

Summary

Introduction

The Riksbank is of great importance for economic development in Sweden, in both the short and the long term. Like other central banks, the Riksbank is responsible for a number of fundamental tasks that are crucial if the economy is to function well. Two of its fundamental tasks are to provide means of payment and a central system for payment settlement. These tasks form the foundation of a safe and efficient financial system. It is hard to exaggerate the importance of being able to execute payments both in normal times and in times of crisis and of households and businesses having confidence in this being the case. A third fundamental task is to safeguard the value of money by promoting low and stable inflation. The introduction of inflation targets and independent central banks in the 1990s has resulted in much lower and more stable inflation in Sweden and elsewhere. Low and stable inflation reduces uncertainty in connection with investments and saving, which is positive for growth. Low and stable inflation also reduces unintentional redistribution of wealth. A fourth fundamental task is to act, when the need arises, as a lender of last resort for certain financial companies and to thereby limit the risks of financial crises arising and alleviate their effects if they nevertheless do occur. The financial crisis that exploded in 2008 was a reminder that confidence – and therefore the possibility of raising finance – in financial markets can disappear suddenly. In such a situation the Riksbank can offer financing, against collateral, until the unrest has abated and thereby prevent a financial collapse with serious consequences for the real economy. The fact that central banks have strong powers and are able to act quickly when unrest spreads in financial markets creates confidence and can contribute to reducing unrest. The financial crisis also demonstrated

the importance of flexibility. Central banks needed to take different measures depending on the specific problems facing them and the conditions at the time.

It should not be possible to give the Riksbank's Executive Board instructions in the context of monetary policy. This ensures that the credibility of the price stability objective is maintained. The Riksbank should also be able to make independent decisions in other areas of activity. Furthermore, the Riksbank should have a high degree of financial independence that ensures that it is able to perform and finance its tasks. The Riksbank should also be governed through a law that clarifies the objectives of its activities and what considerations are to be taken into account.

Given the central role of the Riksbank for the economy and its independence as an institution, it is very important to ensure its democratic legitimacy. This is achieved through a democratic anchoring in which the Riksdag reaches decisions on and clarifies the objectives, tasks and powers of the Riksbank as well as through the appointment of members of the Executive Board. In addition, there is a need for democratic scrutiny of the Riksbank to make it possible to realise accountability.

Background

The context of the Riksbank's activities has changed continually over time. Since the present Riksbank Act entered into force in 1989, there have been great changes in the economic policy landscape regarding, for instance, the Swedish exchange-rate regime, the deregulation and internationalisation of financial markets and Swedish membership of the European Union. The adjustments made to the Riksbank Act in 1999 related mainly to incorporating the price stability objective in the Act and to stronger independence and a new management structure for the Riksbank. So, the present Riksbank Act was largely framed in the second half of the 1980s when the exchange-rate was fixed and the financial system had a completely different appearance. This means that many parts of the Act are outdated, and this contributes to its lack of clarity.

The global financial crisis and the period of low inflation that followed on it in large parts of the world put the tasks and powers of the central banks in the spotlight. During the acute phase of the financial crisis the central banks acted to avert a financial collapse chiefly by acting as lenders of last resort, i.e. providing liquidity assistance for financial actors when their financing markets were not working. After the acute phase it turned out that monetary policy was restricted by the inability to reduce key interest rates even more. As there was a need for further monetary policy stimulus, interest rate management was supplemented by purchases of financial assets ('quantitative easing'). The experience of the global financial crisis has resulted in several countries launching inquiries to analyse the future objectives, tasks and powers of the central banks.

In the aftermath of the financial crisis considerable changes have also been made to the international and European regulatory frameworks in order to promote financial stability. In Sweden, Finansinspektionen (the Swedish Financial Supervisory Authority) has been given responsibility for macro-prudential policies and Riksgäldskontoret (the Swedish National Debt Office) has been given responsibility for resolution. One central issue in the Inquiry is what objectives, tasks and powers the Riksbank ought to have to promote financial stability and efficiency, given this institutional structure.

Moreover, extensive and rapid change in the payment market as a result of technological development and digitalisation has affected the activities of the Riksbank in the payment system. The conditions for the Riksbank's cash activities have been affected by the rapid decrease in cash use in Sweden, a trend that has accelerated in the past ten-year period. The question of preparedness in the payment system has also become increasingly relevant. In particular, the decision to resume unified cohesive defence planning, including the Defence Commission's indicative proposal regarding the total defence and the design of civil defence, has contributed to this.

Thus, a number of the issues that the Committee has been tasked with analysing have been raised by the financial crisis, while others have been justified by a more general need for a review as a result of the institutional and economic changes seen in the past 30 years. In the light of the new situation described above, the difficulties in interpreting and applying the present Act have increased over time. Several actors have stressed the lack of clarity in the Riksbank's

responsibility in the area of financial stability as a particular problem. Other areas in which there is a need to update the Act and clarify the objectives, tasks and powers of the Riksbank are monetary policy, the Riksbank's international activities, cash activities and responsibility to maintain preparedness. There are also some unclear points concerning powers and the distribution of responsibility in the management of the Riksbank, both within the Executive Board and between the Executive Board and the Governing Council.

Terms of reference

The Committee's terms of reference start from the positions taken by the Riksdag in Committee report 2015/16:FiU41 of the Riksdag Committee on Finance. According to the terms of reference (ToR 2016:114) the Committee is to analyse and propose statutory amendments in the following areas:

- monetary policy objectives and means;
- the responsibility of the Riksbank for financial stability;
- the institutional independence of the Riksbank;
- the organisation of the Riksbank;
- the role of the Riksbank in international contexts;
- the democratic scrutiny of the Riksbank and monetary policy;
- the responsibility of the Riksbank for cash handling, cash provision; and
- preparedness in the payment system.

According to the Committee's terms of reference the starting point for the inquiry is that the objective of price stability is still to be of central importance and that the Riksbank is to enjoy a high degree of independence. The Committee is also to take account of the fact that Sweden does not have the euro as its currency. In addition, the Committee is to start from the division of responsibility decided for macro-prudential policies and resolution.

In October 2017 the Committee was also tasked with presenting proposals regarding the Riksbank's financial independence and balance sheet (ToR 2017:100). The terms of reference also include clarifying in law the conditions on which the Riksbank may reinforce the foreign reserves through loans from the National Debt Office.

Central starting points that have guided the Committee's proposals

A new Riksbank Act is needed

The present Riksbank Act entered into force on 1 January 1989. In the late 1990s a number of amendments were made focusing mainly on the introduction of the price stability objective, adaptation to the requirements in EU law for independent central banks, including a new management structure for the Riksbank. However, the provisions concerning matters including exchange-rate policy, cash supply and the role of the Riksbank with respect to the financial system as whole were not altered. The extensive economic policy and institutional changes that have taken place since the Act entered into force means that an extensive review of the Act is needed, as is also stated in the Committee's terms of reference. In the view of the Committee, the changes needed in the present Riksbank Act are so extensive and comprehensive that it should be replaced by a new Riksbank Act (see chapter 13)

Adaptation to EU law but not to introduction of the euro

In the view of the Committee, the legislation should be amended to the extent required to enable the regulatory framework that applies in Sweden to be visible in Swedish law. Swedish legislation should therefore reflect the most central rules in EU law for the activities of the Riksbank, taking account of the fact that Sweden is a 'Member State with a derogation', i.e. it does not have the euro as its currency. However, the Committee's assessment is that there is no reason to present legislative proposals concerning the legal integration of the Riksbank in the European System of Central Banks (ECBS) that would enable an immediate introduction of the euro as the currency

in Sweden. This should wait until such time as a political decision that Sweden will introduce the euro as its currency may have been made.

In its legislative proposals the Committee has taken account of views on Swedish legislation presented by the European Commission regarding matters including the institutional and financial independence of the Riksbank and the prohibition of monetary financing (see chapter 13).

The Riksbank is a special administrative authority with a high degree of independence

The Riksbank is an administrative authority and is covered by the requirements of legality, objectivity and proportionality and collaboration with other authorities stated in both the Instrument of Government and the Administrative Procedure Act (2017:900). The conditions and need for collaboration with other authorities are different in different parts of the Riksbank's activities. Moreover, the Riksbank is answerable to the Riksdag. Compared with the other authorities under the Riksdag, the Riksbank has great breadth in its tasks and forms of activities. The Riksbank also has a unique form of management unlike that of other Swedish authorities (see chapter 11).

To these special conditions for the Riksbank as an authority, can be added the Riksbank's independence in the form of its institutional independence (the ban on giving instructions), its functional independence, its financial independence, the personal independence of the Riksbank management and the fact that the Riksbank is a separate legal entity distinct from the State (see chapter 12).

A clear mandate laid down in law is needed for the activities of the Riksbank

As the Riksbank is answerable to the Riksdag, the only possible way of governing it is by law. This is an important reason why the objectives, tasks and powers of the Riksbank should set out in the Act. In several respects the present Riksbank Act is outdated and hard to interpret and therefore to apply. If the activities of the Riksbank are conducted within the framework of a clearer mandate laid down in law, the Riksbank will be better able to act and to take

necessary and appropriate measures in different situations. This will also make it easier for other actors to interpret the responsibility of the Riksbank in different areas of activity, such as in work on financial stability and cash activities and regarding society's crisis preparedness and elevated preparedness.

There is a lack of clarity in several of the Riksbank's areas of activity. One area where the deficiencies in current legislation has been highlighted repeatedly is the responsibility of the Riksbank for financial stability. At present there is no explicit mandate regarding financial stability in the Act, over and above the provisions that the Riksbank shall promote a safe and efficient payments system and that the Riksbank may provide emergency liquidity assistance to financial companies if certain conditions are met. The tasks and powers that the Committee proposes that the Riksbank should have in financial stability are largely a codification of practice. In other areas, too, the Riksbank has over time developed practice that is not reflected in the present Riksbank Act. This applies, for example, to the Riksbank's international work, to the Riksbank's reports to the Riksdag and information to the public and to the working methods within the Executive Board. In several cases the Committee's proposals mean that practice is codified in law.

A clearer mandate laid down in law also secures the democratic foundation for the Riksbank's activities while improving the conditions for scrutiny and the exercise of accountability on the part of the Riksdag in relation to the Riksbank.

The Committee's most important proposals

The following is a brief description of the Committee's most important proposals in the areas identified by the terms of reference.

Mandate in monetary policy (chapters 14–19)

The Committee proposes that the *objective* of monetary policy in the new Act should be sustainably low and stable inflation (the price stability objective; see chapter 15). The specification of the objective in terms of target variable, rate of growth and price index, should be carried out by the Riksbank.

The Committee gives its backing to the Riksbank's present specification, i.e. an inflation target measured according to CPIF with a target growth rate of 2 per cent per year. The Committee proposes that, when needed, the Riksbank should make a submission to the Riksdag when it wants to change the current specification, which the Riksdag can then choose to approve or not approve. The Committee also proposes that, without setting aside the price stability objective, the Riksbank should contribute to a balanced development of production and employment (consideration of the real economy; see chapter 16). Over and above this, the Committee has considered including financial stability as a separate objective of monetary policy, thereby taking account of financial stability over and above the effects that go via inflation and the real economy. However, the Committee makes the assessment that this is not appropriate (see chapter 17).

The *tasks* of the Riksbank as part of monetary policy consist of conducting monetary policy and 'exchange-rate management', the latter if the Government has adopted a target for the exchange-rate (see chapter 19). This means that the proposed act is compatible with both a floating and a fixed exchange-rate. The Committee considers that what should constitute monetary policy, and therefore be covered by the 'ban to seek and take instructions' (see chapter 12), is defined by the monetary policy powers that follow from the second chapter of the proposed Riksbank Act (see chapter 13).

The Committee also proposes that the Riksbank be assigned a number of *powers* as part of monetary policy (see chapter 18). These powers consist of instruments (e.g. offering credits) and possible restrictions on the use of the instruments (e.g. requirements of collateral for credits). According to the Committee's proposal, the Riksbank's powers in monetary policy should cover the following:

- Receiving deposits, providing credit in Swedish kronor and foreign currency and deciding the key interest rate. However, credits may only be provided against adequate collateral.
- Issuing debt instruments in Swedish kronor.

- Buying sovereign debt instruments in the secondary market. The Committee emphasises, however, that the Riksbank should, when this is called for, take account of how purchases of sovereign debt instruments affect the functioning of financial markets and the conditions for the management of the State's (central government) debt. The Committee considers, however, that the last point does not need to be stated in the new Riksbank Act.
- Buying private securities, i.e. financial instruments other than Swedish sovereign debt instruments, if there are exceptional reasons. The Committee emphasises, however, that, in general, both changes in key interest rates and purchases of sovereign debt instruments are preferable to purchases of private assets since these assets are much riskier from a financial perspective. The Committee also emphasises that the measure should be designed to have the least possible impact on the allocation of credit and resources, given the effects the Riksbank wants to achieve. The Committee considers, however, that this does not need to be stated in the new Riksbank Act.
- Implementing currency interventions, but these interventions should be implemented taking account of the applicable exchange-rate system.

As part of conducting monetary policy the Committee also proposes that the Riksbank should inform the public about matters including the objectives of monetary policy and the Bank's monetary policy strategy. Information on monetary policy decisions made should be given to the Government as soon as possible after the decision and, if possible, before it is announced to the public. In addition, the Riksbank may conduct a dialogue with the Government and other public authorities or organisations about questions that affect the design of monetary policy and the possibilities of attaining the objectives of monetary policy.

Mandate in financial stability (chapters 20–25)

The Committee proposes that the Riksbank be given an explicit objective for its work on financial stability. The objective should be to contribute to the stability and effectiveness of the financial system. To achieve this objective the Riksbank is given the following main *tasks*:

- providing a payment settlement system and participating in other ways when needed in payment settlement in relation to financial companies and authorities;
- identifying vulnerabilities and risks in the financial system that may lead to serious disturbances;
- conducting oversight of the financial infrastructure and making preparations to manage crises; and
- providing liquidity assistance to the financial system in the form of general liquidity assistance and emergency liquidity assistance.

The tasks are largely a codification in law of the activities currently conducted by the Riksbank with respect to financial stability.

Regarding liquidity assistance the Riksbank is given the power to provide *general liquidity assistance* for the purpose of financial stability. The Committee also concludes that the Riksbank ought to have a special responsibility for liquidity assistance to the financial system. More specifically, the Riksbank may give credit to or enter into repurchase agreements with Swedish companies subject to the supervision of the Financial Supervisory Authority and equivalent foreign companies conducting operations in Sweden via branches and central counterparties (CCPs), if this is needed to counter a serious disturbance in the financial system in Sweden. Credits and repurchase agreements can relate to both Swedish kronor and foreign currency. Credits shall be given in return for adequate collateral.

The Riksbank may also buy and sell financial instruments at pre-determined prices, in a way similar to a market maker, in order to temporarily support the functioning of system-critical financial markets if this is needed to counter a serious disturbance in the financial system in Sweden and if there are exceptional reasons.

Regarding *emergency liquidity assistance* the Committee proposes that the Riksbank's power to provide credit should be transferred to the new Act, with certain clarification and expansion of the provision. The new provision states that the Riksbank may provide credit in Swedish kronor or foreign currency in return for collateral in order to support liquidity if this is needed to counter a serious disturbance in the financial system in Sweden and if there are exceptional reasons. Such a credit may only be given to a company that is a Swedish company subject to the supervision of the Financial Supervisory Authority or an equivalent foreign company conducting operations in Sweden via a branch or a central counterparty. The company must be viable but have temporary liquidity problems.

The Riksbank's international activities (chapters 26 and 27)

The Committee's proposal clarifies that the Riksbank may participate in international cooperation that is of importance for its ability to achieve the objectives for its activities that are stated in the Riksbank Act. The Committee makes the assessment that, with this support in law, the Riksbank will continue to be able to participate in the international cooperation it currently participates in. The Riksbank should ensure that the Government receives regular information about important circumstances in the international work that the Riksbank participates in.

In the case of decisions on important matters of principle in international contexts that are linked to the activities of other public authorities, the Riksbank should consult with other Swedish authorities. When the Riksbank participates in an international forum along with another Swedish authority, it is particularly important that the authorities build support for their positions and seek to reach common standpoints in important matters of principle.

If the Riksbank's principal, the Riksdag, or the Government – as part of its responsibility for foreign policy – makes statements about Sweden's general stance and they are of importance for the authorities' international discussions, the Riksbank shall base the standpoints it frames on these statements.

The Riksbank may act as a liaison body and financial counterpart of the International Monetary Fund (IMF). Swedish standpoints in the IMF should be developed in cooperation between the Government and the Riksbank, as they are at present. However, since it is Sweden, as a country, that is a member of the IMF, the Committee's assessment is that, ultimately, it is the Government that decides what position Sweden should represent. The exception from this is matters concerning monetary policy or other ECBS-related questions.

In conjunction with the participation of the Riksbank in the financing of the activities of the IMF, the Riksbank should request that the National Debt Office lends an equivalent amount to the Riksbank. The interest rate should correspond to the interest rate the Riksbank receives from the IMF. The net interest income and any credit losses on account of IMF undertakings will therefore have a direct effect on the state budget instead of, as at present, affecting it indirectly via the Riksbank's result and dividend to the state budget.

The Riksbank's institutional and financial independence and the foreign reserves (chapters 28–31)

The Riksbank's financial independence is strengthened in several respects in the new Act. First, the Committee propose that decisions to adopt the balance sheet, profit and loss account and allocation of profits should be made by the General Council of the Riksbank instead of by the Riksdag. The decision of the Riksdag is limited to either approving or setting aside the General Council's decision. Second, the conditions for the profit allocation to the State are laid down in law. An indexed target level is introduced for the Riksbank's equity, meaning profits are only distributed to the state budget if the target level is exceeded. Third, the Committee's proposal clarifies that the Riksbank has the right to make financial provisions in accordance with the European Central Bank's financial reporting guideline. Fourth, a procedure laid down in law is established for restoring the Riksbank's equity if it falls below a certain level. Moreover, the Committee's proposal makes clear that the Riksbank is a separate legal entity that is owned by the State, that the Riksbank manages its own assets and the income of its activities and that the State guarantees the Riksbank's obligations.

Its institutional independence is strengthened by providing that the Riksbank will no longer be obliged to inform a government minister ahead of all important monetary policy decisions and only has to do so after these decisions. Finally, the Committee's proposal makes clear that the ban to seek and take instructions set out in the Instrument of Government and the Riksbank Act applies to all four 'ECBS-related tasks', and to the collection of statistics as part of cooperation in the ECBS, and not only to monetary policy.

The new Act also clarifies the conditions on which the Riksbank may borrow foreign currency from the National Debt Office to satisfy the need for foreign reserves. The Riksbank may borrow foreign currency from the National Debt Office corresponding to five per cent of Sweden's gross domestic product. This kind of borrowing should be preceded by a thorough analysis and justification of the need to reinforce the foreign reserve. The borrowing should also be preceded by consultations with the National Debt Office. If there are exceptional reasons, the Riksbank may temporarily borrow further foreign currency in order to reinforce the foreign reserves. In addition, the Riksbank is given the opportunity to take out foreign currency loans from the National Debt Office with the aim of restoring the foreign exchange reserve if it has been used for liquidity support.

The Committee's proposal clarifies that the Riksbank may raise credits from, provide credits to, and enter into currency repurchase agreements, or other similar agreements, with other central banks without this needing to have any connection with what is called exchange-rate policy in the present Riksbank Act. When the Riksbank enters into such agreements in order to satisfy another central bank's need for currency, approval by the Riksdag is required in certain cases.

Organisational clarity within the Riksbank (chapter 32)

The Committee's proposal is intended to make the division of responsibility within the Riksbank clearer with respect to its organisation and management. This refers, first, to the relationship between the Executive Board and the Governing Council where the roles are made clearer and more distinct. The General Council's control

function is laid down in law. The influence of the General Council on the organisation of the Riksbank, in that the General Council adopts the Riksbank's rules of procedure, is removed. The decisions on organisational and management issues set out in the rules of procedure should be taken by the Riksbank's Executive Board instead so as to achieve the Riksbank's objectives in the best and most efficient way. The General Council is proposed to continue to have the task of appointing the Governor and Deputy Governors in the future. The Committee proposes introducing a clear application procedure for the appointment of members of the Executive Board. When recruiting, the General Council should ensure that, taken together, the Governor and Deputy Governors have appropriate competence and expertise in all parts of the Riksbank's activities. The candidate profile for the Governor of the Riksbank should also include leadership ability.

Second, the Committee proposes that the role of the Governor of the Riksbank as the head of the authority and chair of the Executive Board be clarified in law. The Governor of the Riksbank should run the operating activities of the Riksbank according to the directives and guidelines adopted by the Executive Board. This means laying down in law the practice for work in the Executive Board that has developed in recent years and that is, in the Committee's assessment, functioning well.

Third, the Committee proposes that the number of executive board members be decreased from six to five with transitional rules for the Executive Board members appointed before the new Riksbank Act enters into force. There is an efficiency aspect here regarding work in the Executive Board, with five members being judged to be sufficient to achieve breadth in decision-making. When it comes to monetary policy decisions, and other policy decisions with an impact on society, the executive board members should have equal standing and the Committee proposal of five executive board members means that the casting vote of the Governor of the Riksbank will seldom be relevant.

Greater organisational clarity with a specific distribution of responsibility between different parts of Riksbank management will enable the Riksbank to improve efficiency and the achievement of objectives in its activities.

Stronger democratic scrutiny of the Riksbank (chapter 33)

Under the terms of reference, the Committee's remit is to present proposals to strengthen democratic scrutiny. Deficiencies have been identified in the democratic scrutiny of the Riksbank in areas including the resources and time available to the Riksdag Committee on Finance for this scrutiny, the Committee's disadvantage in terms of information and knowledge and the insufficient dialogue between the General Council and the Committee on Finance. Nor does any external body examine regulatory compliance by the Riksbank.

The forms for information to the public and reports to the Riksdag are codified in law mainly in accordance with the practice that has been developed by the Riksbank. A new provision is added to the Riksdag Act to the effect that the Committee on Finance shall monitor *all* the activities of the Riksbank with respect to the achievement of objectives and efficiency. In addition, the National Audit Office will audit the regulatory compliance of the Riksbank as part of its annual financial audit. The stronger scrutiny by the Committee on Finance and the audit of regulatory compliance by the National Audit Office require the allocation of additional resources.

The General Council's control function is laid down in law. The General Council is responsible for following the work of the Executive Board and the other activities of the Riksbank. The General Council should keep the Riksdag Committee on Finance informed about matters of substantial importance. The General Council should also meet regularly and should report its observations to the Riksdag Committee on Finance at the request of that Committee. Finally, the Committee's proposal makes clear that the General Council's existing audit function should examine the work of the Executive Board.

The Committee makes the assessment that the democratic scrutiny of the Riksbank's activities on the part of the Riksdag is made easier by codifying existing practice in several areas and by assigning the Riksbank clearer tasks and powers in areas including financial stability and cash activities and regarding society's crisis preparedness and elevated preparedness. This also applies to bodies for external review such as the National Audit Office.

Responsibility for cash management and stronger role in the cash management chain (chapter 34)

In the interim report (SOU 2018:42) the Committee concluded that the State should work to ensure that the continued development of access to cash services takes place under controlled conditions to ensure that the cash needs of the general public and society are met. Moreover, cash and an effective cash infrastructure must not be allowed to disappear before a position can be taken on the role of cash as means of payment from a longer-term perspective. The Committee makes the assessment that, over and above the proposals made in its interim report, measures also need to be taken to strengthen the role of the Riksbank and to clarify its responsibility for cash management in society. In line with the assessments made in the interim report, the Committee proposes that the Riksbank be given an objective for all of its cash activities: *to contribute to the availability of cash to a satisfactory extent throughout Sweden*. The Riksbank is also assigned three tasks in its cash activities:

- being responsible for issuing cash in Sweden by issuing and redeeming banknotes and coins;
- having an overall responsibility for the functioning of cash management in Sweden, which includes reporting regularly to the Riksdag and, when needed, acting as a coordinating actor in cash management; and
- being responsible for ensuring that there are cash depot operations in Sweden and that there are banknote depots in at least five places in Sweden, with two of them being in the northern parts of the country.

Over and above its present powers in cash activities, the Riksbank is also given a greater right to obtain information from authorities and certain private companies so as to be able to follow and analyse cash management. The Riksbank is also given a certain expanded right to issue regulations on cash management.

The notion of legal tender in the present Riksbank Act is clarified, including in relation to contract law. The Committee emphasises that public actors ought not to contribute actively to the further marginalisation of the role of cash before the Riksdag has taken a

position on the role of cash from a longer-term perspective. In this context the Committee welcomes the Riksdag's announcement (Committee Report 2018/19:FiU44) to the Government about appointing an inquiry with a broad mandate to investigate the role of the State in the payment market, digital central bank money and the meaning of the concept of legal tender.

Greater responsibility for society's crisis preparedness and during elevated preparedness (chapter 35)

The responsibility of the Riksbank for crisis preparedness and during elevated preparedness is clarified and increased. As before, the Riksbank should be responsible for planning for peacetime crises and elevated preparedness regarding its own activities. In addition, the Riksbank should have a planning and control responsibility for legal persons that are of particular importance for the execution of electronic payments and for traders in the area of cash handling.

The objective of these activities should be to enable the public to make essential payments even during peacetime crises and elevated preparedness, to limit vulnerability regarding payments and to ensure that the Riksbank has a good capability to handle its tasks even during peacetime crises and elevated preparedness.

In peacetime the Riksbank should plan so as to be able to shift to its wartime organisation during elevated preparedness. It should be possible to make decisions about the wartime posting of both Riksbank personnel and certain privately employed personnel. In the event of disturbances regarding the execution of payments that arise during peacetime crises, the Riksbank should, when needed, immediately set up a command function for coordination and information.

The bulk of requirements that apply to authorities under the Government regarding risk and vulnerability analyses, training and exercises, and other measures ahead of and during elevated preparedness are included in the new Riksbank Act.

As a general rule, the legal persons and traders covered by the Riksbank's planning and control responsibility should be obliged to continue their activities in war and when there is a risk of war. They should also be obliged to take measures regarding the training of their personnel, exercises, etc. The Riksbank should be able to issue

regulations containing requirements about what measures they have to take.

During elevated preparedness both cash and emergency money should be legal tender, meaning that it should not be possible to agree not to comply with the right to pay with them.

The Committee's proposals mean a substantially higher level of ambition for the role of the Riksbank for society's crisis preparedness and during elevated preparedness.

Other important proposals

- A principle of proportionality is introduced for decision-making by the Riksbank. The principle is based on the principle of proportionality in EU law and in the Swedish Administrative Procedure Act (see chapter 13). The meaning of the proportionality principle is that a measure should be taken if the intended result is in reasonable proportion to the costs and risks that the measure leads to for the Riksbank's and the State's finances.
- When the Riksbank takes various measures, the decision should be justified by stating which provisions are being applied and what facts have been decisive for the position taken by the Riksbank (see chapter 13).
- The group of companies obliged to report information to the Riksbank has been expanded slightly compared with the present regulations to enable the Riksbank to carry out all its tasks under the new Riksbank Act (see chapter 36).
- An express provision is introduced about the right of the Riksbank to use information collected for statistical purposes, both to produce national statistics and for international cooperation in, for instance, the ESCB or BIS (see chapter 36).
- The Riksbank's task of managing assets is clarified in the new Sveriges Riksbank Act. The purpose of this asset management is to enable the Riksbank to perform its tasks, in the first place, and to generate returns to finance its activities, in the second place. The assets should be managed with low risk, taking account of the various purposes of the asset holdings. In asset management,

particular weight should be attached to how sustainable development can be promoted (see chapter 29).

Impacts of the Committee's proposals (chapter 38)

One impact of the proposal of a new Riksbank Act is that some of the unclear points that have been raised regarding the tasks and powers of the Riksbank are mitigated with a new, modernised and clearer act. This will improve the Riksbank's possibilities of acting in an appropriate way and also make it easier for other actors to interpret the responsibility of the Riksbank in different areas of activity, such as in work on financial stability, cash activities and regarding society's crisis preparedness and elevated preparedness. Under the proposed new Act it will still be possible to take the measures taken by the Riksbank in connection with the financial crisis and in the decade after it.

The impact on the Riksbank's resource requirements relating to work on financial stability is judged to be limited since, in most cases, the Committee's proposals involve the clarification and codification of practice. There is not judged to be any impact on the need for resources concerning monetary policy and the Riksbank's international activities either. The Committee's proposals regarding the Riksbank's responsibility for cash management and other cash activities entails some new tasks and powers and will lead to cost increases for the Riksbank. The same applies to the Riksbank's clearer and increased responsibility for society's crisis preparedness and during elevated preparedness.

The Committee's proposals are assessed as increasing the resources needed by some 16–21 full-time equivalents. This is one reason for why the Riksbank's result is judged to be weakened by SEK 39–68 million. The provision proposed regarding the right of the Riksbank to borrow foreign currency from the National Debt Office, corresponding to 5 per cent of Sweden's GDP, is not judged to have any effects on the Riksbank's costs in relation to the present situation as the existing foreign currency loans are below 5 per cent of GDP. However, the proposal that future activations of undertakings to the IMF should be charged to the state budget and not the Riksbank reduces the foreign reserves needed. Depending on

how the Riksbank chooses to act, the decrease in the interest expense on account of this proposal is in the range SEK 0–125 million.

The resources required also increase by around SEK 6 million on account of the reinforced scrutiny of the Riksbank's activities by the Riksdag (Committee on Finance) and the Swedish National Audit Office. However, the judgment made is that this can be financed within the current limits of these authorities' appropriations.

The impacts on other government authorities are judged to be limited. The management of the sovereign debt by the National Debt Office is affected in that the Office has to handle borrowing to finance IMF undertakings and in that rules are put in place as to how foreign currency is to be borrowed to satisfy the Riksbank's need for foreign reserves. Moreover, even closer collaboration than at present with the Riksbank will be required of authorities with activities in financial stability, the cash management chain and the area of preparedness.

Taken together, the Committee's proposals result in an effect on aggregate public finances of between -68 and +86 million per year.

The proposed rule on profit allocation means that the result reported by the Riksbank will have a direct effect on the state budget. The dividend will vary more than it currently does. However, its impact on the size of the dividend is highly dependent on the level of the Riksbank's equity when the new profit allocation rule starts to apply. Future dividends can therefore be both higher and lower than follows from the present profit allocation principle.

The impacts on the companies affected will depend on the design both of the Riksbank's regulations regarding the obligation to report information in all areas of activity and of specific regulations against the background of its increased tasks in cash activities and regarding society's crisis preparedness and elevated preparedness.