



Basis for decision

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DEPARTMENT: Markets Department

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Transfer of profits to the Treasury 2019

Proposed decision

The Executive Board decides that the transfer of profits to the Treasury of SEK 3.8 billion shall be financed by increasing the Riksbank's monetary policy liability.

Background

Every year the Riksbank transfers profits to the Treasury. The size of this transfer is calculated as 80 per cent of the average dividend-qualifying income over the last five years. The profit is calculated excluding exchange rate and gold value effects, but including the price effects reported in the revaluation account on the balance sheet. For 2019 the transfer has been calculated at SEK 3.8 billion. See Figure 1 for a comparison with previous years.

The transfer of profits can be funded in three different ways:

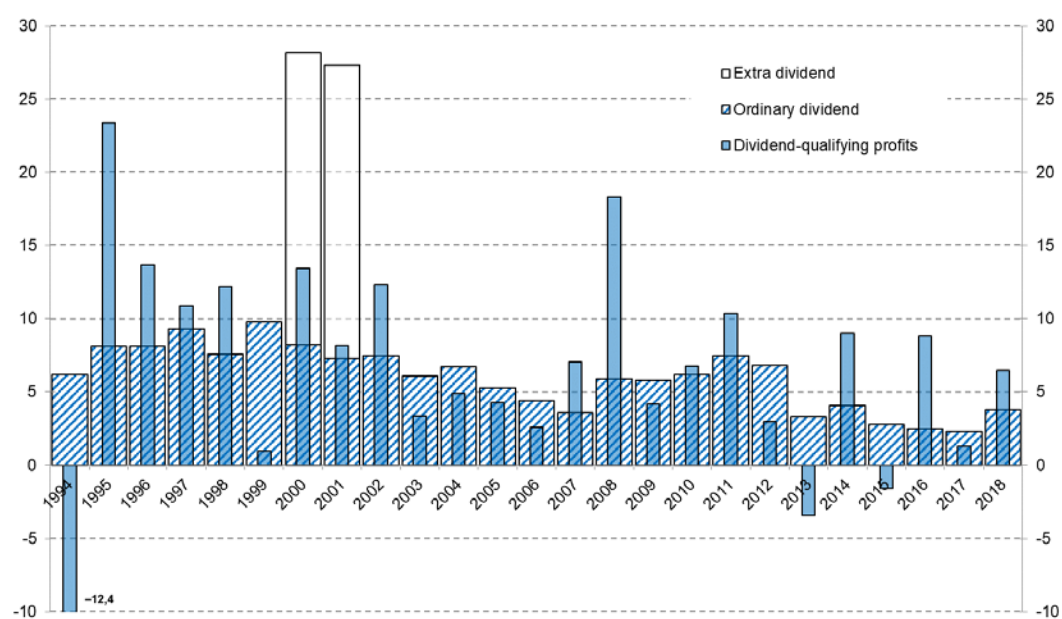
- The Riksbank sells assets in foreign currency and exchanges them for Swedish krona,
- The Riksbank sells assets in Swedish krona,
- The Riksbank increases the monetary policy liability.¹

Since 2008, when the banking system went from a deficit to a surplus, profit transfers have been funded by exchanges from the foreign exchange reserves on two occasions – the years 2008 and 2014. On the other occasions, the monetary policy liability has been allowed to grow.

¹ The concept “monetary policy liability” is used as a collective name for the items “liabilities to credit institutions in Sweden related to monetary policy transactions denominated in Swedish krona” and “debt certificates issued” in the Riksbank’s balance sheet.

In 2018, the monetary policy liability increased by SEK 38.2 billion, from SEK 418.5 billion to SEK 456.7 billion, mainly due to the Riksbank's purchases of Swedish government bonds. The profit transfer for the financial year 2017 contributed SEK 2.3 billion.

Figure 1. The Riksbank's dividend-qualifying profits and dividends 1994-2018



Considerations

The General Council of the Riksbank decided on 15 February 2019 on the transfer of profits for the financial year 2018. In accordance with the calculated allocation of profits, the proposal means that the Riksbank shall transfer SEK 3.8 billion to the Treasury during spring 2019. This transfer will reduce the Riksbank's equity by the same amount. Its equity amounted to SEK 61.0 billion on 31 January 2019. Table 1 presents an up-to-date compilation of the Riksbank's balance sheet

Table 1. The Riksbank's balance sheet on 31 December 2019, SEK billion

Assets		Liabilities and equity	
Gold	48	Banknotes and coins	59
Foreign exchange reserves	469	Monetary policy liability*	464
Receivables from the IMF	37	Foreign currency loans	260
Securities in SEK	396	Counterpart of SDR allocated by the IMF	28
Other assets	9	Revaluation accounts	77
		Equity	61
		Other liabilities	10
Total	959	Total	959

*The monetary policy liability comprises Riksbank Certificates, fine-tuning transactions and the Riksbank's standing deposit facility. Source: Corporate Services Department/Accounts division's Monthly accounts for January 2019.

The transfer of profits to the Treasury always entails the Riksbank entering the amount concerned as a liability in the Riksbank's account with the Swedish National Debt Office through the RIX payment system. The Swedish National Debt Office then transfers the money to a bank, which means that the banking system's liquidity surplus that must be invested with the Riksbank increases by the same amount. The banks can choose between investing the liquidity surplus in Riksbank Certificates, the Riksbank's fine-tuning transactions or the deposit facility at the Riksbank, which together comprise the Riksbank's monetary policy liability. If the Riksbank sells off assets in connection with the transfer of profits to the Treasury, the increase corresponds to the monetary policy liability. Sales of the Riksbank's holdings in Swedish or foreign currencies would come into conflict with the Riksbank's other assignments, however.

The Riksbank has purchased large amounts of Swedish government bonds for monetary policy purchases since February 2015, and has been reinvesting coupons and principal payments on the Swedish government bond portfolio since 2016. These reinvestments are continuing until further notice. Selling Swedish government bonds in this situation would therefore counteract the purpose of the monetary policy being conducted at present. The Riksbank needs to retain foreign exchange reserves to be able to provide liquidity support in foreign currencies, to be able to sell currency for monetary and exchange policy purposes, and to meet international commitments, for example in relation to the International Monetary Fund (IMF). Reducing the foreign exchange reserves to fund the profit transfer would reduce the Riksbank's capacity to fulfil these tasks. Thus, we propose that the Executive Board decides that the transfer of profits to the Treasury of SEK 3.8 billion shall be financed by increasing the Riksbank's monetary policy liability.



Communication

With the exception of the profit transfer in 2014, the Riksbank has not communicated any information about how the profit transfers to the Treasury are financed.

To increase transparency, the Riksbank will begin reporting in a news item every year, with effect from this year, how the profit transfer is financed.