

## Submission to the Riksdag 2019/20:RB2

# The General Council of the Riksbank's proposal for the allocation of profit 2019 and so forth

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## Summary

The General Council's account of activities for 2019 gives an overall description of the matters discussed at General Council meetings during the year (14 in total, including two by circulation) and describes the information received by the Council there. The account of activities also outlines how the General Council has exercised its controlling function.

Under Chapter 10, Section 3 of the Sveriges Riksbank Act (1988:1385), the General Council shall present proposals to the Riksdag (the Swedish Parliament) and the Swedish National Audit Office regarding the allocation of the Riksbank's profits.

For several years, the General Council has applied a principle for the allocations of profit that in brief states that 80 per cent of the past five years' average profit shall be transferred to the Treasury. 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 General Council proposes a transfer of SEK 5,300 million.

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## Proposal for decision by the Riksdag

The Riksbank's profit for 2019 amounts to SEK 25,651 million. The General Council proposes that the Riksdag adopt the following proposal for the allocation of the Riksbank's profits for the financial year 2019.

- SEK 5,300 million to be transferred to the Treasury.
- SEK 16,184 million to be transferred to the Riksbank's contingency fund.
- SEK 4,167 million will be transferred to the Riksbank's balancing account.

The General Council also proposes that the transfer be made no later than one week after the Riksdag's decision, most appropriately in connection with the Riksbank's implementation of the weekly open market operation.

Stockholm, 14 February 2020

On behalf of the General Council

SUSANNE EBERSTEIN

/Maria Svalfors

Susanne Eberstein (Chairperson), Michael Lundholm (Deputy Chairperson), Hans Hoff, Hans Birger Ekström, Bo Broman, Marie Granlund, Peter Helander, Ali Esbati, Chris Heister, Mikael Eskilandersson and Agneta Gille.

The presenters were Eva Julin and Henrik Gardholm.

## Proposal for the allocation of profits for 2019

When reviewing the Riksbank's management for the year 2018 (report 2018/19:FiU23), the Riksdag approved the General Council's proposal that the allocation of net income for the year be based on the 1988 principle for the allocation of net income with the supplements to the principle made since then. In brief, this principle entails that 80 per cent of the past five years' average profit shall be transferred to the Treasury. 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. The exchange rate and gold value effects and, normally, 10 per cent of adjusted average profit shall be transferred to or from the contingency fund. The amount remaining after this shall be transferred to or from the balancing fund. The General Council applies the same basis for calculation for 2019.

The General Council has received a report for the 2019 financial year from the Executive Board (in accordance with Chapter 10, Article 3 of the Sveriges Riksbank Act (1988:1385)). The General Council notes that the Riksbank reports a profit of SEK 25,651 million for 2019. In accordance with the 1988 principle for the allocation of profits and the supplements to this, the following adjustments are made to the profit when calculating the profit/loss used as a basis for the transfer:

- The reported profit has been positively affected by an exchange rate gain of SEK 15,516 million. This gain is excluded from the calculation.
- The accounting profit was not affected by any gold value effect and therefore no adjustment was made for such an effect.
- A price profit of SEK 8,252 million was recorded as a price effect increase in the revaluation account on the balance sheet. The General Council has included this profit when calculating the allocation of the net income.

In accordance with the account below, the General Council proposes a transfer to the Treasury of SEK 5,300 million.

The exchange rate gain is transferred to the contingency fund. In addition, 10 per cent of the average adjusted profit is transferred there. As the proposed transfer and reversal to the contingency fund is lower than the accounting profit, it is proposed that the remaining SEK 4,167 million be transferred to the balancing account. The calculation on which the proposed allocation of profit is based can be found in the Appendix.

In conjunction with its annual examination of the Riksbank's annual report, the National Audit Office has also examined the proposed allocation of profit, even though the National Audit Office has no obligation to comment in the proposal itself. The National Audit Office has not noted any deviations from the applied principle for the allocation of profit.

Profit for 2019 amounts to SEK 25,651 million. The General Council decided, on 14 February 2020, to submit the following proposal for the allocation of the Riksbank's profits:

- SEK 5,300 million to be transferred to the Treasury.
- SEK 16,184 million to be transferred to the Riksbank's contingency fund.
- SEK 4,167 million will be transferred to the Riksbank's balancing account.

The General Council also proposes that the transfer be made no later than one week after the Riksdag's decision, most appropriately in connection with the Riksbank's implementation of the weekly open market operation.

# Annual report of the General Council

The General Council consists of eleven members and as many deputies. The Riksdag appoints members and deputies after each general election, for a term of office of four years. The General Council selects a chairperson and deputy chairperson from among its members.

In 2019, the General Council consisted of the following members: Susanne Eberstein (Chairperson), Michael Lundholm (Deputy Chairperson), Hans Hoff, Hans Birger Ekström, Bo Broman, Marie Granlund, Peter Helander, Ali Esbati, Chris Heister, Mikael Eskilandersson and Caroline Helmersson Olsson. Deputy members over the year were Agneta Gille, Jonas Jacobsson Gjörtler, Thomas Strand, Sofia Fölster, Josef Fransson, Mathias Tegnér, Roger Tiefensee, ClasGöran Carlsson, Maria Plass (from 30 January 2019), Sammy Almedal and Agneta Börjesson.

## The General Council's tasks

The General Council appoints the members of the Executive Board and decides on their salaries and other terms of employment. The General Council adopts the Riksbank's Rules of Procedure, which regulate the Riksbank's overall organisation and managerial and decision-making matters. The General Council also determines the design of banknotes and coins.

Furthermore, the General Council submits proposals to the Riksdag concerning the allocation of the Riksbank's profits and makes a recommendation to the Riksdag with regard to the discharge from liability of the members of the Executive Board.

According to the preparatory works to amendments to the Sveriges Riksbank Act (1988:1385), the General Council also has the task of monitoring and controlling how the Riksbank conducts its activities and how the members of the Executive Board manage its business. One of the ways the General Council can perform its supervisory role is through the Chairperson and Deputy Chairperson attending Executive Board meetings. The Chairperson and Deputy Chairperson also have the right to speak at these meetings, but they do not have the right to vote or make proposals. The General Council also has an audit function whose work is carried out by external consultants.

The General Council submits consultation responses within its field of competence and the Executive Board consults with the General Council on reports and formal communications with proposals to the Riksdag and the Government regarding amendments to statutes or other central government measures.

The Chairperson and Deputy Chairperson prepare a report on the General Council's work for the Riksdag Committee on Finance. This usually takes place twice a year.

## The General Council's activities in 2019

The General Council met on twelve occasions over the year and took decisions by circulation on two occasions.

On 1 March, the General Council decided to extend the mandate for Cecilia Skingsley as Deputy Governor of the Riksbank for a mandate period of six years, with effect from 22 May 2019.

At its meeting on 30 August 2019, the General Council resolved to discharge Kerstin af Jochnick, at her own request, from her position as Member of the Executive Board as she had been appointed as one of the European Central Bank's representatives to the Supervisory Board of ECB Banking Supervision. Her tenure ended on 1 October 2019 and the General Council allowed her to take up her new position without observing a waiting period.

At its meeting on 8 November 2019, the General Council resolved to appoint Anna Breman as Deputy Governor of the Riksbank as of 1 December 2019 with a mandate period of six years. At the same meeting, the General Council resolved to appoint Cecilia Skingsley as First Deputy Governor, with effect from 8 November 2019, until her period of office expires on 22 May 2025.

The General Council made decisions during the year on the terms of employment of Executive Board members and expressed an opinion on their external assignments.

### **Submissions to the Riksdag**

On 23 April 2019, the General Council ruled it had no objection to the Executive Board sending a submission to the Riksdag on the role of the state on the payment market.

On 10 May 2019, the Executive Board consulted with the General Council on a submission to the Riksdag on statistics on households' assets and liabilities. The General Council ruled it had no objection to the Executive Board sending this submission to the Riksdag.

### **Coins and banknotes**

Over the year, the General Council received regular information on the installation of new banknote-counting machines and work on the redemption of invalid banknotes. Furthermore, the General Council received a report on the sale and recycling of coins scrapped during the changeover of the coin series 2016–2017.

### **Monitoring the work of the Executive Board**

Part of the General Council's controlling function was exercised in that the Chairperson and Deputy Chairperson monitored the work of the Executive

Board during the year, for example by exercising their right to attend formal and informal meetings of the Executive Board.

The General Council also scrutinised the Executive Board via its audit function. Transcendent Group AB undertook this assignment on behalf of the General Council until 31 March 2019. The General Council annually establishes a plan for the audit function's work. Transcendent Group reported its scrutiny of the governance of information security over the year. This scrutiny gave no reason for any proposed measures. Over the year, a procurement was carried out for a new consultant for the assignment and, on 1 August 2019, KPMG AB was commissioned as audit function to the General Council. Its first review concerns the Executive Board's performance of its duties and compliance with the rules of procedure. This review was reported to the General Council in February 2020.

The General Council was also informed about the Swedish National Audit Office's annual examination of the Riksbank's activities. The Swedish National Audit Office reports the results of its audit to the General Council both ahead of and in conjunction with the General Council's decision on its proposal for the allocation of profits. When the Swedish National Audit Office has completed its audit, the General Council receives a copy of the auditor's report.

In addition, the Chairperson and Deputy Chairperson have had regular contact with the Riksbank's internal audit department.

The members of the Executive Board participated regularly in General Council meetings and gave accounts of important decisions and events in the Riksbank's activities. For example, they described current monetary policy and the work of overseeing the stability of the financial system. The Executive Board also provided information on the state of the financial markets, in Sweden, in Europe and globally. The Executive Board also provided regular information on the Riksbank Inquiry. Likewise, the Executive Board provided information on the follow-up of the Riksbank's additional contribution to the Nobel Foundation.

The General Council received information on the Executive Board's decision to initiate work on connecting the Riksbank to the ECB payment platform TIPS, as well as on the e-krona pilot project. The General Council also received information on the Executive Board's decision to adjust the Riksbank's operational framework for the implementation of monetary policy.

Furthermore, the General Council received regular information on the follow-up of the Riksbank's budget and business plan, on the follow-up of financial and operational risks and the results of asset management, on the outcome of activities in other respects, on the new Protective Security Act and on the activities of the internal audit department.

Moreover, the General Council received information on all the consultation responses adopted by the Executive Board during the year.

The Executive Board provided regular information on important international meetings and on important discussions within various



international bodies. Furthermore, the General Council received information on the Riksbank's commitments to the International Monetary Fund (IMF).

At its meeting on 29 March, the General Council received a final report from the Riksbank's anniversary year 2018.

To gain supplementary information, the General Council participated in theme lunches at which the Executive Board provided more in-depth information on various current operational matters. The themes discussed were the Riksbank's balance sheet, management of the foreign exchange reserves and transfer of the Riksbank's profit to the Treasury, the development of the payment market including issues related to RIX-TIPS and the e-krona, information on the Riksbank Inquiry, the introduction of a reformed operational framework for the implementation of monetary policy, the krona exchange rate and monetary policy, and preparations for the General Council's visit to London in January 2020. In March, the General Council visited the cash handling office in Broby.

ANNEX

# Calculation of the Riksbank's allocation of profit 2019

## 1 Calculation of the Riksbank's transfer to the Treasury

*SEK million*

### Adjustment of the year's profit

Profit for 2019	25,651
Less exchange gain	-15,516
Price gain recorded on the balance sheet	8,252
<b>Adjusted profit for 2019</b>	<b>18,387</b>

*SEK million*

### Calculation of average adjusted profit

Adjusted profit for 2015	-1,588
Adjusted profit for 2016	8,851
Adjusted profit for 2017	1,272
Adjusted profit for 2018	6,460
Adjusted profit for 2019	18,387
<b>Total adjusted profit for the past five years</b>	<b>33,382</b>
<b>Average adjusted profit for the past five years</b>	<b>6,676</b>

*SEK million*

### Calculation of transfer amount

80% of the average adjusted profit	5,341
Rounding off to SEK 100 millions	-41
<b>Transfer 2019</b>	<b>5,300</b>

## 2 Calculation of transfer to the Riksbank's contingency fund

*SEK million*

### Transfer to the Riksbank's contingency fund

Exchange rate gain	15,516
10% of the average adjusted profit	668
<b>Total</b>	<b>16,184</b>

**3 Calculation of transfer to the Riksbank's balancing account***SEK million*

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<b>Transfer to the Riksbank's balancing account</b>	
10% of the average adjusted profit	667
Price gain recorded on the balance sheet	-8,252
Rounding off of transfer	41
Adjusted profit less average profit	11,711
<b>Total</b>	<b>4,167</b>

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