



# ANFÖRANDE

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## Dinner speech

*The 2016 edition of the European Stock Market Learning Awards Ceremony*

### Introduction

Thank you very much for inviting me here. I'm very pleased to act as patron of the awards ceremony for the 2016 edition of the European Stock Market Learning initiative. Thank you to our hosts, Mr De Noose, the Managing Director of ESG, and Ms Andersen, the Managing Director of Sparbankernas Riksförbund. And I would like to extend my special congratulations to the winning teams who are here tonight. As the governor of the Riksbank, I am especially pleased to be here at the Royal Coin Cabinet, where you are able to see some of the coins we have issued over the years.

Maybe some of you know that this part of Stockholm – the Old Town – is the very birthplace of the Riksbank and the Swedish Stock Exchange. To be more precise, in 1675, the Riksbank got its first own offices here in the Old Town in a building located at Järntorget, just a couple of blocks away. You can still have a look at it today if you're interested. At that point in time, the location of the Riksbank's building was ideal in many ways. Most of the commodity trading in Stockholm took place in the Old Town, and the building was designed for the storage of heavy copper plate money, which was a common currency at the time. The fact that the location was also in one of the most popular and vibrant areas of Stockholm at the time might also have pushed the decision of the management to settle there in the right direction, so to speak.

Anyway, a hundred years later, just a block away from the first Riksbank building, the Stock Exchange was later built. Just like the first venue of the Riksbank, that building is still around, here in the Old Town.

In the early days of the Stock Exchange, not only securities were traded there but also groceries, liquor and crops. At the time, payments were often made with some of the copper plate money I mentioned earlier. Many of these copper plates

weighed well over 40 pounds. Bearing this in mind, you may easily conclude that trading did not always run smoothly and activity on the market was quite hampered by this fact. In today's language, we would say that the stock market back then could, at best, be described as highly illiquid.

Even when I was a young boy, trading securities was not for everyone. Firstly, you needed quite a substantial amount of money to invest and, secondly, you had to have good connections with your bank, which ultimately executed the transactions on your behalf. Moreover, the fees you had to pay for each transaction were enormous compared to today. And, if you wanted to get your hands on the dividends related to your investment, sometimes you needed to visit your bank and actually show them the physical shares. Another thing that was different compared with today is that, when a trade was executed in the Stock Exchange building, the moment was marked by ringing a bell on the wall. That was the signal that the ownership of securities had been transferred.

Today, all this is hard to believe and the situation is quite different, as you are all aware. I guess that, as I speak here tonight, most of you are able to trade equities and other securities with the help of your cell phones on quite a lot of international markets.

So from a historical perspective things have changed rapidly and we have experienced quite a lot of progress. And that is the way it should be. Stock markets – functioning in the right way – are important for funding new companies and ideas that could bring us further along the road to a better place for ourselves and our children.

So let me now tell you a little about where the Riksbank fits into this picture today.

## The role of the Riksbank

The Riksbank gets its mission statements from the Swedish parliament. For many years, this mission has been formulated to mean that we should promote a safe and efficient payment system and that we have the responsibility of maintaining price stability.

Promoting a safe and efficient payment system is a very broad remit and our activities here are comprehensive.

Tonight, I would especially like to mention that the Riksbank provides the financial markets with a payment system which is called RIX. This is an electronic system in which banks and other financial institutions may deposit their money and make payments between each other. In this sense, you could say that the RIX system is a modern and far more convenient version of the storage of copper plate money we provided 300 years ago. In fact, whenever you use your credit card or buy one of your favourite shares in Sweden, the payment normally enters the RIX system and the Riksbank one way or another. On average, SEK 700 billion changes hands in RIX on a daily basis. We work hard in order to keep RIX up and running since it is a vital part of a well-functioning economy in general and the stock market in particular.

Another thing I would like to mention is that we try hard to make banks and other financial institutions more resilient to financial stress. The rationale behind this is very simple. Imagine what would happen if the bank you use on a daily basis, all of a sudden, went bankrupt and ceased to be. You would not be able to get access to your bank account or your savings. And, in the end, you would almost surely lose most of them. But even more urgently, you would not be able to withdraw money from ATM machines and your credit cards would not be accepted anywhere. Put another way: your trading days would be over and you would have to fight hard to get your life - the way you knew it - back on track. Moreover, since trouble in one bank or country often spreads to other banks in other countries as well, people around the world would likely suffer hard from a bankruptcy.

One way of making banks more resilient to bankruptcies and financial stress is to develop and implement global regulations for banks around the world. Over the last 40 years, the majority of this work has been conducted within what is called the Basel Committee, of which I am the chairman at the moment. This committee consists of delegates from 27 different countries and the Riksbank has been a member since the very beginning. Over the years, we have worked hard to avoid instability in the financial system and to lower the risk for financial turmoil, so that all of us can live our lives the way we are used to – with well-functioning savings and payment possibilities.

On price stability, the Riksbank does not differ from modern central banks in this respect. We try to keep increases in the price of a basket of goods and services stable over time. Put in a more academic way, we usually refer to this as keeping inflation close to the target of 2 per cent on an annual basis. Achieving this goal benefits the economy as a whole and makes the economic future more stable and predictable. And this is a good thing for everyone.

The main tool the Riksbank uses to bring inflation close to the target level is the repo rate. Normally, this rate is adjusted by me and my colleagues six times a year. And the level of the repo rate influences overall activity in the economy and quite often influence the value of the stock market. Having that said, if you want a better understanding of this, you should learn more about the economy in general and what underpins the actions of the central banks in particular.

## Factors that may lead to success

Before you start your dinner here tonight, let me conclude my speech by sharing – especially with the young audience here tonight- some of the ideas I believe have contributed to making the Riksbank a successful institution over the years. Some of them might also be vital for any kind of success, be it in the stock market or in life in general.

### **First of all: have a long term perspective in what you do**

Real success and substantial knowledge take time to achieve. And there are no shortcuts. Of course, you can be lucky in the short term, but if you want to continue to enjoy lasting success, you almost always have to set your goals over a long term perspective and act accordingly.

As you might know, I grew up in Finland, where the forestry industry is quite dominant. And, in that business, you invest in small tree seedlings that you plant in the soil. Then you wait for around eighty or even a hundred years for that investment to pay off. I know that this is quite a long period of time, but another way of making my point here it is that you cannot create companies like Volvo or Apple or learn to play tennis like Roger Federer in a day or two. This takes time. Quite a lot of time. And the same holds true for almost anything we want to do really successfully.

So take a long term perspective and try to avoid the pitfalls of trying to make everything come true in the short term.

**My second advice to you is to be curious and adapt to new situations.**

Next year, the Riksbank will celebrate its 350th birthday. So we have been around for quite a while. In fact, we are the oldest central bank in the world that is still active. What we have learned over the years is that the state of the world changes all the time. Tomorrow, the situation will be different to how it is today. And, at the Riksbank, we are all curious about what tomorrow will bring.

As the governor of the Riksbank, I and my predecessors, in one way or another, have always had to deal with the evolution of society. That was the case when we decided to abandon the copper plate money I mentioned previously for banknotes and coins. And that is the case at the moment, as we consider how payments will be made in the future.

In fact, if we want to achieve success, we have to adapt to new situations and be curious about what is going on around us. In that way, sometimes we will be able to look round the corners and see the future ahead.

So once in a while you have to leave the past behind, adapt to new situations and embrace them.

**Finally, I would like to say something about priorities.**

Although we live longer today than any previous generations ever have done, we are all aware of the inevitable fact that our lives consist of only a finite number of days. Each of these days, we have the possibility - and the responsibility - of choosing what to do. That is to say: in order to be successful, you have to get your priorities right. And do what you think matters. Or, as an old American businessman once put it,

*“The key to success is not to prioritize what’s on your schedule but to schedule your priorities”*

Thank you very much for your attention and enjoy your dinner.