

## Submission to the Riksdag 2021/22:RB2

# The General Council of the Riksbank's proposal for the allocation of profit 2021 and so forth

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## Summary

The General Council's account of activities for 2021 reports that the Council has met on ten occasions during the year and gives an overall description of the matters discussed and the information the General Council has received at these meetings. 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 2021, the General Council proposes that SEK 3,900 million be transferred to the Treasury.

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## Proposal for decision by the Riksdag

The Riksbank's profit for 2021 amounts to SEK –36 million. The General Council proposes that the Riksdag adopt the following proposal for the allocation of the Riksbank's profit for the financial year 2021:

- SEK 3,900 million to be transferred to the Treasury.
- SEK 1,293 million to be transferred to the Riksbank's contingency fund.
- SEK 5,229 million to be transferred from 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, 18 February 2022

On behalf of the General Council

SUSANNE EBERSTEIN

/Åsa Söder Nilsson

Susanne Eberstein (Chairperson), Michael Lundholm (Vice Chairperson), Hans Hoff, Hans Birger Ekström, Bo Broman, Marie Granlund, Mikael Eskilandersson, Caroline Helmersson Olsson, Roger Tiefensee, Mathias Tegnér and Jonas Jacobsson Gjörtler took part in this decision.

The presenters were Eva Julin and Henrik Gardholm.

# Proposal for allocation of profit for 2021

When reviewing the Riksbank's management for the year 2020 (report 2020/21: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 2021.

The General Council has received a report for the 2021 financial year from the Executive Board (in accordance with Chapter 10, Section 3 of the Sveriges Riksbank Act [1988:1385]). The General Council notes that the Riksbank reports a loss of SEK –36 million for 2021. The result does not include any financial risk provision. In accordance with the principle for the allocation of profits, the following adjustments are made 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 1,293 million. This profit is excluded from the calculation, which lowers the adjusted profit.
- The accounting profit was not affected by any gold value effect and therefore no adjustment was made for such an effect.
- A loss of SEK 8,400 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 3,900 million be transferred to the Treasury.

The exchange rate gain is transferred to 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, together with the transfer to the contingency fund, is higher than the reported result for the year, it is proposed that the difference of SEK 5,299 million be transferred from 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 Swedish 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 2021 amounts to SEK –36 million. The General Council decided, on 18 February 2022, to submit the following proposal for the allocation of the Riksbank's financial result:

- SEK 3,900 million to be transferred to the Treasury.
- SEK 1,293 million to be transferred to the Riksbank's contingency fund.
- SEK 5,229 million to be transferred from 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 2021, 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 (until 23 February), Malin Löfsjögård (from 19 March), 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, which specify the Riksbank's overall organisation, and regulates 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 may attend and 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 usually submit an account of the General Council's work to the Riksdag Committee on Finance twice per year.

## The General Council's activities in 2021

The General Council met on ten occasions during the year.

### **The coronavirus pandemic**

During the year, the Riksbank's crisis management remained active until November. The work of the General Council was affected in that most of its meetings were held in the form of hybrid meetings, with only a few participants present physically, while others participated digitally. However, the last two meetings of the year could be held on-site in the Riksbank's premises, as the Riksbank had gradually returned to the office as main workplace. However, individual members who were unable to attend physically could participate digitally.

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. The General Council also received information on how the Riksbank was planning the return to working more at the office than at home, as well as on the project Sustainable Working Methods, which has partly been brought to the fore by the working methods developed during the pandemic.

### **Members of the Executive Board**

At its meeting on 20 August, the General Council decided to extend the mandate for Per Jansson with a term of office of six years from 1 January 2022.

The General Council made decisions during the year on the terms of employment of Executive Board members and took a position on their external assignments.

### **Submissions to the Riksdag**

No matter concerning consultation with the Executive Board on submissions to the Riksdag was considered during the year.

### **Consultation responses**

The General Council may submit opinions on consultation documents concerning the General Council's area of responsibility. The General Council did not submit any consultation responses in 2021.

## **A new Sveriges Riksbank Act**

During the year, the General Council received information on the Riksbank's work in responding to the Riksbank Inquiry's proposal for a new Sveriges Riksbank Act and on the preparations for dealing with the consequences if the law is adopted in accordance with the proposal. Information was also provided on the Legal Secretariat's in-depth legal assessment of the proposal's compatibility with EU law and on the impact of the proposal on the General Council.

## **The Riksbank's Rules of Procedure**

At its meeting in December, the General Council decided on an adjustment to the Riksbank's Rules of Procedure concerning the organisation of IT operations.

## **Follow-up on the work of the Executive Board**

The General Council performed part of its controlling function 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. In 2021, this agreement was extended for a further two years, until 31 July 2023. 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 Riksbank's pandemic crisis management in 2020. KPMG did not find any material shortcomings in any of these audits.

During the year, the General Council decided to conduct two reviews in addition to the audit plan. Firstly, the impact of organisational changes on compliance and information security was evaluated. Secondly, the issue of possible conflicts of interest in connection with the Executive Board's decision to purchase corporate bonds was investigated. The first review, which was presented at the General Council meeting in May, resulted in some reflections that the Riksbank may consider in its ongoing development work. The second review was presented at the December meeting, together with a legal investigation by the General Council's office function. The General Council endorsed the assessment that there was no conflict of interest and concluded that no further action was required.

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 received 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 General Council was also informed of the Riksdag's review of monetary policy. 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 General Council also received information on the Executive Board's decision on changes to the Riksbank's instructions and on work on revisions to the Riksbank's ethical regulations.

The General Council received information on the Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2021.

The General Council received information on the Riksbank's work on the future settlement of payments and securities. Information was also provided on the Riksbank's admittance to the Eurosystem's payment platform TIPS and the work on RIX-INST (instant payments through TIPS) and CCY-INST (cross-border and cross-currency payments through TIPS). The General Council also received information about the e-krona pilot project and participated, with two representatives, in the reference group for the sub-project for the design of a logo for the e-krona pilot. The Executive Board also provided the General Council with information on the Payment Report.

The General Council also received information on the decision to publish a new reference rate (SWESTR), as well as on issues concerning redemption and other issues related to cash handling.

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. The General Council also received information on the Executive Board's decision concerning financial risk provisions.

The General Council regularly received information on the work of establishing an innovation hub in Stockholm in collaboration with the Bank for International Settlements (BIS) and some of the Nordic central banks. In 2020, the Riksdag decided to allow the Riksbank to co-finance the hub for five years for a maximum of SEK 30 million per year. The hub has now been set up and a manager has been appointed.

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, at which the Executive Board provides detailed information on various current operational matters, could only be held a few times in conjunction with the General Council's meetings, due to the coronavirus pandemic. They were conducted digitally or as hybrid meetings. The themes discussed were the Riksbank's work on risk, the Tumba Bruk paper mill museum, the SWESTR reference rate and, finally, the G20 agenda for cross-border payments.

## ANNEX 1

# Calculation of the Riksbank's allocation of profit 2021

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

*SEK million*

### Adjustment of the year's profit

Profit for 2021	-36
Less exchange rate gain recorded in the profit and loss account	-1,293
Price loss recorded on the balance sheet	-8,400
<b>Adjusted profit for 2021</b>	<b>-9,729</b>

*SEK million*

### Calculation of average adjusted profit

Adjusted profit for 2017	1,272
Adjusted profit for 2018	6,460
Adjusted profit for 2019	18,387
Adjusted profit for 2020	7,782
Adjusted profit for 2021	-9,729
<b>Total adjusted profit for the past five years</b>	<b>24,172</b>
<b>Average adjusted profit for the past five years</b>	<b>4,834</b>

*SEK million*

### Calculation of transfer amount

80% of the average adjusted profit	3,868
Rounding off to SEK 100 millions	32
<b>Transfer 2021</b>	<b>3,900</b>

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

*SEK million*

### Transfer to the Riksbank's contingency fund

Exchange rate gain	1,293
<b>Total</b>	<b>1,293</b>

**3 Calculation of transfer from the Riksbank's balancing fund***SEK million*

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<b>Transfer from the Riksbank's balancing fund</b>	
20% of the average adjusted profit	966
Price loss recorded on the balance sheet	8,400
Rounding off of transfer	-32
Adjusted profit less average profit	-14,563
<b>Total</b>	<b>-5,229</b>

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