued by Swedish non-financial corporations. The extended purchases of government bonds were initiated on 18 March 2020, and the purchases of covered bonds were initiated on 25 March 2020. The purchases of commercial paper were initiated on 2 April 2020.

In light of the worsening problems in the corporate sector connected to the corona pandemic, it is appropriate that the Riksbank between 8 April and 31 May 2020, as a next step in the programme for bond purchases, should offer to purchase from monetary policy counterparties commercial paper issued in Swedish kronor by Swedish non-financial corporations for a nominal amount of SEK 32 billion. These purchases are part of the Riksbank's programme for bond purchases of up to SEK 300 billion.

An initial bid procedure of SEK 4 billion will take place on Wednesday, 8 April 2020. The exact dates for subsequent auctions and the amounts offered at these auctions are determined by the Head of the Markets Department after consultation with the Executive Board and the Head of the Monetary Policy Department and Head of the Financial Stability Department. Consultation with the Executive Board is best done in the form of the Executive Board at regular meetings prior to each bid procedure being kept informed of the current assessment of market functioning at that time. It is the responsibility of the Head of the Markets Department, after the equivalent consultation, to determine the precise details regarding the terms for, and information about, the purchases of commercial paper. When making this decision, the Head of the Markets Department shall take into consideration the following conditions for the purchases in question.

So that this measure will be able to provide rapid support to the economy and alleviate the most acute problems for Swedish companies needing to refinance loans maturing over the coming months, the purchases of commercial paper will be focused on short maturities. The purchases will therefore cover securities issued as commercial paper with remaining maturities of up to three months at date of auction. Only commercial paper issue by companies with credit ratings of equivalent Baa3/ BBB– or higher will be included in the purchases. At the dates of auction, the Riksbank determines price and volume.

The purchases of commercial paper shall be made on the secondary market. Furthermore, they will be made through a bid procedure in which the Riksbank's monetary policy counterparties place bids specifying the issuer's credit rating for the commercial paper the counterparty wishes to sell and in which volume. In this way, the distribution of the Riksbank's transactions will be transparent to the market. Moreover, the bid procedure is an appropriate way of achieving an efficient implementation of the current monetary policy measure, taking into account the prevailing market conditions. Considering the requirements imposed by the Riksbank's remit, the purchases may take sustainability into account when selecting commercial paper.

The Riksbank's measures normally have several different, and partly uncertain, consequences for the national economy and the Riksbank's own finances. The benefits of the respective measures therefore have to be weighed against their potential drawbacks and risks. The Riksbank deems that there exists high awareness of the risks and an effective approach to risk management in operations. The increased risk level is therefore manageable for the Riksbank.

The purchases are justified in terms of monetary policy as described above, pursuant to Chapter 6, Article 5 of the Sveriges Riksbank Act (1988:1385).

By purchasing commercial paper, the Riksbank is helping to improve market functionality and thus improve credit supply to companies and the impact of monetary policy on the economy. However, there is still considerable uncertainty regarding economic developments and the situation on the financial markets both in Sweden and other countries. Given this, the Riksbank is prepared to take further measures and to supply liquidity as needed, even between ordinary monetary policy meetings. All of the Riksbank's tools can be put to use. How the tools will be used depends on future developments.

## Annex

Facts about the Riksbank's purchases of commercial paper issued in Swedish kronor by Swedish non-financial companies to be made during the period 8 April–31 May 2020 in accordance with the provisions of the applicable terms and conditions.

Total nominal amount offered:	SEK 32 billion.
Nominal amount offered at first bid procedure:	SEK 4 billion.
Type of security:	Commercial paper with remaining maturity of up to three months at the time of the auction, issued in Swedish kronor by Swedish non-financial corporations.
First bid procedure:	Wednesday, 8 April 2020.
Announcement of more detailed terms for purchases:	Special terms and conditions will normally be published at least 2 days prior to the respective Bid procedure.
Form of purchase:	Bidding procedure in which counterparties place bids for total volume per credit rating class.
Eligible bidders:	Riksbank monetary policy counterparties authorised to participate as bidders in accordance with applicable general terms and conditions.
Bid procedure:	Bids for volume and credit rating are to be submitted by telephone at the Bid procedure.
Allocation:	Normally 30 minutes after the final time for submitting bids.  After allocation, it is the duty of the participant to supply commercial paper up to the allocated volume.  Allocation takes place pro rata.
Payment and delivery:	Shall be made the second banking day after the Auction concerned in Euroclear Sweden's securities settlement system.
General terms and conditions:	General terms and conditions for the Riksbank's purchases of commercial paper via bidding procedure 2020, dated 30 March 2020 (see the Riksbank's website).