

## Box 2 The Central Bank of Sweden's procedures on foreign exchange market interventions

Heikensten and Borg (2002) present the Riksbank position on foreign exchange interventions and its procedures regarding their implementation. These procedures are the most detailed that have been made public by any central bank. Although transparent, the bank assumes that exceptions may be made if conditions demand. Experience suggests that the decision-making process must not be too complex, in order to be able to respond to different conditions in the foreign exchange market. Although the bank has prepared clear procedures for interventions it will continue to use interventions with restraint, since Sweden has a floating exchange rate regime and interventions in the foreign exchange market are decided solely with reference to its main objective of price stability. General rules are therefore made to apply, just as in the case of interest rate decision.

Decisions on interventions in the foreign exchange market are made as a rule by the Central Bank of Sweden's executive board. However, the Governor can decide an intervention unilaterally if the need is so urgent that it cannot wait for a decision by the entire board. The board shall be notified of such decisions as soon as possible, however. Furthermore, the board can mandate the bank to make an intervention, although this is only valid until its next meeting, when it shall be reviewed and renewed if necessary.

As a rule, interventions shall be prepared in the same way as interest rate decisions. This secures a clear connection to other monetary policy decisions at

the same time as the risk of mistakes is minimised. Before interventions are put onto the executive board's agenda, they should normally have been prepared by the drafting committee for monetary and foreign exchange policy.

The executive board needs to make two separate decisions on interventions in the foreign exchange market, which are also recorded separately in the minutes. Firstly, it needs to decide on an intervention and issue a mandate for it. How detailed the mandate should be depends on the circumstances, but should normally state the time period for implementing the intervention and give a framework for its scope. Secondly, the board needs to present a motivation for the intervention, the main elements of which should be published in the form of a press release.

Minutes are published for each meeting of the executive board. Deliberations with regard to the motives for the interventions should be reported in the minutes of the meetings, the same form as those for other monetary policy issues. The minutes are normally published with a time lag of a minimum of one month and a maximum of one year after the meeting. Minutes concerning an intervention need not be published at the same time as the regular minutes if information in them can be assumed to counteract the purpose of the decided or anticipated measures.

The Riksbank may delegate its interventions to other central banks, in which cases it may have reason to deviate from parts of the procedural system.