

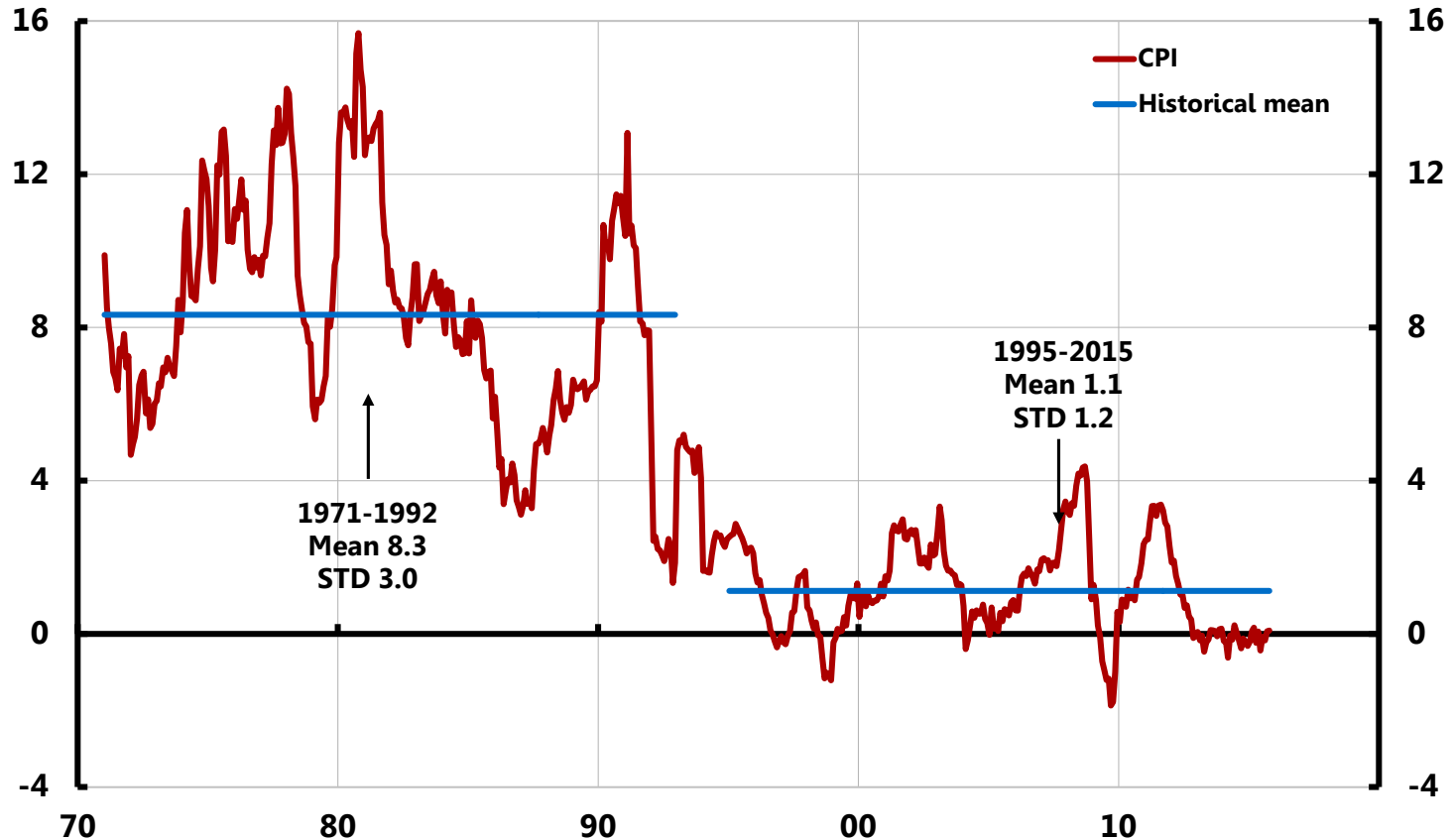
# Session 1

## Evolving central bank mandates

Cecilia Skingsley  
Deputy Governor

# Inflation targeting has been successful

Annual percentage change

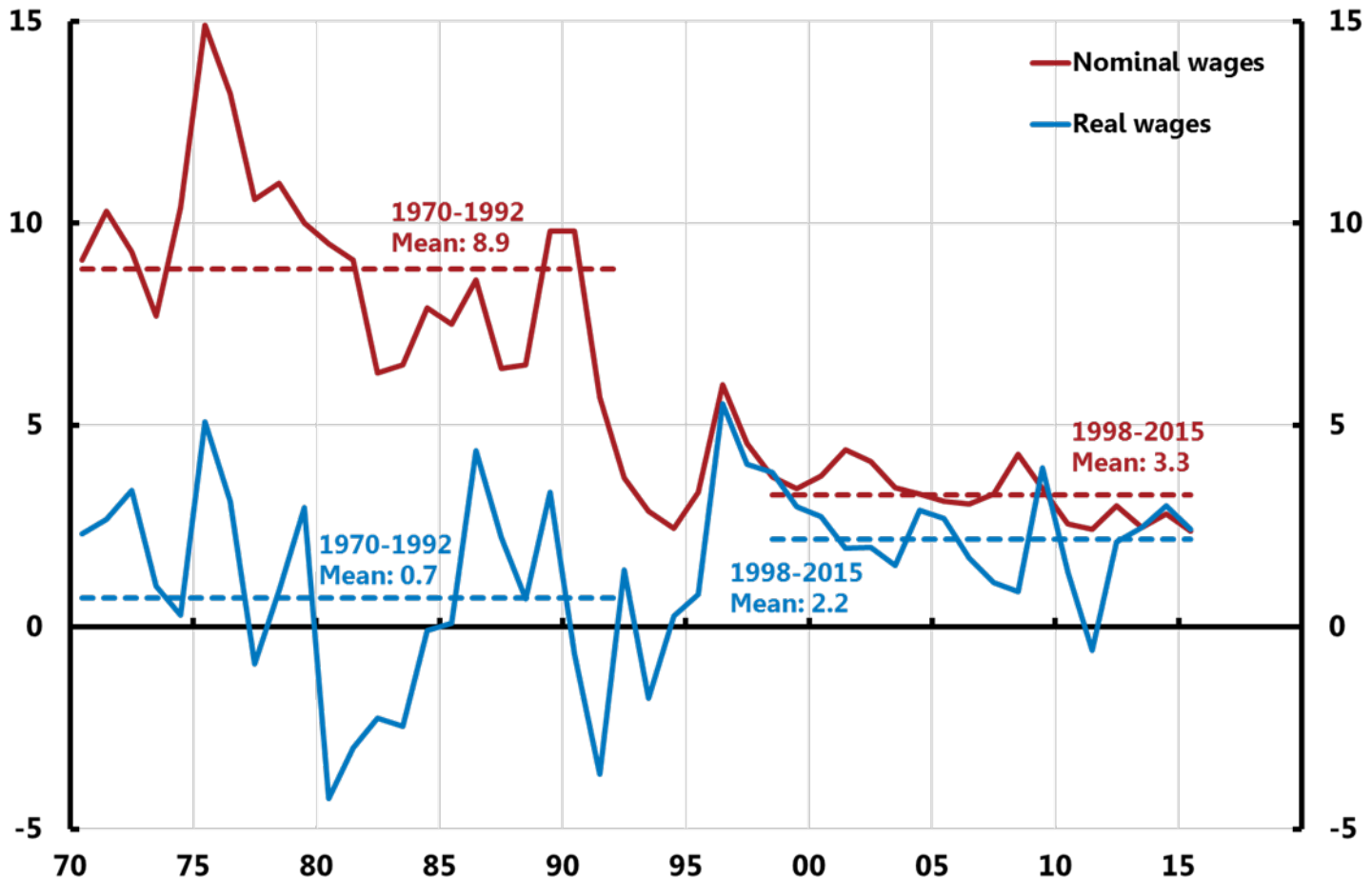


Note. CPI inflation does not refer to real-time data, but is calculated using the current method. The average for the period from 1995 is therefore two-tenths of a percentage point lower than with real-time data.

Source: Statistics Sweden

# Greater purchasing power and more stable wage formation

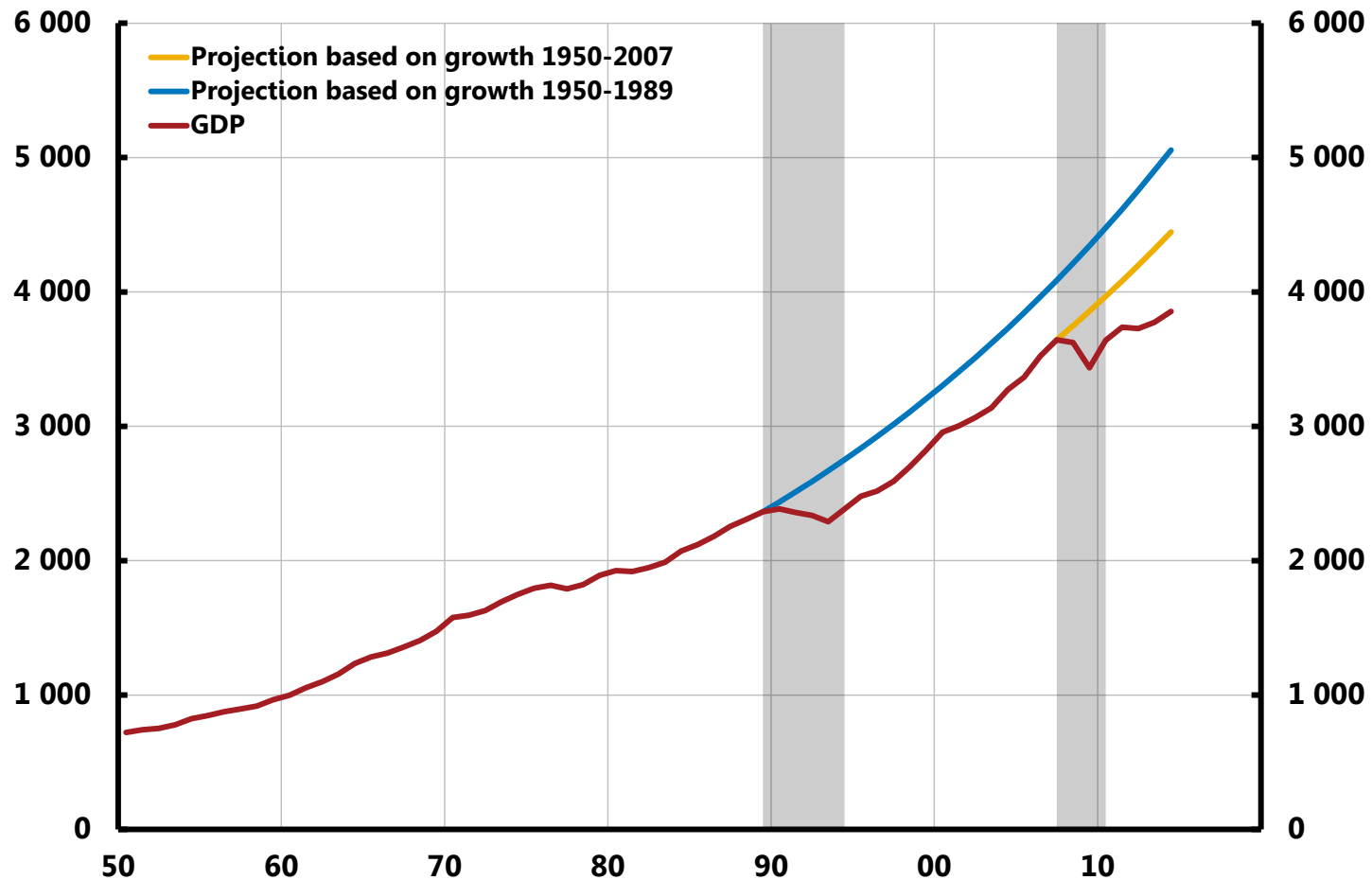
Annual percentage change



Note. According to short-term wage statistics after 1993 and wage structure statistics prior to 1993. Real wages are calculated as the difference between the annual percentage change in nominal wages and the annual percentage change in the CPI.

Sources: National Mediation Office and  
Statistics Sweden

# Financial crises are expensive

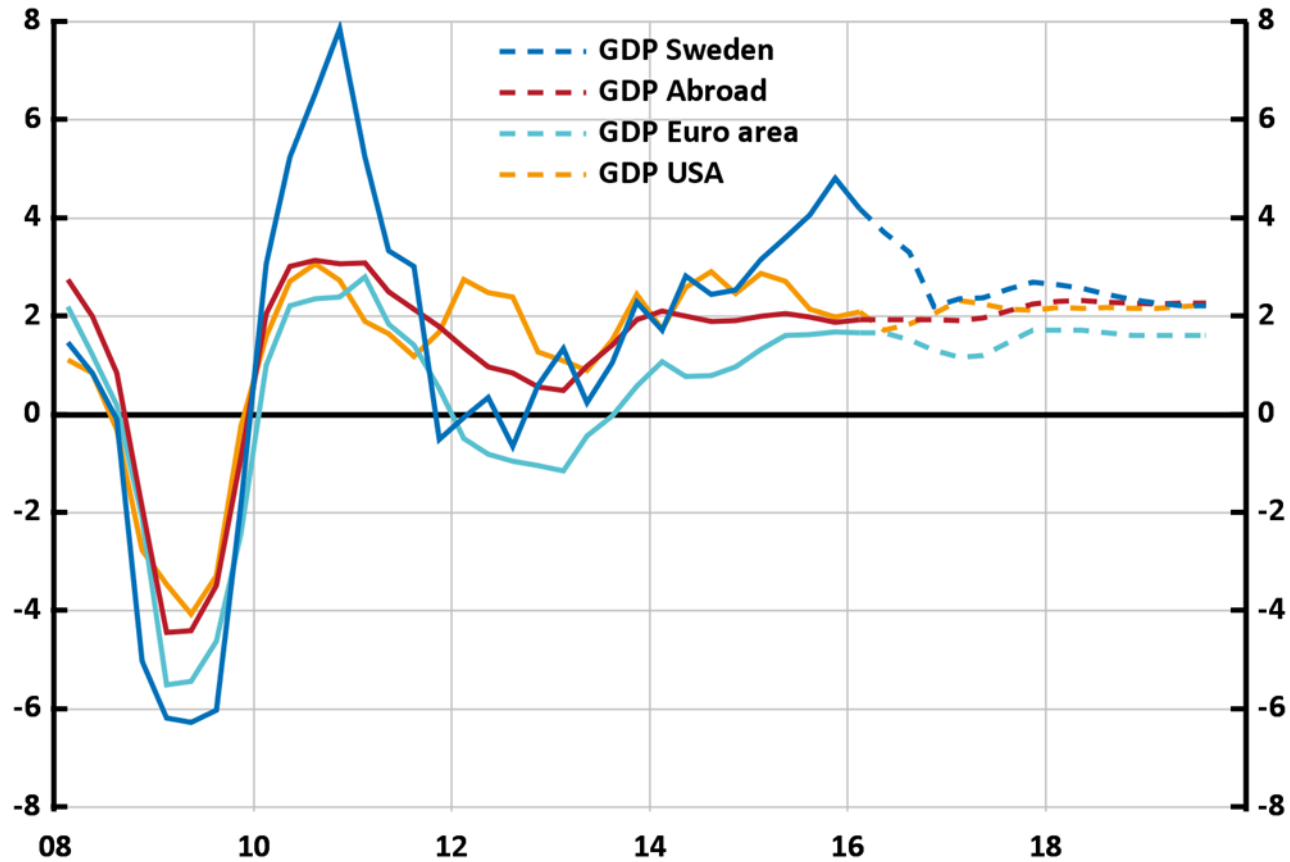


Note. SEK billion. Development of Sweden's GDP before and after a financial crisis. The grey areas represent the 1990s crisis and the 2008-2009 financial crisis.

Sources: The National Institute of Economic Research and the Riksbank

# Swedish economy performs well

Annual percentage change



Note. The broken lines represent the Riksbank's forecasts in July 2016. Calendar and seasonally-adjusted data.

Sources: Bureau of economic analysis, Eurostat, national sources, Statistics Sweden and the Riksbank

# Central bank core tasks under external scrutiny

- Provide money: unit of account, means of exchange, store of value

*But how about the policy objective? Governance? Rule-based or discretionary policy?*

- Lender of last resort

*How much and under what circumstances?*

- Provide a safe and efficient financial system

*Policy objective? Mandate? Instruments? Policy interaction?*

# Swedens Committe on Finance report:



- The swedish government shall, as soon as possible, appoint a parliamentary comission on the swedish monetary policy framwork and the Sveriges Riksbank Act
- The government shall as soon as possible, submit proposals to the Riksdag on the Riksbanks financial independence.

# Parliamentary commission

- “The starting point for the assessment (of the Act) should be that price stability targeting and the legal framework making the central bank independent has been successful.”

(Own translation. Source: Sveriges Riksdag, Testimony of the Committee on Finance 2015/16:FiU41)

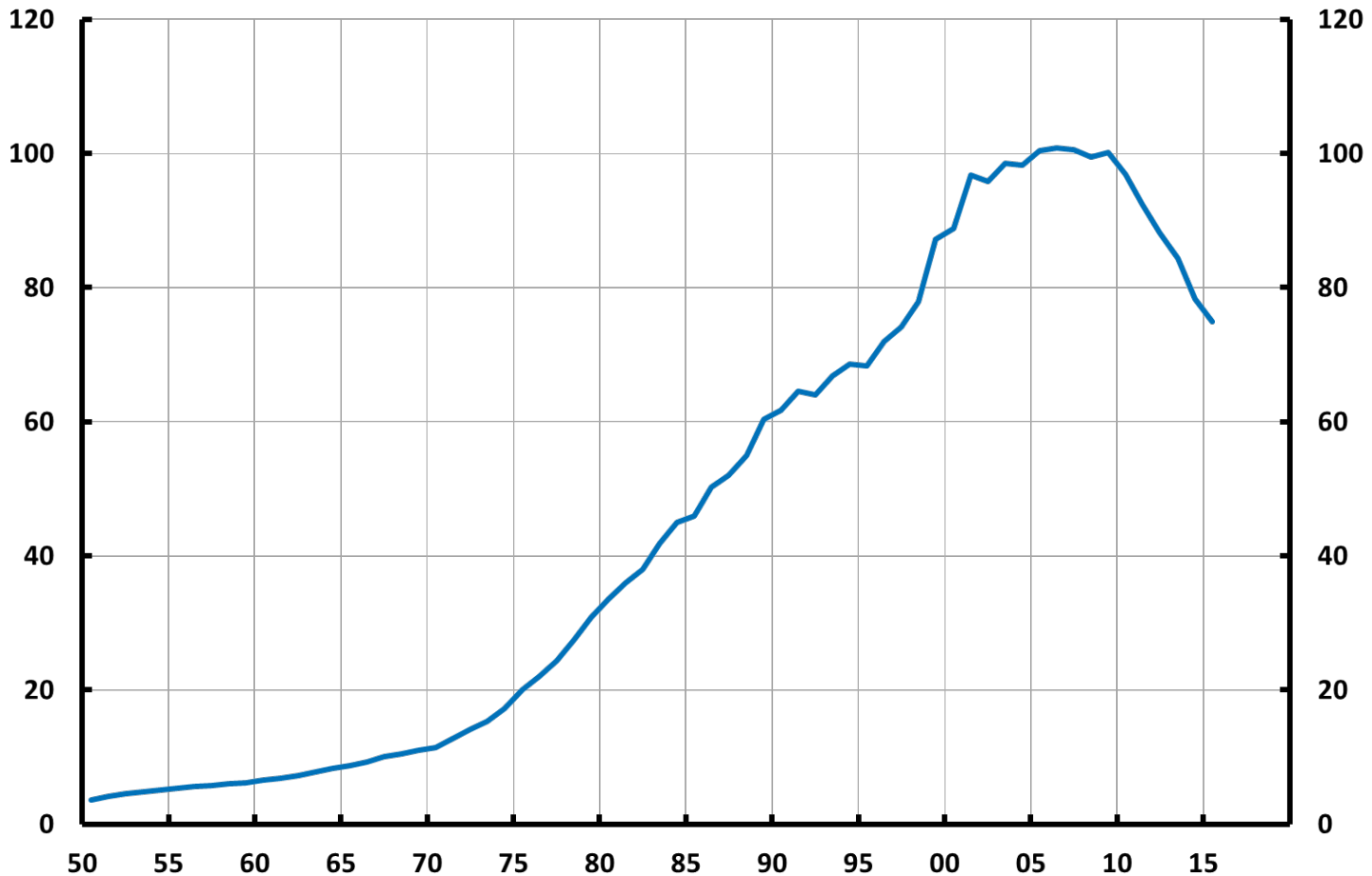


# Six areas to be scrutinized

- Monetary policy objectives and means
- Financial Stability – clarify the role of the Riksbank in view of the new crisis management framework and the fact that the Financial supervisory authority now has the main responsibility
- Composition and remit of the Executive Board and the General Council should be analysed and evaluated
- FX, reason to clarify the division of labor – responsibility
- Alternative ways of organising scrutiny – enriched and clarified in the law? Riksbank reporting and information, clarified in the regulations?
- Cash management

# Is cash ready for the scrap yard?

SEK billion



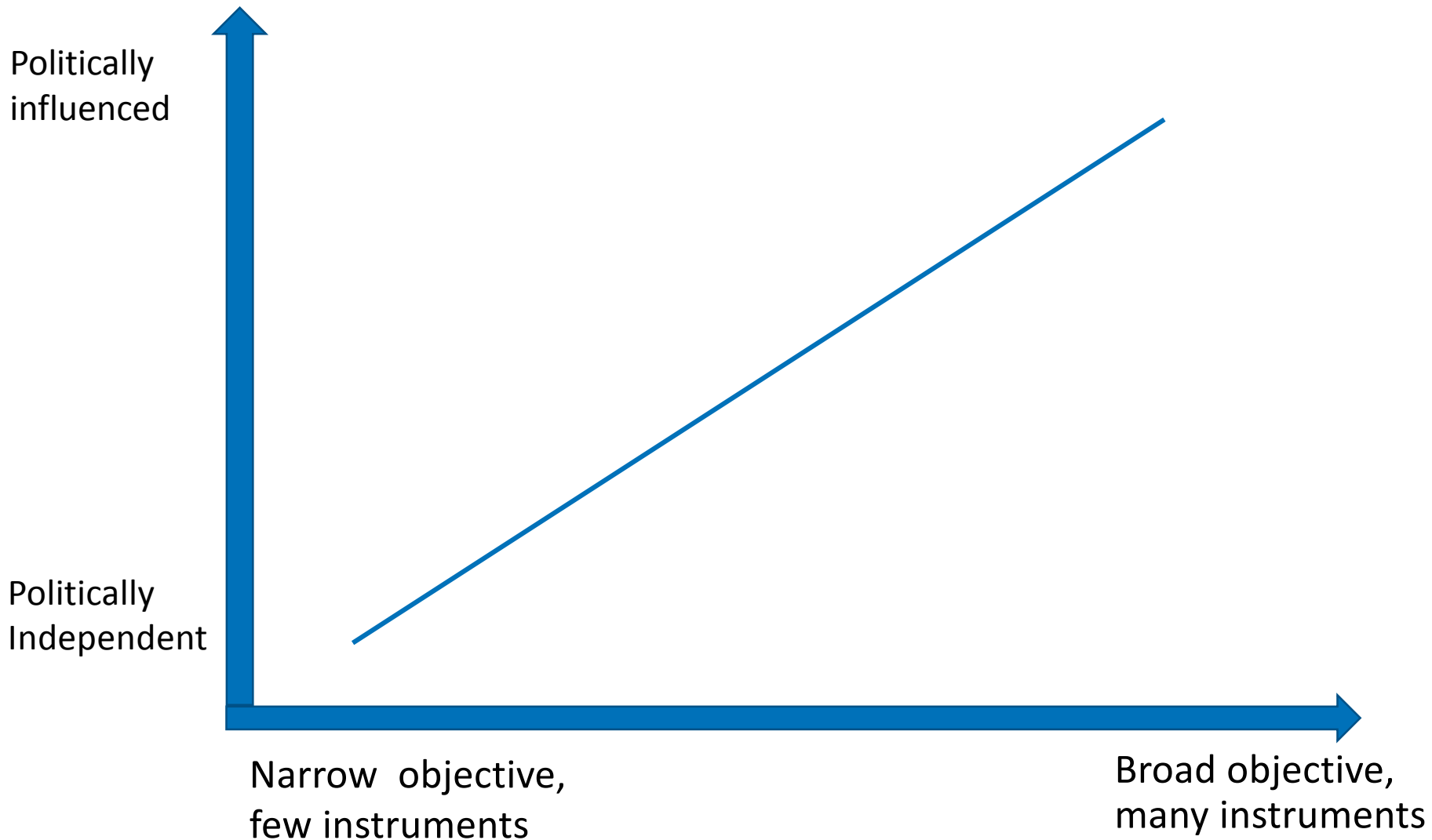
Note. M0, nominal value.

Source: The Riksbank

# Challenges

- Reforms at a time when central banks face criticism for both past and current monetary policy
- Narrow or broad mandate for central banking?  
Governance structure in conjunction with each choice?
- Addressing financial stability has not yet found a best practice
- Rapidly evolving financial industry. Are we monitoring and regulating the relevant entities?
- Central banking with little or no cash in circulation.

# Narrow or broad mandate for central banking?



# My suggestions:

- Central bank mandate should be broad but not too broad, since this threatens independence and legitimacy
- Financial stability committee with executive powers and high level of transparency to balance both efficiency and legitimacy
- Focus on resilient banks rather than **attempt** to regulate shadow banking
- Prepare for (but do not necessarily launch) a central bank digital currency