

Reservation at Executive Board meeting, 14 September 2015

I hereby enter a reservation against the Riksbank signing a swap agreement with Ukraine's central bank.

Ukraine's economy is in a very difficult situation. One major reason for the economic problems is long-term structural issues, however over the last few years these problems have worsened and become more urgent due to the armed conflict in the eastern parts of the country. The economic problems are demonstrated by falling GDP, high inflation, deep-rooted problems in the banking sector, a weakened exchange rate and a currency outflow that authorities are attempting to manage by using currency restrictions.¹

There is little doubt that Ukraine needs international financial support in order to manage this situation successfully. However, it is not clear that *the Riksbank* on its own should play an active role in offering this support, and that is the basis for my reservation.

In my opinion the Riksbank should actively participate in international cooperation by contributing financial support in the event of serious crises in the international payment system or in order to neutralise threats to international monetary stability. Such support should, in my opinion, normally be channelled via international cooperation organisations such as the IMF or BIS, or possibly via initiatives coordinated with other central banks and which therefore lead to a reasonable distribution of burden between them. This is why the Riksbank is currently contributing with good reason to Ukraine indirectly in the form of financial support through the IMF's initiatives.

In certain cases the Riksbank can play a more active single-handed role. I am referring here to lending support to countries with which Sweden has close economic and financial ties. If those countries risk being hit by a serious financial crisis, support measures could be necessary to promote the economic development in Sweden and to give the Riksbank the ability to guarantee monetary and financial stability in Sweden.

Sweden's direct economic and financial ties to Ukraine are limited, however, and for that reason I do not see any reason why the Riksbank should single-handedly take considerable responsibility for managing the crisis in Ukraine. Any potential decision regarding further Swedish assistance to Ukraine should in my opinion be taken by

¹ See IMF Country Report No. 15/69 "Ukraine: request for extended arrangement under the extended fund facility", March 2015 and IMF Country Report No. 15/218 "Ukraine: First review under the extended arrangement", July 2015.

the Government or the Riksdag, and not by an independent authority such as the Riksbank.²

Martin Flodén

² Alternatively, it should be possible for the Riksbank to take the decision, but only after consultation with the Government and the Riksdag and when combined with government guarantees covering the Riksbank's potential losses. However, it could be argued that such a decision-making procedure would be in conflict with the Maastricht Treaty's prohibition of monetary financing if it could be interpreted that the Riksbank is undertaking a task which should actually fall to the Government.