RIKSGÄLDEN
SWEDISH NATIONAL DEBT OFFICE

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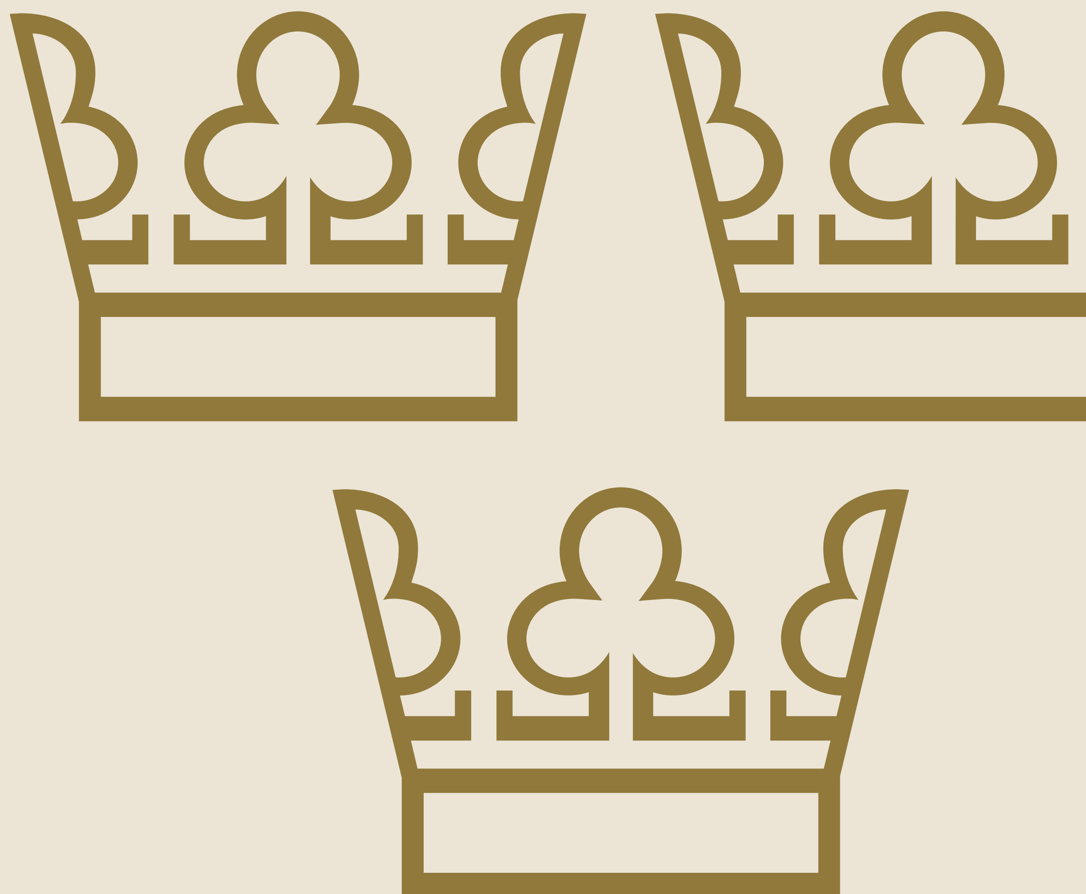
Financial and Risk Policy 2025



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Financial and Risk Policy 2025

The Financial and Risk Policy supports the Swedish National Debt Office's risk management and its internal control. The policy provides an overview of the Debt Office's management of financial risks and the chosen risk level in applicable situations. The policy specifies certain principles for the conduct of operations, as well as certain frameworks for managing risks that arise in the Debt Office's operations.

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1. Introduction

According to the Ordinance (2023:909) containing Instructions for the Swedish National Debt Office, the Board of Directors of the Debt Office is to decide on frameworks and guidelines for managing the risks associated with the operations. The Debt Office conducts various operations, which are regulated by different regulatory frameworks. This can entail differences in how risks are managed, and in the risk levels, per area of operation.

The issuance of guarantees and credits in the process "Issue and manage guarantees and loans" is preceded by separate decisions from the Riksdag (Swedish Parliament) and the Government. Accordingly, the level of risk in these operations is largely steered by the commitments decided on by the Riksdag and the Government. The process "Work to ensure that the costs for the final storage of spent nuclear fuel and radioactive waste are covered by those who generate the waste" is regulated by specific regulations. These largely govern the level of risk involved in this process. Under the process "Raise and manage loans for the central government", the Debt Office has a mandate to make its own decisions about the risk level within the framework established by the Government. The risk level in the process "Develop and manage the central government payment model including the state's central liquidity steering" is chiefly governed by the external framework for the operations. The Debt Office can, however, decide on certain risk-mitigating measures.

The Financial and Risk Policy supports the Debt Office's risk management and its internal control. The policy provides an overview of the agency's management of financial risks and the chosen risk level in applicable situations. The policy specifies certain principles for the conduct of operations, as well as certain frameworks, when relevant, for managing risks that arise in the operations. The annual review, reconsideration and adoption of this policy establish a process that ensures the policy remains up to date and relevant.

The Debt Office has a specific decision-making body for resolution, called the Resolution Board. A separate Financial Policy covers matters within the Resolution Board's area of responsibility.

The risk map (Appendix 1) shows the primary risks identified within the framework of the Debt Office's operations. These risks, except for the non-financial risks, are covered by the Financial and Risk Policy. Market and liquidity risks are mainly managed within the framework of the process "Raise and manage loans for the central government" and are therefore described in

that section (Section 3). Credit risks are managed to varying degrees in several of the processes and are described in the section for each process where applicable. Non-financial risk is managed in accordance with the Debt Office's policy for internal governance and control. Business risk, concentration risk, external-environment risk and strategic risk are not given separate sections but are mainly managed within the framework of other risks (see Appendix 2). It should also be noted that there is no separate process for identification and management of reputational risk. Instead, this risk is taken into account in connection with impact assessments of other risks.

The policy sets out Board decisions. Operational decisions that follow from this policy are made by the Debt Office Director General, or officials in accordance with delegation procedures set out in the rules of procedure of the Debt Office and the relevant departments.

2. Debt Office risk management

2.1 Framework

The purpose of risk management work is to identify and manage risks that affect achievement of the Debt Office's objectives or that have an adverse effect on the Debt Office's finances, reputation, and/or operations.

Risk management provides a readiness to act and the ability to plan and execute activities to manage risks. To achieve this, the risks must be known and the measures the Debt Office chooses to take, or not to take, must be the result of deliberate decisions. Risk management, therefore, makes it possible to take decisions on balancing costs and risks.

2.2 The Debt Office's risk management process

The Debt Office is to have a systematic process for risk management. The process is based on five steps:

2.2.1 Identification

Risk identification is based on what has happened and what can happen.

2.2.2 Assessment

The assessment of the financial risks identified is conducted by using quantitative methods and measurements.

2.2.3 Measures and priorities

After the risk has been identified and assessed, the following courses of action are available:

- Eliminate the risk

- Limit the risk
- Transfer (insure) the risk
- Accept the risk

The choice depends on how the particular risk has been assessed, and on the level of risk selected. A trade-off is made between expected cost and risk.

2.2.4 Implementation

The Debt Office's operations are responsible for implementing the chosen measures for achieving the level of risk selected.

2.2.5 Reporting and monitoring

The effects of the risk management measures taken are monitored, evaluated and reported in accordance with the procedures decided on by the agency.

3. The process Raise and manage loans for the central government

3.1 General premises and mandate

The management of the central government debt is governed by the Budget Act (2011:203). Among other things, the Act sets forth the objective of debt management and the purposes of central government borrowing. The objective is to minimise the cost of the debt over the long-term while taking account of the risk involved in the debt management, which is to be conducted within the framework of monetary policy requirements as well. The Act also states that each year the Government shall adopt central government debt management guidelines.

In the Ordinance (2023:909) containing instructions for the Swedish National Debt Office (the Instructions for the Debt Office), the Government has delegated to the Debt Office the right to raise loans and the responsibility for the continual management of the central government debt.

The Government's decision on the guidelines for debt management reflects a desired trade-off between the expected cost and risk of the debt. According to the Instructions for the Debt Office, the Board of Directors of the Debt Office shall then decide on principles for the practical implementation of the Government's guidelines and on frameworks for risk management. The principles and frameworks are stipulated in this policy. Thereunder, the Debt Office decides on internal guidelines and instructions for various parts of the operational management in accordance with the internal rules of procedure.

3.2 Principles for implementation of the guidelines

It follows from the Government's guidelines and the objective of central government debt management that the Debt Office shall take a *long-term, strategic approach* to conducting the borrowing, rather than a short-term, tactical one. This means that the Debt Office shall work to ensure that there are good conditions for borrowing at low cost over time by:

- issuing government securities in kronor on a regular basis and operating in a manner that contributes to a well-functioning Swedish government securities market

- communicating transparently and predictably about the central government borrowing requirement and the supply of government securities in kronor
- maintaining the capacity to borrow in foreign currency
- managing financial risks in accordance with established targets and rules
- using derivatives as necessary to adjust the central government debt's term to maturity and composition in accordance with the exposure targets
- only entering into transactions that the Debt Office has the competence, systems, and procedures for managing
- treating all counterparties in a business-like and objective manner and avoiding actions that could damage the reputation of the Debt Office or the central government.

3.3 Frameworks for managing risks in central government debt management

This section presents frameworks for managing risks in the various parts of central government debt management: strategic management, continual currency exchanges, position taking, as well as derivative transactions and investments. The frameworks apply to different types of market risk and credit risk (see Appendix 1). The Debt Office manages the risks that fall within the concept of liquidity risk mainly by borrowing in a manner described in the principles in Section 3.2.

3.3.1 Strategic management

The strategic management comprises the steering of the central government debt's composition and term to maturity towards the targets in the Government's guidelines. The Government establishes how the central government debt is to be composed, i.e., the distribution between nominal krona debt, inflation-linked krona debt, and exposure in foreign currency. In the guidelines, the Government also adopts an interval for the term to maturity of the central government debt as a whole. According to the guidelines, the Debt Office shall then set a target for the foreign currency debt's distribution among different currencies and decide on maturity intervals for the individual debt types. The frameworks for this are decided in this policy.

3.3.1.1 Strategic currency exposure of the central government debt

- The foreign currency exposure of the central government debt is to be managed in two parts: one strategic part that is to be gradually phased out and one variable part that occurs as a consequence of the Debt Office managing changes in the foreign currency exposure in accordance with the frameworks in Section 3.3.2.

- The strategic currency exposure shall consist of CHF (33%) and EUR (67%). The proportions are to be based on exchange rates on 31 October 2022 and adjusted to the extent that the rates change.

- The phase-out of the strategic currency exposure is steered through a daily pace of reduction on which the Debt Office Director General shall decide. The Debt Office Director General is also assigned a mandate for making decisions about altering the pace of reduction within the framework of the Government's adopted guidelines.

- The Debt Office Director General shall establish permitted deviation intervals for the currencies that are included in the currency distribution.

3.3.1.2 Term to maturity of the central government debt

- The Debt Office Director General shall decide on term to maturity intervals for the individual debt types. The Debt Office Director General shall also decide on maturity limitations for individual currencies.

3.3.2 Continual currency exchanges

There are a number of factors that give rise to changes in the foreign currency exposure of the central government debt. These include interest payments on foreign currency bonds, EU payments, other government agencies' currency hedges, and the central government's multi-currency cash pool. Thereby, a continual need for currency exchanges arises. According to the Instructions for the Debt Office, currency exchanges shall be characterised by predictability and clarity. The Board therefore decides on the following frameworks for managing continual currency exchanges.

- The varying foreign currency exposure that arises as a result of this management shall primarily be exchanged to euros and phased out through currency exchanges according to the point below. The Debt Office Director General is to determine the extent to which exposure in currencies other than the euro is permitted.

- The Debt Office's exchanges between Swedish kronor and foreign currency shall follow an even exchange path. This is to be determined by spreading the net exchange volume evenly over time. Exchanges made in order to phase out the strategic currency exposure and in connection with possible positions between Swedish kronor and foreign currency are to be excluded. Minor deviations from the exchange path are permitted.

3.3.3 Position taking

The Debt Office's position taking comprises positions on which the Board decides as well as positions within the continual management. Here, the Board establishes how much of the mandate approved by the Government for position taking may be used in the continual management. Certain other risk limitations for the continual position taking are also established.

- The Debt Office shall use Value-at-Risk (VaR) to measure the market risk involved in position taking in foreign currency. The risk is measured as daily VaR at a 95 per cent confidence level.

3.3.3.1 Frameworks for continual position taking

- Continual position taking in the Swedish krona in relation to other currencies is not allowed.

- The aggregate risk in the continual position taking in foreign currency is not to exceed SEK 220 million measured as daily VaR.

- For the calculation of currency and interest rate risk limits as well as the earnings measurement, a notional portfolio value is used. The delegated VaR mandate is to correspond to SEK 200 billion in notional portfolio value.

- The currency limit for each currency is ±6.0 per cent of the value of the notional portfolio.

- The interest rate risk limit measured in Swedish kronor is ±0.90 per cent of the value of the notional portfolio. The interest rate risk limit for each currency is ±0.60 per cent of the value of the notional portfolio.

- The result is measured as the change in the market value (including accrued interest) plus realised flows. The result is to be evaluated over five-year periods.

- Currency and interest rate positions may be taken in the following currencies: Australian dollar (AUD), Canadian dollar (CAD), Swiss franc (CHF), Danish krona (DKK), Euro (EUR), British pound (GBP), Japanese yen (JPY), Norwegian krona (NOK), and US dollar (USD).

3.3.4 Derivative transactions and investments

Credit risks arise when using derivative instruments in both the strategic management as well as in the position taking. They also arise with investments of surpluses (short-term investments). In this policy, the Board decides on principles and frameworks for managing these credit risks. The purpose is to set requirements that must be met before transactions are entered into, in order to limit the credit risk, and also to manage credit risks on outstanding transactions.

3.3.4.1 Principles for managing counterparty risk

- Counterparties in OTC derivative transactions and short-term investments must have a long-term credit rating of at least A-.

- For counterparties in short-term investments, a short-term credit rating can be used if the counterparty has no long-term credit rating. The Debt Office Director General shall decide on the translation of a short-term credit rating into the equivalent long-term credit rating.

- If the counterparty’s credit rating is downgraded to below A-, new transactions with the counterparty are only allowed after a decision by the Debt Office Director General in order to reduce the risk. On the basis of a trade-off between cost and risk, outstanding transactions may be maintained following a decision by the Director General. The decision is reconsidered if further downgrades of individual credit ratings occur. These decisions are reported back to the Board.

3.3.4.1.1 Management of counterparty risk in the trade of OTC derivative instruments

- Transactions are conducted in well-developed markets and with maturities that have good liquidity. The maximum maturity is up to and including 20 years.

- The calculation of exposures in Over the Counter (OTC) derivative transactions is based on the market value, taking account of netting in accordance with ISDA agreements.

- ISDA agreements with a downgrading clause ("rating trigger") and Credit Support Appendix (CSA) are required before bilateral OTC derivative transactions may be entered into and remain in the portfolio. The Debt Office's CSA agreements must include a clause on mutual threshold values set at zero.[1] Temporary deviations from the thresholds are permitted for practical reasons.

- Only central counterparties (CCPs) authorised under European Parliament and Council Regulation 648/2012 may be engaged for central counterparty clearing. No credit rating requirements and no limits are set for CCPs.

- The use of central counterparty clearing requires no ISDA or CSA for either the CCP or the initial counterparty.

- The Debt Office's internal regulations for initial counterparties contain specific regulations for each CCP the Debt Office affiliates to.

3.3.4.1.2 Management of counterparty risk in short-term investments

- The maximum maturity for short-term investments is 12 months.

- The Debt Office Director General shall decide on a limit structure that limits the exposure per counterparty. The maximum exposure permitted per counterparty is SEK 20 billion.

- In addition to the regular limit structure on which the Debt Office Director General decides, there are two possibilities for extended limits:

  - Extra scope for overnight (O/N) investments

  - Extended limit for investments in other states

- The extra scope for O/N investments is a maximum of SEK 25 billion per counterparty (including the short-term investment limit). Counterparties that can be approved for extra O/N scope are RIX participants, provided they fulfil the conditions set for short-term investment counterparties.

- The sum of all counterparties' utilised extra scope for O/N investments may not exceed SEK 25 billion. The Debt Office Director General can, if

[1] This requirement applies to contracts entered into after 23 May 2017.

necessary, decide on temporary expansion of the aggregate extra scope for total O/N investments.

- It is possible to extend the limit for investments in other states to SEK 50 billion per country, when the country's credit rating is AAA. The Debt Office Director General decides on other conditions for the extended limit.

3.3.4.2 Principles for managing settlement risk

- To manage settlement risk, the Debt Office will endeavour, where possible, to achieve settlement on the principles of Delivery Versus Payment (DVP) or Payment Versus Payment (PVP).

3.3.4.3 Principles for managing country risk

- Short-term investments and OTC derivatives may only be entered into with counterparties from a country with a long-term sovereign credit rating of at least A-. When approving new investment and/or OTC-derivative counterparties, the counterparty's country of domicile is also taken into account, for instance in regard to international sanctions in which Sweden participates.

3.3.4.4 Exceptions

- Swedish government agencies, the AP Funds and the Riksbank are regarded as risk-free counterparties and therefore not subject to limits.

3.4 Reporting to the Board

Reporting to the Board on the status of financial risks and results in the process "Raise and manage loans for the central government" is done in accordance with the reporting requirements below. The continual reporting is conducted once per quarter at the regular Board meeting. On these occasions, any violations of limits and boundaries and any changes to the limits of which the Board is to be informed are also reported in accordance with the requirements below.

3.4.1 Strategic management

- The central government debt's composition of real krona debt and exposure in foreign currency is to be reported continually based on daily observations. Foreign currency exposure is to be expressed in Swedish kronor at current exchange rates.

- The strategic currency exposure is to be reported continually based on daily observations expressed in Swedish kronor at the current exchange rates. The exposure is also to be reported relative to an even pace of reduction, expressed in each strategic currency, over a period as of 2023 through 2026.

- Term to maturity is to be reported as a one-month moving average of daily observations. The reporting shall comprise both the debt as a whole and the individual debt types. Deviations are to be supplemented with an explanation of the sequence of events.

3.4.2 Continual currency exchanges

- The varying currency exposure of the central government debt is to be reported continually based on daily observations, expressed in Swedish kronor at the current exchange rate.

- The determined accumulated exchange path and the actual accumulated exchanges shall be reported on a continual basis.

3.4.3 Position taking

- The result, outstanding positions and utilisation of the risk mandate shall be reported on a continual basis. Any violations of the risk mandate shall be explained.

- The Debt Office's VaR model is to be evaluated once a year by comparing actual outcomes with forecast outcomes ("backtesting"). The result of backtesting of the VaR model shall be reported.

3.4.4 Derivative transactions and investments

- The Board shall be informed of the design of the limit structure on which the Debt Office Director General shall, according to this policy, decide and any changes to the limit structure.

- Breaches of limits and monitoring limits shall be reported.

- The Board is to be kept informed of the counterparties that have been granted an O/N extra limit and the size of the limit.

- Decisions on temporary expansion of the aggregate extra scope for total O/N investments are to be reported to the Board.

4. The process Develop and manage the central government payment model including the state's central liquidity steering

4.1 General premises and mandate

The Debt Office is to be responsible for the central government payment model, including the Treasury Single Account (TSA) at the Riksbank. The objective is for the central government payment model as a whole to be cost-effective and secure. The process is regulated by among other things the Capital Supply Ordinance (2011:210) and the Ordinance (2017:170) on government agencies' payments and management of funds (the Payment Ordinance).

According to the payment model, the state's liquidity management shall be centralised. The net of all government agencies' payments shall be financed by the Debt Office and have a direct effect on the government borrowing requirement and central government debt. Risks connected to the central liquidity management are managed in the process "Raise and manage loans for the central government".

The agencies are to follow the principles in the payment model and the framework agreements that the Debt Office procures, but they are responsible for carrying out their payments. The Payment Ordinance and its provisions regulate how the agencies are to reduce the risks in their payment operations.

The Debt Office is to analyse the risks in the payment model each year. Every two years, the Debt Office shall also submit a report on these risks to the Government. The primary means that the Debt Office has for increasing the security of the payment model is through the framework agreements for payment services. The Debt Office may also communicate instructions for the enforcement of the Payment Ordinance.

The financial risks for the Debt Office in connection with the government agencies' payments are mainly within the framework agreement for payment services. The Debt Office is exposed to a credit risk/counterparty risk when funds are in accounts in framework banks during the day or overnight.

The other framework agreements do not contain any appreciable credit risk or counterparty risk. However, there is a reputational risk if, for example, one

party to the agreement does not deliver as agreed. All the framework agreements have a termination clause that entitles the Debt Office to terminate the agreement.

The agencies may, if necessary, apply to the Debt Office to be able to make their own procurements of payment services. So that the Debt Office can approve separate agreements, it is required that the payment service in question, or an equivalent alternative, is not offered under one of the Debt Office's framework agreements. The Debt Office also takes into account the size of the expected payment flow and monitors the permits that are granted. The premise is that the amounts that are managed via separate agreements are so small that they do not affect the central liquidity management.

4.2 Principles for reducing credit risk

The aim of the principles is to reduce the credit risk that the Debt Office is exposed to when state funds are in accounts in a framework agreement bank.

- The framework agreement banks that provide payment services shall have a long-term credit rating of at least A- when the agreement is entered into.

- If a bank's credit rating goes down to BBB- or lower, the Debt Office has the right to terminate the agreement. The credit rating can be determined by weighing together the ratings from several different credit rating agencies specified in each agreement.

- In addition to the downgrading clause, the framework agreements shall provide the Debt Office with the right to terminate the agreement if the bank cancels payments, applies for corporate restructuring, enters into liquidation, or is put into bankruptcy.

- The framework agreements shall include principles and measures for limiting account balances overnight (O/N) in government agencies' bank accounts that are covered and emptied against the central government's Treasury Single Account at the Riksbank.

- To keep account balances to a minimum, settlements are carried out over the course of the day between each framework agreement bank and the Debt Office. The risk before each settlement is to be kept to a minimum by, whenever possible, netting incoming and outgoing payments.

- Account balances that remain after the last settlement is made may remain until the following business day at most. The Debt Office shall follow up

on the reason for account balances remaining overnight if they exceed a certain level that it has specified in advance.

5. The process Issue and manage guarantees and loans

5.1 General premises and mandate

The general premises and principles of the central government guarantee and lending operations are regulated by the Budget Act (2011:203). The Ordinance on Lending and Guarantees (2011:211) contains provisions associated with the Budget Act and regulates in further detail the central government guarantee and lending agencies, including the Debt Office's operations. More specific terms and conditions, and exceptions from the general framework, are stipulated in individual decisions by the Riksdag and the Government.

The Debt Office's guarantee and lending assignments are preceded by decisions from the Riksdag and then the Government, in which the assignment and terms and conditions are specified in further detail. Accordingly, the risk level in the portfolio is largely steered by what commitments the Riksdag and the Government decide on.

In addition to specific guarantee and lending assignments, the Debt Office has also been tasked with, together with other guarantee and lending agencies, conducting a risk analysis of the complete portfolio of central government guarantees and loans. A further assignment is to submit supporting documentation for the central government's annual report in regard to its comprehensive guarantee and lending operations. The Debt Office also assist Sida in valuation and pricing of guarantees issued by Sida as part of its development work.

The Government presents the objectives of the guarantee and lending operations in the annual appropriation directions for the Debt Office.

5.2 Principles for management of guarantees and loans

The purpose of the principles is to specify/provide guidance on how the Debt Office will issue and manage guarantees and loans. The operations shall be conducted within the frameworks set by the Budget Act, government ordinances and other regulations in force, and decisions by the Riksdag and the Government while taking account of the objectives specified by the Government.

- The Debt Office is to work for a design of guarantees and loans that allows the expected losses to be estimated reliably. If the guarantees or loans are designed in such a way that the expected loss cannot be estimated reliably, these commitments shall not be handled within the guarantee and lending model.

- The Debt Office is to ensure that the expected loss in guarantees and loans is determined in an unbiased way.

- When evaluating credit risk, the Debt Office shall use methods regarded as best practice, mainly credit rating methodology where appropriate.

- The methods and specific models used by the Debt Office are to be evaluated on a continual basis.

- The evaluation shall focus on material risks in the operations.

- The handling of recourse claims and problem commitments is to be guided by the principles of commercial judgment and equal treatment of debt. The Debt Office is to demand repayment based on an assessment of the debtor's ability to pay. The Debt Office may discharge a claim, in whole or in part, if it is evidently unreasonable to demand payment, or otherwise, if there is sufficient commercial rationale for doing so.

5.3 Reporting to the Board

The Debt Office's guarantee and lending portfolio shall be reported to the Board annually or as necessary. The reporting shall focus on the larger and more complex risks in the portfolio. In addition, the Board shall be informed of the material changes in risk that the Debt Office is obligated to report to the Ministry of Finance and of the outcome of the internal risk monitoring process.

6. The process Work to ensure that the costs for the final storage of spent nuclear fuel and radioactive waste are covered by those who generate the waste

6.1 General premises and mandate

The general premises and principles for financing the costs of final storage of spent nuclear fuel and nuclear waste are regulated under the Act (1984:3) on Nuclear Activities (the Nuclear Act) and the Act (2006:647) on Financial Measures for the Management of Residual Products from Nuclear Activities (the Financing Act). More specific terms and conditions are presented in the Ordinance (2017:1179) on Financial Measures for the Management of Residual Products from Nuclear Activities (the Financing Ordinance).

The basis for how the management of residual products is financed and thus for the work of the Debt Office is that the nuclear power industry, instead of taxpayers, shall bear the costs. If the funding in the form of the fees paid and collateral pledged is not sufficient, the central government may, as part of its ultimate liability, need to finance the excess amount.

The principles for calculating nuclear waste fees, credit risk amounts, and risk margin amounts, as well as certain key assumptions are regulated by the Financing Act and the Financing Ordinance. For reactor owners, the Debt Office proposes nuclear waste fees, credit risk amounts, and risk margin amounts that the Government decides on. For the other permit holders, the Debt Office decides on nuclear waste fees and credit risk amounts. The Debt Office assesses the form and extent of the proposed collateral and submits its opinion on the matter to the Government.

Accordingly, the risk level in the financing system is very much a function of the permit holders' operations and of the framework set by the Riksdag and the Government and is therefore largely beyond the Debt Office's control.

6.2 Reporting to the Board

The financing system's financial position shall be reported as necessary to the Board.

Prior to submitting a proposal on nuclear waste fees, credit risk amounts and risk margin amounts, the Board shall be informed of the work and the considerations on which the Debt Office's position is based.

Appendix 1 – Risk map

The risk map shows the main types of risks identified within the framework of the Debt Office's operations.

Appendix 2 – Definitions

In these definitions, the term *loss* refers to negative effects on finances, reputation and/or operations.

Business risk is the risk of a loss due to factors in the external business environment, such as lower demand for products or services.

Settlement risk is the risk that one party will not fulfil its undertakings at the time of settlement, i.e., will not deliver currency or securities after the other party has already fulfilled its undertakings.

External risk is risk due to events in the external environment that affect the Debt Office's ability to carry out its assignment.

Financing risk is the risk that it will be difficult and/or expensive to raise new financing.

Inflation risk is the risk of a loss in nominal terms due to higher-than-expected inflation.

IT (Information technology) risk is risk that arises from insufficient design, function, availability, or security regarding our IT systems and their infrastructure.

Concentration risk is the risk of a larger loss due to a concentration on individual and/or correlated risk factors.

Credit risk is the risk that a loss will arise because a counterparty does not fulfil its obligations and the risk that a loss of value will arise from impaired credit quality. Credit risk includes settlement risk, counterparty risk, country risk and systemic risk.

Country risk is a group of risks associated with doing business with a counterparty in a particular country. These risks mainly refer to the ability of a country to meet its external obligations, expectations about the general development of the economy in the country, political stability and the legislative environment of the country.

Liquidity risk is the risk of not being able to meet payment obligations as they fall due without a substantial increase in the cost of obtaining means of payment. Liquidity risk includes financing risk, refinancing risk and market liquidity risk.

Market risk is the risk of a loss due to unfavourable price movements in the market. Market risk includes interest rate risk, currency risk and inflation risk.

Market liquidity risk is the risk that it will not be possible to realise or cover a position at the current market price because the market is not deep enough or is not functioning as the result of some disturbance.

Counterparty risk is the risk that the counterparty in a transaction will not fulfil its obligations. Settlement risk is a form of counterparty risk.

External-environment risk is the risk of loss due to changes outside the Debt Office, for example in the (geo-)political or (global) economic situation.

Operational risk is the risk of loss due to inadequate or failed processes, people, systems or external events. Legal risks are part of operational risks.

Personnel risk is risk related to employees or consultants and which arises because of inadequate staffing, insufficient competence, or because the staff does not follow internal or external regulations.

Process risk is risk that can be attributed to shortcomings in governance or in how the operations and their processes are designed, or to the Debt Office failing to follow internal or external regulations.

Refinancing risk is the risk that it will be difficult and/or expensive to replace maturing loans.

Interest rate risk is the risk that the value of assets and liabilities will change in an unfavourable way when levels of interest rates change.

Strategic risk is the risk of a loss due to misdirected strategic decisions and/or as the result of strategic decisions not having the intended effect.

Systemic risk entails the risk that problems affecting one or more participants spread to other parties and cause general problems in the financial system.

Currency risk is the risk that the value of assets and liabilities will change in an unfavourable way when currency exchange rates change.