

# A year with the new Sveriges Riksbank Act

Stockholm Centre for Commercial Law  
18 January 2024

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# The Riksbank's independence is a key issue



Cooperation with other  
authorities and the  
Government



Transparency  
and scrutiny



The Riksbank's need for  
earnings and equity

# To summarise, the new Sveriges Riksbank Act entails ...

- ... on the whole “**business as usual**” for most of our operations
- ... largely unchanged **monetary policy** powers, but some limitations
- ... clarified responsibility for **financial stability**, but mostly a codification of practice
- ... extended responsibility for **cash management**
- ... extended responsibility for **civil contingency planning for payments**
- ... increased exchange of information with the Government and Riksdag (parliament) on international work
- ... new explicit tasks regarding **sustainability**
- ... clarification of responsibilities within the **organisation** (Executive Board, Governor, General Council)
- ... reinforced **democratic scrutiny**
- ... some restriction on the funding possibilities of the **foreign exchange reserves**
- ... issues regarding **financial independence**

# The Riksbank's regulations have become clearer

OVERALL OBJECTIVE

Price stability

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OTHER  
AREAS OF RESPONSIBILITY

The financial  
system

Peacetime crisis  
situations and  
heightened alert

International  
operations

Cash and other  
means of  
payment

# Division between monetary policy and financial stability tasks



Maintaining sustainably  
low and stable inflation



Contributing to a stable and  
efficient financial system

# Same tools but different conditions

MONETARY POLICY	FINANCIAL STABILITY
Receive deposits	
Provide credit	Provide credit
Enter into repurchase agreements <i>(financial instruments and foreign currency).</i>	Enter into repurchase agreements <i>(financial instruments)</i>
Buy and sell Swedish government securities	Buy and sell financial instruments
Buy and sell other financial instruments	
	Emergency liquidity assistance
Carry out foreign exchange interventions.	
Issue and trade own debt securities	
Reserve requirement	

Essentially  
the same  
tools



# Detailed division creates some difficulties



Restoring foreign currency reserves after use



Buying and selling securities for financial stability purposes

# New responsibility for civil contingency planning – payments

OBJECTIVE: *“The public shall be able to make payments in peacetime crisis situations and in the event of heightened state of alert”*

TASKS:

## The Riksbank's three roles



Specifying requirements



Monitoring



Coordinating



Companies with operations of particular importance for the execution of payments



# New responsibility for civil contingency planning – payments

OBJECTIVE: *“The public shall be able to make payments in peacetime crisis situations and in the event of heightened state of alert”*

TASKS:

## The Riksbank's three roles

- Issuing regulations
- Agreement
- Finansinspektionen
- Joint work with companies
- Oversight

Specifying requirements



Monitoring



Coordinating



Companies with operations of particular importance for the execution of payments

# The Riksbank's independence

Institutional



Financial



# The Riksbank's institutional independence



Ban on taking instructions



But nothing prevents dialogue and information exchange between the Riksbank and the Ministry of Finance



Greater need for dialogue at the policy rate's lower bound



Reinforced democratic scrutiny and control

# Clearer division of responsibilities



## EXECUTIVE BOARD

*Five members of the Executive Board, elected for 5 or 6 years and may be reappointed once to the same position.*

- Lead and be responsible for RB's activities
- Adopt Rules of procedure
- Decide on regulations and matters of principle or major importance



## GOVERNOR OF THE RIKSBANK

- Manage the work of the Executive Board
- Be responsible to the Executive Board and managing the day-to-day operations



## GENERAL COUNCIL

*Unchanged composition*

- Control function is laid down in law
- Appoint members of the Executive Board following an application procedure
- Decide on the allocation of profits

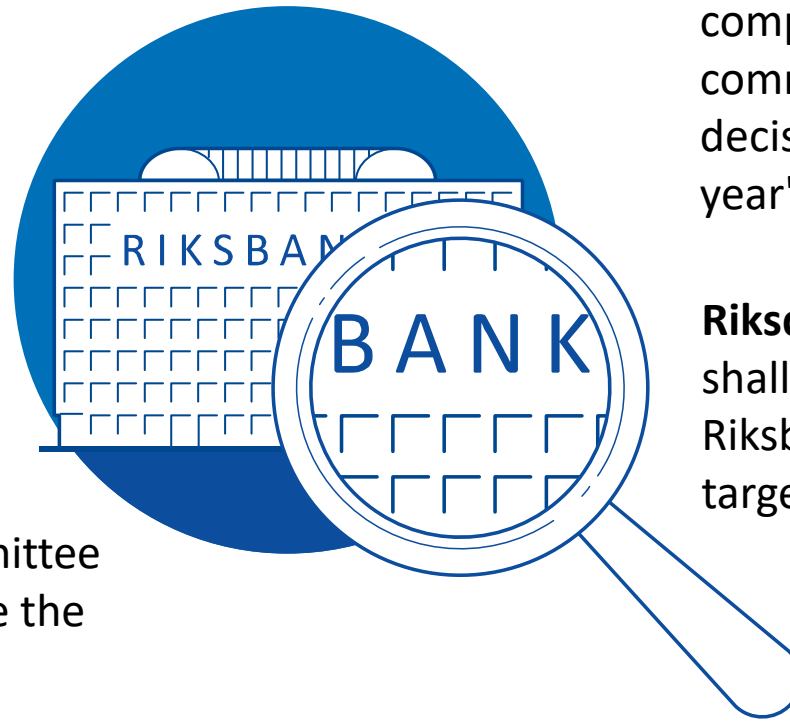
# Reinforced democratic scrutiny

## Information

to the public and Riksdag is essentially determined according to current practice

## The General Council's control function is laid down in law

- keep the Riksdag Committee on Finance informed
- report observations to the Committee
- the audit function shall scrutinise the work of the Executive Board



## Swedish National Audit Office

shall examine whether the Riksbank complies with regulations and comment on the General Council's decision on the appropriation of the year's result

## Riksdag Committee on Finance

shall follow up *all* of the Riksbank's operations in terms of target fulfilment and efficiency

# The Riksbank's financial independence

- Sufficient financial resources to carry out tasks independently
- Assets separate from government assets
- No government funding
- Decide on the budget itself
- Recurring need for capital injections may be considered contrary to the principle of financial independence



# The Riksbank's need for earnings and equity

- Challenging that cash supply is low
- Target equity level (*inflation adjusted*).
  - Target level: SEK 60 billion
  - Base level: SEK 40 billion
  - Minimum level: SEK 20 billion
- Petition for the restoration of equity after losses
  - Equity capital at year-end: SEK -2 billion
- Long-term need for further strengthening of earnings capacity



# A year with the new Sveriges Riksbank Act

- Distinction between monetary policy and financial stability is fundamentally sound
- The level of detail in the law limits the freedom of action for certain tools
- Create conditions for cooperation with other authorities
- The Riksbank's independence does not prevent dialogue with, for example, the Ministry of Finance.
- Petition to the Riksdag - the main rule is that equity shall be restored to the base level of SEK 40 billion
- Current earnings need to be further strengthened to ensure financial independence





THANK YOU!

S V E R I G E S R I K S B A N K