

SWESTR – a fully transaction- based reference rate

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Reference interest rates – a question of confidence

- Reference rates fulfil an important function in the financial system
- Used in Sweden, among other things, in pricing corporate loans, variable-coupon bonds and interest derivatives



Interbank rates resting on weak foundations

Number of transactions between panel banks January-August 2021*:

0

**Refers to unsecured transactions in SEK T/N, i.e. transactions which shall form the basis for STIBOR's shortest maturity*

SWESTR – part of a global reform

Selection of interest rates similar to SWESTR



Transaction-based reference rates are the way forward

- The Riksbank considers that bid-based STIBOR does not inspire confidence
- International transition to transaction-based interest rates for greater confidence



Transactions between monetary policy counterparties and a wide counterparty group

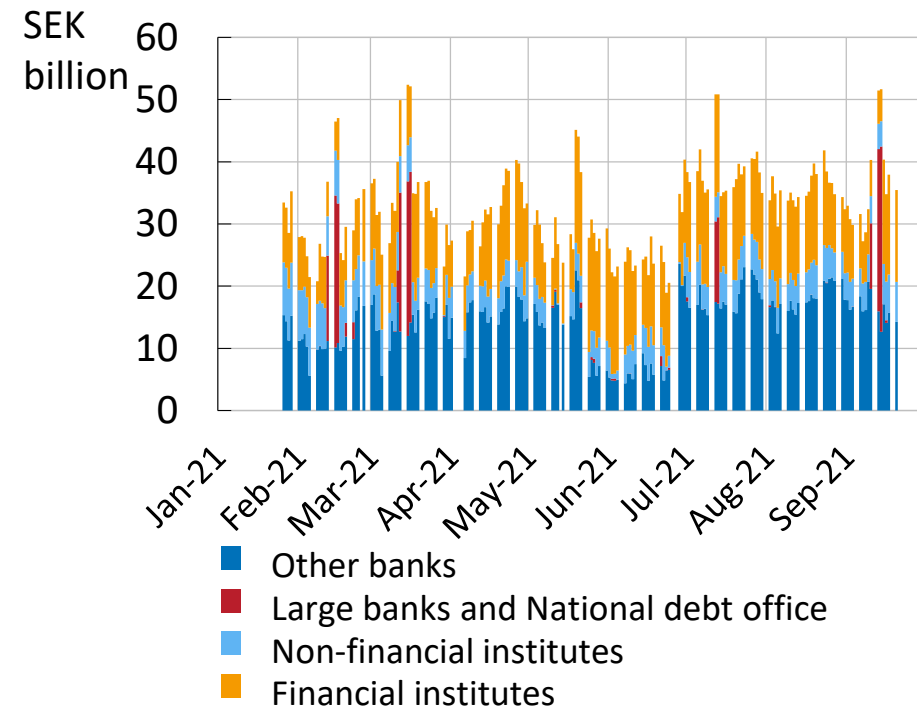


- Nine banks report transactions
- The transaction base includes banks' transactions with a wide counterparty group:
 - Banks
 - Financial Corporations
 - Non-financial corporations
 - The Swedish National Debt Office
- The transaction base consists of transactions that lead to unsecured deposits at the overnight maturity (O/N) at the reporting agents

SWESTR – based on deposit rates in SEK

SWESTR	STIBOR
Transaction-based	Based primarily on judgements
Deposit rate	Lending rate
Based on transactions in SEK	Based on transactions in different currencies

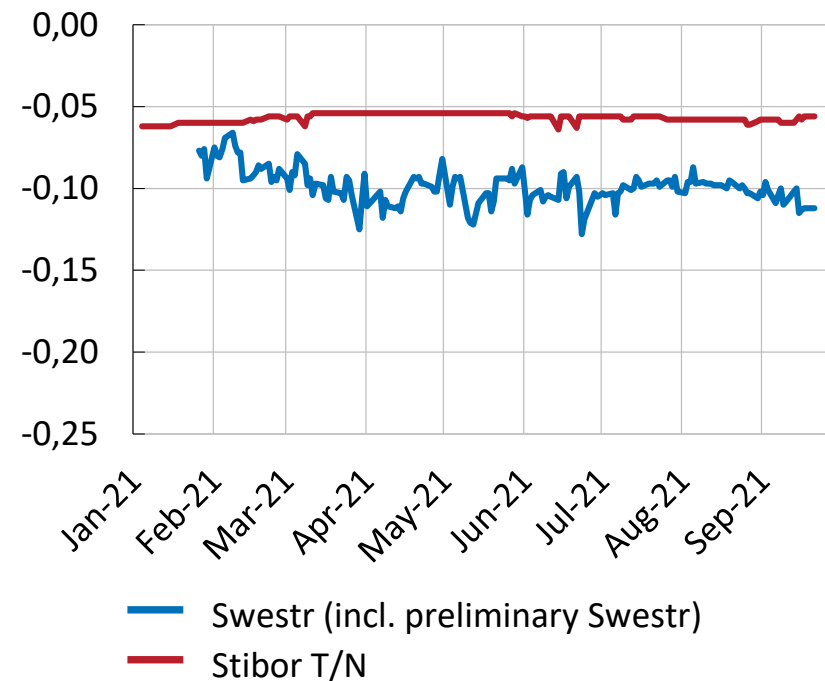
On average, the transaction base for SWESTR has been SEK 33 billion



In the short term, SWESTR should replace STIBOR at its shortest maturity

- Market participants should stop using STIBOR and instead use transaction-based SWESTR – as soon as possible
- SWESTR is now available at the shortest maturity – overnight (O/N)
- In the longer run, STIBOR should cease at all maturities.

SWESTR has tended to be marginally lower than STIBOR T/N



Average rates based on SWESTR increase application options



The Riksbank considers that in the near term, SWESTR should replace STIBOR at its shortest maturity – transition for longer maturities in the next step

