

PRESS RELEASE



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The Riksbank begins transition to a fully self-financed foreign exchange reserve

The Riksbank is replacing external financing of the foreign exchange reserve by purchasing foreign currency on the foreign exchange market between February 2021 and December 2023. The purchases will take place at an even pace, be paid in Swedish kronor and amount to about SEK 5 billion per month, on average. At the same time, the Riksbank intends to repay the currency loans taken by the Swedish National Debt Office as they mature. This will provide the Riksbank with more appropriate long-term funding for the foreign exchange reserve. This change has no monetary policy purpose.

The foreign exchange reserve is currently financed in two different ways: partly through the Riksbank's own financing, which comprises of equity, banknotes and coins issued and deposits from the banks, and partly through loans in foreign currency on the international capital market via the Swedish National Debt Office. In an international perspective, it is unusual for central banks to finance a large share of the foreign exchange reserve by borrowing foreign currency.

The Riksbank has now decided, over the course of three years, to replace the borrowed part of the foreign exchange reserve, which currently amounts to SEK 178 billion*, with self-financing. The Riksbank will therefore purchase foreign currency on the foreign exchange market at an even pace and pay for the purchases in Swedish kronor, which means that the banks' deposits in Swedish kronor on the Riksbank's balance sheet will increase. At the same time, the Riksbank will repay the currency loans through the Swedish National Debt Office as they mature. The Riksbank assesses the current size of the foreign exchange reserve to be appropriate and the change is not aimed at affecting the size of the foreign exchange reserve over time.



Over the period February 2021 until 31 December 2023, the Riksbank will purchase foreign currency with Swedish kronor in an amount averaging SEK 5 billion per month.

As the maturity structure of the currency loans and the planned currency exchanges will not match one another at every given point in time, the size of the foreign exchange reserve will vary somewhat during the transition to a fully self-financed foreign exchange reserve. To avoid the foreign exchange reserve being too small for short periods, the Riksbank may therefore need to refinance some currency loans in the coming years.

The purpose of spreading out the exchanges evenly over a three-year period, instead of only purchasing currency when the currency loans mature, is to minimise the effect of the exchanges on the foreign exchange market and the Swedish krona exchange rate. The exchanges shall be carried out with due caution and taking market conditions into consideration. This means that the volumes can vary on individual dates, even though the Riksbank will endeavour to attain an even pace of exchange every month. This is important because the exchanges have no monetary policy purpose and are thereby not being conducted to affect the Swedish krona exchange rate.

* Correction 13 January 2021: An incorrect figure has been changed. The correct amount is SEK 178 billion.