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Stibor framework Parts 2 and 3

Stibor framework - parts 2 and 3

2. Rules for reporting and calculating Stibor

Stibor (Stockholm Interbank Offered Rate) is a reference rate that shows an average of the interest rates at which a number of banks active on the Swedish money market ("the Stibor banks") are willing to lend to one another without security at different maturities.

Procedure and time for reporting and calculation

Interest rates are reported and Stibor is calculated every business day. Interest rates are reported with three decimal places for each maturity stated below. Reporting may only occur after one person other than the person reporting the interest rate has checked and verified the bank's submission (four-eye principle). Interest rates are reported to the calculating agent in systems and in accordance with procedures that have been agreed upon between the Stibor Committee and the calculating agent.

- 10:25AM–10:45 AM Reporting of interest rates, which during this period are not visible for anyone other than the person reporting the interest rate and the verifier.
- 10:45AM–10:55AM All interest rates are visible for the people reporting the interest rates within the Stibor banks. During this period, transactions may take place in accordance with that set out below and reported interest rates may be adjusted if reported incorrectly.
- 10:55AM–11:00AM Stibor is calculated for maturities in accordance with that set out below.
- 11:00AM Stibor and each bank's reported interest rates for each maturity are published.

During the time for transactions, duly qualified staff at the bank shall be available for possible transactions with other Stibor banks.

Reported interest rates may only be changed if they are reported incorrectly. If a STIBOR bank makes the assessment that another bank's submission may be incorrect, during the trading period the first-mentioned bank is obligated to immediately inform the other bank about the situation. However, this should not prevent potential trading transactions. Transactions are not a valid reason for change. An automatic warning procedure, which raises an alarm if a reported interest rate deviates more than +/-5 points from the previous day's reported interest rate, shall be in place at each Stibor bank.

If a bank has not reported its interest rates at the times stated above, reminder procedures shall be in place at the calculating agent. The process is then delayed 10 minutes so all banks can report their interest rates. This delay may occur at the most 5 times. On the condition that at least four banks have reported interest rates, Stibor is calculated.

If Stibor cannot be calculated and/or published for one or several of the maturities in accordance with the procedures described above, the Stibor that applies for the day in question is the Stibor represented by the average Stibor from the five most recent business days.

Maturities for which interest rates shall be reported and trading post size

<u>Maturity</u>	<u>Trading post A)¹</u>	<u>Trading post B)²</u>
T/N ³	SEK 500 million	SEK 50 million
1 week	SEK 250 million	SEK 25 million
1 month	SEK 100 million	SEK 10 million
2 months	SEK 100 million	SEK 10 million
3 months	SEK 100 million	SEK 10 million
6 months	SEK 100 million	SEK 10 million

Each Stibor bank is entitled to borrow one trading post per counterparty and maturity per day at each counterparty's reported interest rates. In addition, each Stibor bank is entitled to deposit one trading post per

¹ Trading posts refer to Danske Bank, Nordea, SEB, Svenska Handelsbanken and Swedbank

² Trading posts refer to Länsförsäkringar Bank and SBAB

³ Tomorrow next: Maturity tomorrow to next business day

counterparty and maturity per day at each counterparty's reported interest rates with a deduction of a bid/offerspread of at the most 15 points. The Stibor Committee may decide on special spreads for different maturities.

The Stibor banks Danske Bank, Nordea, SEB, Svenska Handelsbanken and Swedbank shall distribute at least SEK 2 billion in counterparty limits per Stibor bank for Stibor transactions. The size of the trading posts is given in the table for Trading post A) above.

The Stibor banks Länsförsäkringar Bank and SBAB shall distribute at least 200 million SEK in counterparty limits per Stibor bank for Stibor transactions. The size of the trading posts is given in the table for Trading post B) above.

To make it easier for more banks to become Stibor banks, the trading posts and limits for future Stibor banks may be adapted on a case-by-case basis after a decision by the Stibor Committee.

If the limit is utilised in full, no more transactions may occur with that counterparty. If a Stibor bank has reached the limit it must immediately notify the Stibor Committee.

Basis for reporting

As a basis for its reporting for each maturity, each bank shall use:

Primarily

- (1) Deposit or lending transactions in SEK in the interbank market

Secondly

- (2a) Quoted inter-bank levels in SEK, or
- (2b) A basket of Commercial Papers (CP) and/or Certificate of Deposits (CD) consisting of:
 - At least 50 % SEK
 - EUR swapped to SEK
 - USD swapped to SEK

A spread is then added to the interbank rate or the above basket to reach an interest rate at which the bank is willing to lend. The spread is set individually for each bank.

Proof of reported interest rates

Each bank's basis for its reported interest rates shall be substantiated via transactions on the interbank market or the CP/CD markets on which the bank is active. If there are no transactions, the bank shall in any case provide daily, updated, indicative CP/CD interest rates for maturities up to 6 months via news vendors (e.g. Reuters, Bloomberg or SIX) or via Market Maker by e-mail.

Each bank undertakes to store the basis for its reported interest rates and keep this information available for internal and external review for at least five years. The Stibor Committee prepares a common template for how storage and regular reporting to control bodies shall take place.

Publication of interest rates for Swedish Commercial Papers

In conjunction with the reporting of interest rates for Stibor, the bank shall report current indicative interest rates for Swedish Commercial Papers in SEK for maturities of up to 6 months. Reporting shall be done no later than 11:00 AM. The calculating agent compiles and publishes these rates on its website and forwards them to information services.

Calculation of Stibor

At least four Stibor banks are required to calculate and publish Stibor. Stibor for the different maturities shall then be calculated by the calculating agent as an arithmetic mean of the reported interest rates (rounded in accordance with rounding principles⁴) with three decimal places.

If the number of Stibor banks is six or less, all of the reported interest rates shall be included in the calculation. If the number of Stibor banks is seven or eight, the highest and lowest interest rate for each maturity is removed before the calculation. If the number of Stibor banks is nine or more, the two highest and the two lowest interest rates are removed before the calculation.

⁴ The numbers 1, 2, 3 and 4 are rounded down. The numbers 5, 6, 7, 8 and 9 are rounded up.

3. Rules for the Stibor banks' internal governance

Every Stibor bank shall have internal regulations stating how the bank shall fulfil its assignment as a Stibor bank. The regulations shall be decided by the CEO of the bank or by another person within the management team of the bank to which the CEO has delegated the task. The regulation shall contain provisions requiring the bank to comply with the ESMA/EBA principles for "Benchmark Submitters".⁵

Sections 2 and 3 of the framework were approved by the Stibor Committee on December 14th, 2012. Changes were decided on November 22nd, 2013, February 13th, 2015 and February 23rd, 2018.

⁵ ESMA-EBA Principles for Benchmark-Setting Processes in the EU