

18/10/2019

Consultation 3: Published interest rate

In conjunction with analyses carried out by the working group on alternative interest rates (AGAR) to define which transactions could form the basis of an RFR for SEK, transactions were collected from the seven banks included in AGAR. The transactions collected were from the period 1 December 2015 – 31 December 2018. This period has now been supplemented by transactions for the period 1 January 2019 up to 30 August 2019. In the attached Excel file, interest, daily turnover and number of transactions are reported for this whole period.

The information should be treated as a raw material, not a finished reference rate, although it satisfies the requirements set out in the definition of this interest rate previously published. Accordingly, these are O/N transactions that have led to deposits with the reporting banks, no security has been used, and the counterparties are other banks, other financial institutions or the Swedish National Debt Office. The working group is still working on the details of the fixing process, and therefore no rules have been applied, for example, to reduce outliers or replenish transactions on days when the number of transactions is low. The reporting banks are the seven panel banks for Stibor. It is uncertain whether these banks will provide the supporting materials for the future reference rate. However, the working group believes that this is a good approximation of what an RFR for SEK according to the agreed definition might be.

AGAR publishes this time series to make it easier for participants in the market to start calculating the proposed interest rate. The material is therefore only to be used in connection with analyses. The interest rate cannot be used for anything other than as part of analytical material. AGAR would appreciate views and conclusions resulting from these interest rate analyses. Three primary areas in relation to interest rate analyses are of interest to AGAR:

1. It may be reasonable to consider how this interest rate affects different interest rate and risk models.
2. By using this information, analyses could be made based on the spreads discussed in fallback solutions. Generally, if a fallback interest rate is to be produced for a three-month lbor, the fallback solution should be an average spread between compounded RFR and the lbor for the same period plus a compounded RFR. There is still no standard for the exact calculation of this spread and what would be fair. There are proposals for different observation periods that will form the basis for the calculation of averages, and there have been discussions about the method of calculating the average or

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expected value. Opinions and suggestions in relation to this would be of interest.

3. Finally, it should also be possible to see what controls the movement pattern of this interest rate.

The working group would appreciate views on this interest rate and any conclusions of market participants in this respect. Comments on the interest rate and the findings in your analyses can be sent to the Bankers' Association at:

info@swedishbankers.se before 31 October. Please send questions about this consultation to jonny.sylvén@swedishbankers.se.