



# Memorandum

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## ■ Acceptance of resignation of First Deputy Governor

### 1. First Deputy Governor's request to resign her post

Eva Srejber was appointed by the General Council of the Riksbank on 13 June 2002 as First Deputy Governor of the Riksbank for a period of six years with effect from 1 January 2003, which means that her period in office expires on 31 December 2008. Prior to this, Ms Srejber had on 17 December 1998 been appointed by the General Council as member of the Executive Board of the Riksbank and also Second Deputy Governor, with a period of office of four years with effect from 1 January 1999.

Eva Srejber informed the chairmen on 18 March 2007 that she had been asked by representatives of the Government whether she would accept being nominated as a member of the Management Committee of the European Investment Bank. At the same time, she requested that she be released from her post as First Deputy Governor of the Riksbank.

### 2. Background

The General Council should take a decision at today's meeting to release the First Deputy Governor from her post, at her own request, before her period of office expires. As she has requested to be released from her post in order to take up another appointment, the question of consent in accordance with Chapter 3, Section 1, fourth paragraph, of the Sveriges Riksbank Act (1988:1385).

The Sveriges Riksbank Act only stipulates what applies for the General Council to be able to remove a member of the Executive Board from office and not specifically what should apply when a member of the Executive Board requests of his or her own accord to leave their post before their period of office expires. However, there was a discussion in the preliminary work to the Act on whether or not a member of the Executive Board who left his or her post should be replaced by a new member for the remaining period of office. The legislator has thus foreseen that such a situation might arise and that there could clearly be reasons for leaving one's office before the official period of office had expired, even though this question is not taken up in the actual Act. The question

■ arose earlier in connection with both Urban Bäckström and Lars Heikensten leaving the post of Governor of the Riksbank.

### **3. Qualification period, etc.**

Pursuant to Chapter 3, Section 1 of the Sveriges Riksbank Act, a member of the Executive Board may not, for one year after ceasing to serve on the Executive Board, hold such employment or carry out such assignments as stated in paragraph one, points 5 and 6, that is, member of the board of a bank or other company subject to supervision by Finansinspektionen (the Swedish financial supervisory authority) or hold any other employment or assignment which makes him or her unsuitable for the appointment as member of the Executive Board.

During this qualification period a member of the Executive Board has the right to remuneration corresponding to their salary at the time their period of office expired, however, with a deduction for any income from other posts during this period. However, if he or she receives the consent of the General Council to transfer to a new assignment that is considered to completely replace the earlier post of member of the Executive Board, the Riksbank will not pay any remuneration.

According to the preliminary work for the Sveriges Riksbank Act (Bill 1997/98:40), it is appropriate that a member should not begin an assignment or take up a task during a period of one year after ceasing to serve on the Executive Board, as the member "possesses knowledge that, if used, could damage the Riksbank" (p. 72 f). In addition, it is stated that the qualification period is not "intended to entail a general ban on carrying out business, but is intended only to be applied to assignments or posts that are clearly unsuitable" (p. 91). The Bill also states that (p. 73), in order to avoid an overly rigid application of the provision, the General Council can shorten the period during which a member of the Executive Board may not take up other employment. It is the General Council, which may determine from case to case, taking into account in particular the nature of the new assignment, how long the qualification period should be to avoid the risk that knowledge obtained during the member's time at the Riksbank can be misused and cause damage to the Riksbank. If the new assignment cannot be considered unsuitable and does not entail any risk that this knowledge can be misused, the General Council may take the decision that no qualification period will be applied.

The question of a shorter qualification period has arisen on three earlier occasions. Kerstin Hessius was granted a reduction in her qualification period of five months in summer 2001, when she was offered the post of MD for OM Stockholmsbörsen AB and Urban Bäckström was granted a reduction in his qualification period of two months in autumn 2003, when he was offered the post of MD for Skandia Liv AB. Lars Heikensten was also granted a reduction in his qualification period of ten months in 2006, when he took up the post of member of the European Court of Auditors.

### **4. European Investment Bank**

Eva Srejber has requested that she be released from office to take up a post at the European Investment Bank.

■ The EIB is owned by the EU member states and was created by the Treaty of Rome to function as a development bank. The EIB's mission is to further the objectives of the European Union by providing long-term finance for specific capital projects in keeping with strict banking practice. In accordance with the Lisbon strategy adopted by the European Council, the EIB attempts to enhance the capacity of the European. Its lending activity is geared to six operational priorities; economic and social cohesion in the enlarged EU, implementation of the Innovation 2010 Initiative (i2i), development of Trans-European and Access Networks, support for small and medium-sized enterprises as well as mid-cap companies of intermediate size, environmental protection and improvement, including climate change and renewable energy, and support of EU development and cooperation policies in partner countries. Moreover, the EIB supports the EU's foreign aid and cooperation policy.

The EIB's lending is funded mainly through bond issues and other debt instruments, mostly publicly quoted on exchanges around the world. During 2006 more than 300 transactions were made in 24 different currencies. The EIB's borrowing in Swedish krona (SEK) corresponded in 2006 to 0.6 per cent of the total borrowing. As the EIB is an EU institution, the bonds issued by the EIB are covered by the rule in the EC Treaty (Article 101) that prevents the central banks from granting credit to EC bodies and to member states' governments.

The EIB is ultimately governed by the EIB Board of Governors, which normally consists of the finance ministers of the EU member states. The Board lays down credit policy guidelines, for instance. All of the EU member states are also represented in the Board of Directors. It is the Board of Directors that takes decisions in respect of loans, guarantees and borrowing. The Management Committee is the Bank's permanent collegiate executive body. Under the authority of the President and the supervision of the Board of Directors, it oversees day-to-day running of the EIB, prepares decisions for Directors and ensures that these are implemented. It has nine members, the president and eight vice presidents. One of the vice presidents, the assignment that is currently in question, is elected from a constituency consisting of Sweden, Estonia, Finland, Latvia, Lithuania and Austria. The assignment of member of the Management Committee rotates between the countries in the constituency. It is now Sweden's turn to nominate a candidate for a period up to the end of August 2011.

The task Eva Srejber would probably have as vice president is primarily to head the work on and take responsibility for proposals to the EIB Board of Directors regarding lending to projects within the constituency countries and to Iceland, Norway, Switzerland, Russia and the Ukraine. The responsibilities in the Management Committee are allocated so that other members of the Committee head the work concerning the EIB's borrowing and capital management.

## **5. Reasons for the General Council's decision**

As already stated, the General Council shall, taking into account above all the nature of the new assignment, determine from case to case how long the qualification period should be to avoid the risk that knowledge gained during the period as member of the Executive Board could be misused and damage the Riksbank.

■ The General Council has on several previous occasions consented to a shorter qualification period. The length of the qualification period has depended on the type of assignment that was under discussion. The General Council's conclusion has been that even with regard to employment in financial companies, it has been possible to reduce the qualification period. The General Council has drawn the conclusion, on the basis of previous experiences, that the statutory rule on a qualification period of one year could be adjusted so that it is normally nine months instead, see the General Council's consultation response to the report *An Evaluation of Swedish Monetary Policy Between 1995 and 2005* (2006/07:RFR1), ref. no. 2006-1217-STA.

The institution now referred to, the EIB, has been created by the EU member states to benefit public aims. Given this, the General Council considers that the nature of the task is such that it warrants a shorter qualification period than would have been appropriate for another type of financial company. Given the fact that the tasks Eva Srejber would most probably have would not concern the EIB's funding or management of the EIB's capital, a qualification period of between three and four months – calculated from the date on which Eva Srejber ceased to deal with monetary policy issues – should be sufficient to ensure that no knowledge now held by Eva Srejber regarding current monetary policy could be misused or cause damage to the Riksbank. Nor would a shorter qualification period contravene the rules in the practice that appears to be applied by other central banks. The General Council notes in this context that Eva Srejber has not taken part in the Riksbank's work on monetary policy issues after 20 March 2007.

In accordance with decisions taken earlier regarding qualification periods, Eva Srejber's remuneration should correspond to her current salary, that is, SEK 156,500 a month.

## **6. Pension conditions**

According to a decision taken by the General Council on 21 May 1999 regarding guidelines for pension conditions for members of the Executive Board, the regulation (RFS 1996:4), issued by the Administrative Board of the Riksdag on the implementation of the ordinance on pensions for senior government officials, etc. (1995:1038) shall normally apply to members of the Executive Board. This regulation states, however, that earlier provisions will continue to apply to those who on 31 December 1996 were covered by the regulations rescinded earlier (RFS 1991:6) on the application of the provision (1991:1160) on pensions for senior government officials, etc., as long as the employee continues, without a break, to hold a similar managerial position.

Eva Srejber held a senior government official post on 31 December 1996, but had a break in her employment of nine months during 1998, when she held a post in the private sector. However, given that she had held a senior government official post in the Riksbank since 1989, the General Council decided on 21 May 1999 that the provision on pensions for senior government officials, etc. should still be applied to Eva Srejber, despite the break in her government employment of nine months.

According to the provision on pensions for senior government officials, etc., to receive a full pension requires at least 12 years of service in the type of employment stated in the

■ provision. Eva Srejber has held such a post for around 14 years, that is, she has attained the twelve years required to qualify for a full pension.

A full senior government official pension shall comprises, for the period prior to the month the official became 65 years of age, 65 per cent of the pension base in so far as this corresponds to a maximum of 20 enhanced base amounts and 32.5 per cent of the pension base in so far as this exceeds 20 but not 30 base amounts. After the age of 65, the pension is lower in accordance with other calculations in the provision. The pension base is calculated in this instance on the Eva Srejber has received from the Riksbank.

One condition for this pension is, however, that the current period of office should have expired. In this case, Eva Srejber has chosen to leave before her period of office expires. According to Section 4 of the provision on pension for senior government officials, etc., if there are special circumstances the Government may decide to grant a senior government official pension to a person who is allowed to leave their post before their period of office has come to an end.

As the General Council of the Riksbank has decided to apply this provision to members of the Executive Board, it is in this case the General Council that shall decide whether there are special circumstances for allowing Eva Srejber the right to receive a pension despite the fact that she has chosen to leave her post before her period of office expires. The fact that Eva Srejber has been asked by representatives of the Government whether she would accept nomination as a member of the Management Committee of the European Investment Board and that she has held a senior government official post for around 14 years, should be considered such special circumstances that it is proposed that the General Council decide she should have the right to a senior government official pension. The General Council has earlier considered that there were special circumstances to decide to consent to the right to senior government official pensions for Urban Bäckström, Lars Heikensten and Villy Bergström; all three of whom also chose to leave their posts at the Riksbank before their periods of office had expired.

As Eva Srejber is over the age of 55, Section 11 of the provision on pensions for senior government officials, etc. is not applicable with regard to reducing the pension for time less than the age 55.

Eva Srejber shall have the right to a full pension with effect from 1 July 2007, when it is proposed that her qualification comes to an end.

However, the rules in Sections 14 -16 of the provision on pensions for senior government officials, etc. shall be applied with the effect that the pension shall be coordinated (reduced) prior to the age of 65 with regard to other income from employment. This coordination will not apply to company pensions in accordance with a decision by the General Council take on 1 February 2002.

## **7. Proposal for a decision**

The proposed decision by the General Council is

- - that consent be given to First Deputy Governor Eva Srejber to leave her post, at her own request, with immediate effect, one year and nine months before the expiry of her period of office,
- that Eva Srejber's qualification period shall expire on 30 June 2007,
- that Eva Srejber's remuneration during the qualification period shall be the same as her monthly salary as First Deputy Governor, and
- that Eva Srejber shall have the right to a pension according to the provision (1991:1160) on pensions for senior government officials, etc. with effect from 1 July 2007 in accordance with section 6 above.