

## Submission to the Riksdag 2020/21:RB2

# The General Council of the Riksbank's proposal for the allocation of profit 2020 and so forth

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## Summary

The General Council's account of activities for 2020 reports that the Council has met on nine occasions during the year and gives an overall description of the matters discussed and the information the General Council has received at these. 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 2020, the General Council proposes that SEK 6,800 million be transferred to the Treasury.

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## Proposal for decision by the Riksdag

The Riksbank's profit for 2020 amounts to SEK –4,273 million. The General Council proposes that the Riksdag adopt the following proposal for the allocation of the Riksbank's profit for the financial year 2020:

- SEK 6,800 million to be transferred to the Treasury.
- SEK 13,337 million to be transferred from the Riksbank's contingency fund.
- SEK 2,264 million to be transferred to the Riksbank's balancing fund.

The General Council also proposes that the transfer to the Treasury 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, 12 February 2021

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 Caroline Helmersson Olsson took part in this decision.

The presenters were Eva Julin and Henrik Gardholm.

## Proposal for the allocation of profits for 2020

When reviewing the Riksbank's management for the year 2019 (report 2019/20:FiU23), the Riksdag approved the General Council of the Riksbank'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 the contingency fund. The amount remaining after this shall be transferred to or from the balancing fund. If the result for the year is lower than 10 per cent of the adjusted average result, an amount corresponding, at most, to the profit for the year shall be transferred to the contingency fund. The General Council applies the same basis for calculation for 2020.

The General Council has received a report for the 2020 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 loss of SEK 4,273 million for 2020. The result includes a financial risk provision of SEK 5,000 million made with the aim of strengthening the Riksbank's resilience to future losses. 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 accounting profit was negatively affected by an exchange rate loss of SEK 13,337 million. This loss is excluded from the calculation, meaning that the adjusted profit is positive.
- The accounting profit was not affected by any gold value effect and therefore no adjustment was made for such an effect.
- A price loss of SEK 1,282 million was recorded as a price effect decrease in the revaluation account on the balance sheet. The General Council has included this loss when calculating the allocation of the net income.

In accordance with the account below, the General Council proposes that SEK 6,800 million be transferred to the Treasury.

The foreign exchange loss will be transferred from the contingency fund. As the result for the year is negative, 10 per cent of the average adjusted profit will not be transferred to the contingency fund. As the proposed transfer, adjusted by the transfer from the contingency fund, is lower than the reported result for the year, it is proposed that the difference of SEK 2,264 million be

transferred to the balancing fund. 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 2020 amounts to SEK -4,273 million. The General Council decided, on 12 February 2021, to submit the following proposal for the allocation of the Riksbank's profits:

- SEK 6,800 million to be transferred to the Treasury.
- SEK 13,337 million to be transferred from the Riksbank's contingency fund.
- SEK 2,264 million to be transferred to the Riksbank's balancing fund.

The General Council also proposes that the transfer to the Treasury 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. Following general elections, the Riksdag appoints members and deputies for a term of office of four years. The General Council selects a Chairperson and a Vice Chairperson from among its members.

In 2020, the General Council consisted of the following members: Susanne Eberstein (Chairperson), Michael Lundholm (Vice 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 Gjørtler, Thomas Strand, Sofia Fölster, Josef Fransson, Mathias Tegnér, Roger Tiefensee, ClasGöran Carlsson, Maria Plass, Sammy Almedal and Agneta Börjesson.

## The General Council's tasks

The General Council appoints the members of the Riksbank's Executive Board and determines their salaries and other terms of appointment. The General Council also adopts the Riksbank's Rules of Procedure that specify the Riksbank's overall organisation and regulation of certain managerial and decision-making matters. The General Council also determines the design of banknotes and coins.

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. The Chairperson and Vice Chairperson attend and may speak at the Executive Board's 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 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. In addition, the General Council submits consultation responses within its field of competence.

The Chairperson and Vice Chairperson submit, usually twice a year, a report on the General Council's work to the Riksdag Committee on Finance.

## The General Council's activities in 2020

The General Council met on nine occasions during the year.

### The coronavirus pandemic

Due to the coronavirus pandemic, the Riksbank's crisis management was activated early in the year. As the Riksbank complied with the Public Health Agency of Sweden's advice and recommendations, the pandemic also had an impact on the work of the General Council. Only the first two meetings of the year could be held in the normal manner, with all members present in the Riksbank's premises. Subsequently, all meetings were held using a combination of physical participation and participation online or via telephone.

At its meetings over this entire period, the General Council received information from the Executive Board and the crisis management group on how operational work had been adapted to limit the spread of infection, the policy measures the Executive Board had adopted to alleviate the effects of the pandemic on the economy, and on the situation for cash management. Several times over the year, the General Council expressed its great appreciation of the work conducted by the Riksbank and its staff under a heavy workload during the crisis. This has allowed the Riksbank to contribute to safeguarding the Swedish economy and limiting the economic damage during the difficult situation in which Sweden finds itself.

### Members of the Executive Board

At its meeting on 2 October, the General Council decided to extend the mandate for Henry Ohlsson with a term of office of five years from 12 January 2021.

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

Over the year, the General Council discussed several matters concerning submissions to the Riksdag in consultation with the Executive Board.

At the meetings held on 7 February, 8 May and 28 August, the Executive Board consulted with the General Council on three submissions to the Riksdag on matters concerning the funding of the International Monetary Fund.

On 14 February, the Executive Board consulted with the General Council on a submission to the Riksdag proposing an amendment to the Sveriges Riksbank Act to let the Riksbank partially fund operations at a BIS innovation hub in Sweden for which the Riksbank has announced its candidacy.

In all cases, the General Council ruled it had no objections to the Riksbank sending these submissions to the Riksdag. The Riksdag has since decided to approve the submissions.

## **Consultation responses**

The General Council may submit opinions on consultation documents concerning the General Council's area of responsibility. Over the year, the General Council has responded to two consultations: Statement on the Riksbank Committee's final report, A new Sveriges Riksbank Act (SOU 2019:46) and Statement on the Review of the Riksdag, 2019 (2020/21:URF1).

### *The Riksbank Committee's final report*

The parliamentary committee tasked with performing a review of the monetary policy framework and the Sveriges Riksbank Act submitted its final report A new Sveriges Riksbank Act (SOU 2019:46) on 29 November 2019. In April, the General Council and the Executive Board each submitted their comments, based on their respective areas of responsibility.

In its statement, the General Council of the Riksbank emphasised the importance of the principle of an independent central bank being retained in the new Sveriges Riksbank Act. The General Council noted that the Riksbank Committee had largely based its work on this principle, but pointed out that the inquiry, in one area, had chosen a legal solution that risks undermining this principle, namely the proposal for a division of measures into those concerning monetary policy and those concerning financial stability. This division has significance not only for the work of the Executive Board, but also for the scrutiny of the Riksbank, where it is proposed that the General Council should have an extended role.

The General Council supported the inquiry's proposals concerning the Riksbank's financial position but proposed certain changes with the aim of safeguarding a robust framework for dividend payments and the Riksbank's equity. The General Council also expressed its opinion concerning how the price stability objective can be specified.

Both the General Council and the Executive Board pointed out that both the inquiry and the consultation responses were largely written before the coronavirus crisis. When the crisis is over and before any decision on a new Sveriges Riksbank Act is taken, it should therefore be tested whether the inquiry's proposals for restrictions to the Riksbank's room for manoeuvre are reasonable in light of the development of the crisis and the various measures taken.

### *Review of the Riksdag, 2019*

At its meeting in December, the General Council decided on a statement on the report Review of the Riksdag, 2019 (2020/21:URF1). In its consultation



response, the General Council only dealt with the proposals in the statement that concern the General Council's fields of competence: seats of independent members in committees and preparation of submissions. The General Council had no objections to the proposals but pointed out a certain need for clarification in continued legislative work.

At the same time, the Executive Board submitted a statement on the proposals in its area of responsibility.

### **Riksbankens Jubileumsfond**

At its meeting on 2 October, the General Council decided to nominate Jan Häggström for a renewed term of office as board member in the foundation Riksbankens Jubileumsfond. Following this, on 14 October, the Riksdag appointed Jan Häggström as member of the board for the period 1 November 2020–19 April 2024.

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

Part of the General Council's controlling function was exercised in that the Chairperson and Vice 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. KPMG AB has undertaken the assignment on behalf of the General Council since 2019. The General Council annually establishes a plan for the audit function's work. Over the year, KPMG reported its review of the Executive Board's exercise of duty and compliance with the rules of procedure, as well as its review of the areas of responsibility of the members of the Executive Board. KPMG did not find any material shortcomings in any of these reviews.

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 reported its results 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 completed its audit, the General Council receives a copy of the auditor's report.

In addition, the Chairperson and Vice Chairperson 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. Information on measures taken due to the coronavirus pandemic was a recurring item on the General Council's agenda.

The Executive Board also provided information on the follow-up of the Riksbank's additional contribution to the Nobel Foundation.

The General Council received information on the ongoing work on connecting the Riksbank to the ECB payment platform TIPS, as well as on the development of the e-krona pilot project.

On a couple of occasions, the General Council received information on the Executive Board's discussions of financial risk provisions.

On a couple of occasions, the General Council received information on the work surrounding the Riksbank's application to establish an innovation hub in Stockholm in collaboration with the Bank for International Settlements (BIS) and some of the Nordic central banks. In September, the Riksdag approved the legal amendment needed for the Riksbank to be able to fund an international organisation's operations. The Riksdag also granted its approval to the Riksbank funding the hub with an amount not exceeding SEK 30 million per year for five years (see also the section Submissions to the Riksdag).

The General Council also received information on the decisions to publish a new reference rate and to adopt a Swedish adaptation of the framework TIBER-EU (test of cybersecurity in an organisation); on new regulations for redemption, on two investment cases and other questions concerning cash management; on the Riksbank's sustainability work and on various security issues.

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, on the results of asset management and on the outcome of activities in other respects, and on the activities of the internal audit department.

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

The theme lunches that the General Council is usually invited to, in which the Executive Board provides detailed information on various current operational matters, could only be held in conjunction with the General Council's two meetings in February, due to the coronavirus pandemic. The themes addressed there were money laundering, and the Riksbank's budget and cost development from a historical perspective. In conjunction with the meetings in November and December, two online presentations were held instead, on the theme of the Riksbank's need for growth in a changing world and the Riksbank's e-krona pilot project, respectively.

## **International contacts**

In January, the General Council went on a study tour to London, where it visited the Bank of England and met Deputy Governor Sir John Cunliffe. In addition, through the embassy, the General Council had a whole day of interesting presentations by the think tanks Centre for European Reform, Institute for

Government, and Open Europe; academics from the National Institute of Economic and Social Research, Centre for European Reform, UK in a Changing Europe, and Economists for Brexit, as well as representatives of the City of London Corporation and Confederation of British Industry. The common theme for these presentations was Brexit and its consequences for the British economy. The ambassador had also hosted a dinner, primarily with participants from Swedish companies operating in the United Kingdom.

ANNEX 1

# Calculation of the Riksbank's allocation of profit 2020

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

*SEK million*

### Adjustment of the year's profit

Profit for 2020	-4,273
Foreign exchange rate loss	13,337
Price loss recorded on the balance sheet	-1,282
<b>Adjusted profit for 2020</b>	<b>7,782</b>

*SEK million*

### Calculation of average adjusted profit

Adjusted profit for 2016	8,851
Adjusted profit for 2017	1,272
Adjusted profit for 2018	6,460
Adjusted profit for 2019	18,387
Adjusted profit for 2020	7,782
<b>Total adjusted profit for the past five years</b>	<b>42,752</b>
<b>Average adjusted profit for the past five years</b>	<b>8,550</b>

*SEK million*

### Calculation of transfer amount

80% of the average adjusted profit	6,840
Rounding off to SEK 100 millions	-40
<b>Transfer 2020</b>	<b>6,800</b>

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

*SEK million*

### Transfer from the Riksbank's contingency fund

Foreign exchange rate loss	13,337
<b>Total</b>	<b>13,337</b>

**3 Calculation of provision to the Riksbank's balancing fund***SEK million*

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<b>Provision to the Riksbank's balancing fund</b>	
20% of the average adjusted profit	1,710
Price loss recorded on the balance sheet	1,282
Rounding off of transfer	40
Adjusted profit less average profit	-768
<b>Total</b>	<b>2,264</b>

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