

Separate statement of opinion on the Riksbank's consultation response to the report Preventing and managing financial crises (SOU 2013:6)

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*I support the basic conclusions in the Riksbank's consultation response to the report Preventing and managing financial crises (SOU 2013:6), namely that it is important to create an organisational structure for macroprudential policy in Sweden that provides decision-making power, that this is made easier if responsibility for macroprudential policy is given to a single public authority and that the Riksbank is well-placed to shoulder this responsibility. However, I would like to clarify my view on some of the more specific proposals put forward in the consultation response.*

Key to setting up an efficient framework for macroprudential policy in Sweden is to take advantage of the Riksbank's analytical competence in this field as well as the competence of Finansinspektionen (the Swedish Financial Supervisory Authority) in using some of the tools that could be effective in preventing systemic risks. For this reason, I find some form of decision-making committee involving both of these authorities preferable. In my view, the alternative in which decisions are made within the framework of the Riksbank's current decision-making structure, which as pointed out in the consultation response could be an appropriate solution in the case that only a few macroprudential policy tools aimed at more cyclical risks are introduced, is essentially the same as the proposal in the Financial Crisis Committee's report.

Finansinspektionen has at its disposal tools that affect structural risks and which can and should be used to counteract systemic risks. A solution where decisions on tools aimed at cyclical risks are made within the scope of the Riksbank's current decision-making structure would therefore in practice lead to a division of the responsibility for macroprudential policy. There would then be a need to coordinate the application of the various tools – those that are aimed at cyclical risks and those that have structural effects – by some form of council, similar to the council for macroprudential policy proposed by the Financial Crisis Committee. In reality, thus, two authorities would decide on macroprudential policy measures, with the various tools the respective authority has been allocated, and would consult each other on their use in a council, that does not have decision-making powers. My opinion is that in this case it is an advantage if the council is given the right to make recommendations, in accordance with the reasoning regarding a recommending council put forward in the consultation response.

As pointed out in the consultation response, there must be strict demands on democratic influence and participation in both the adoption of new tools and their use. Macroprudential policy concerns measures that can restrict actions of individual agents in an entirely different way than monetary policy. It will therefore be important, as is also pointed out in the consultation response, that the Riksdag (the Swedish parliament) clarifies what macroprudential policy is supposed to achieve and the limits within which macroprudential policy tools can be used, so that there is a clear delegation of their implementation to the Riksbank as an authority. There must also be regular assessments of whether the given mandate is followed and routines to deal with the situation if these assessments conclude that this is not the case. In this policy area, the decision-making body can hardly enjoy the same high degree of independence that the Executive Board of the Riksbank does in monetary policy, as it may be difficult to define such a clear mandate, with such a clear link to the tools at the Riksbank's disposal, as applies for monetary policy.

According to the consultation response, one way of ensuring democratic insight and support is for the decisions on macroprudential policy tools to be made in consultation with the General Council of the Riksbank. However, this is an alternative that is less appropriate as long as the General Council is responsible for appointing the members of the Executive Board, deciding on their salaries, auditing their activities and deciding whether to renew their periods of office. It

would be difficult for the members of the Executive Board to claim they were taking an independent stance under these circumstances. If the General Council of the Riksbank in its current role as the body that appoints and examines the work of members of the Executive Board is given greater influence over the decisions than the regular examination and internal control it exercises over monetary policy, it is in my view better that they alone make the decisions on macroprudential policy measures, possibly on the basis of recommendations by the Executive Board.