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Money Market

Repo transactions indexed to the SNB policy rate

Dear Sir/Madam

Since June 2019, the Swiss National Bank has implemented its monetary policy by setting the SNB policy rate. It has now also introduced the possibility of having the repo rate on its repo transactions directly indexed to the SNB policy rate ('indexed repo transactions'). This will enhance the SNB's flexibility in steering money market interest rates.

In contrast to a repo transaction with a fixed repo rate, in the case of an indexed repo transaction the repo rate is calculated as the simple average of the index values over the term plus any premium / minus any discount. The premium or discount remains constant over the term of the repo transaction, but the average of the index values – and thus the repo rate – is not known until the transaction matures.

The SNB can conclude repo transactions indexed to the SNB policy rate via quotations in the interbank market or via auctions (fixed rate tender or variable rate tender). It has updated its 'Instruction sheet on open market operations' accordingly.

In order to ensure operational readiness, the SNB plans to test repo transactions indexed to the SNB policy rate in the coming months. Further information will follow in due course. Once the test operations have been completed, indexed repo transactions can be used as part of the SNB's monetary policy operations.

Yours sincerely,
Swiss National Bank

Roman Baumann
Head of Money Market

Oliver Gloede
Head of Money Market Operations