

# Report to the Riksdag

2009/10: RB4

## Act on amendment to the Sveriges Riksbank Act (1988:1385)

---

### Summary

The Riksbank proposes in this report that the Riksdag adopts the Riksbank's proposal for an amendment to the Sveriges Riksbank Act (1988:1385) so that the Riksbank is given the right to issue coins in the denominations of two kronor and twenty kronor, and banknotes in the denomination of two-hundred kronor.

Following a proposal by the Riksbank, the Riksdag resolved in March 2009 that the fifty-öre coin is to become invalid on 30 September 2010. As a consequence of this decision, it is also proposed that the Riksbank should no longer have the right to issue coins in the denomination of fifty öre.

It is proposed that the amendments should come into force on 1 January 2011.

## Contents

Summary	1
Contents	2
Proposal for Riksdag decision	3
Wording of the act	
Proposal for an act to amend the Sveriges Riksbank Act (1988:1385)	4
Background and preparatory work	5
Considerations and proposal	5

## Proposal for a Riksdag decision

The Riksbank proposes that the Riksdag adopts the Riksbank's proposal for an act to amend the Sveriges Riksbank Act (1988:1385).

Stockholm, 22 March 2010

On behalf of the Executive Board

*Stefan Ingves*

*/ Kerstin Alm*

Stefan Ingves (Chairman), Svante Öberg, Lars Nyberg, Lars E.O. Svensson, Barbro Wickman-Parak and Karolina Ekholm took part in this decision.

The report was presented by Christina Wejshammar and Leif Jacobsson.

## Proposal for An act to amend the Sveriges Riksbank Act (1988:1385)

The Riksbank has the following proposal for the wording of the act.

It is hereby prescribed that Chapter 5, Section 2 of the Sveriges Riksbank Act (1988:1385) shall have the following wording.

### *Current wording*

#### Chapter 5, Section 2

Banknotes may be issued in the denominations of twenty, fifty, one hundred, five hundred and one thousand kronor.

Coins may be issued in the denominations *fifty öre*, one krona, five kronor and ten kronor.

### *Proposed wording*

Banknotes may be issued in the denominations of twenty, fifty, one hundred, *two hundred*, five hundred and one thousand kronor.

Coins may be issued in the denominations one krona, *two kronor*, five kronor, ten kronor and *twenty kronor*.

In addition, commemorative and jubilee coins of other denominations may be issued.

---

This act comes into force on 1 January 2011.

# Proposal for an amendment to the Sveriges Riksbank Act (1988:1385)

## **The Riksbank's proposal**

The Riksbank proposes that the Riksdag adopts the Riksbank's proposal that the Sveriges Riksbank Act (1988:1385) is amended to give the Riksbank the right to also issue coins in the denominations of two kronor and twenty kronor and banknotes in the denomination of two-hundred kronor, and that the Riksbank should no longer have the right to issue fifty-öre coins.

## **1. Background and preparation**

Pursuant to Chapter 9, Section 14 of the Instrument of Government, only the Riksbank has the right to issue banknotes and coins. Chapter 5, Section 1 of the Sveriges Riksbank Act (1988:1385) states that banknotes and coins issued by the Riksbank are legal tender. The Riksbank thus has the sole right to issue banknotes and coins and to determine their design.

The denominations of banknote and coin that the Riksbank may issue are stipulated in Chapter 5, Section 2 of the Sveriges Riksbank Act. If the denominations need to be changed, this requires an amendment to the act, which means that changes in the banknote and coin series must be submitted to the Riksdag.

The Riksbank has investigated the need for change in the issue of Swedish banknotes and coins in the report "Denominations and their allocation among banknotes and coins - proposal for a review of the banknote and coin series".

Moreover, the Executive Board of the Riksbank has consulted the General Council in accordance with Chapter 4, Section 1 of the Sveriges Riksbank Act. The General Council then stated that they do not have any objection to the Executive Board putting forward a report to the Riksdag proposing an amendment to the Sveriges Riksbank Act regarding the denominations of banknotes and coins as suggested by the Executive Board. However, the General Council considered that the Executive Board should not propose in its report that the Riksbank be given the possibility to issue a coin in the denomination of twenty kronor. The General Council's opinion was that the twenty-kronor banknote should not be replaced with a coin.

## **2. Considerations and proposal**

### **2.1 Renewal of the banknote and coin series**

The Riksbank intends to begin a renewal process for the Swedish banknote and coin series. The present banknote series was designed more than 25 years ago, and modernisation is necessary to maintain effective protection against counterfeiting. The

coin series need to be replaced with lighter and smaller coins that will reduce the cash management costs, purchasing costs and environmental impact.

In connection with this the Riksbank proposes that the denominations in the banknote and coin series are changed in that the coin series is extended to include a new two-kronor coin and the banknote series is extended to include a two-hundred kronor note. The main reason for this is that these denominations will replace a large number of one-krona coins and one-hundred kronor banknotes, which means that the number of banknotes and coins in circulation will decline.

Moreover, the Riksbank proposes that the twenty-kronor banknote should be replaced with a twenty-kronor coin. This is because this banknote has become increasingly worn, which leads to practical problems when banknotes are processed in machines and when making authenticity checks of banknotes. This denomination is reused as far as possible in the retail trade and as a result of its low value it is treated relatively carelessly. The results of a survey of the general public made by the Riksbank in 2006 showed that the twenty-kronor denomination was the only banknote denomination for which a majority of the respondents did not perceive the quality as good or very good. Strengthening the paper in the twenty-kronor banknote has not led to any significant improvement.

The proposed changes form a combined solution for the increased effectivity of the Swedish banknote and coin series. They will simplify the general public's payments, reduce the costs for the cash management market and reduce the environmental impact from production and management of banknotes and coins.

For a more detailed description, please see the Riksbank's report "Denominations and their allocation among banknotes and coins - proposal for a review of the banknote and coin series".

If an introduction of the Euro should arise, the work on the new banknote and coin series would be abandoned, for obvious reasons.

## **2.2 The twenty-kronor denomination**

The companies in the cash management market are largely positive towards the Riksbank's proposals. However, there are some differing opinions with regard to the proposal to replace the twenty-kronor banknote with a coin. The retail trade professional organisations object to a coin, because the introduction of a coin would entail changeover costs and coins are heavier to handle than banknotes. The Riksbank has therefore held discussions with the Swedish Trade Federation.

The Riksbank's assessment is that in a few years' time it will be necessary to replace the twenty-kronor banknote with a coin, because the banknote will have become too worn to function as legal tender and its lifetime will have become unreasonably short. This conclusion is supported by the fact that neighbouring countries changed over to coins in corresponding denominations a long time ago.

There are overwhelming reasons in favour of making the decision on a twenty-kronor coin now, when making the decision to renew the banknote and coin series. Making this decision later on would lead to higher changeover costs. The Riksbank does not intend to introduce the coin until around 2015, to increase flexibility and reduce changeover costs for the retail trade.

The Riksbank's calculations show that the weight of the coins in circulation will be reduced by around 45 per cent when a new coin series is introduced, because the new coins will be smaller and lighter, and because a two-kronor coin will mean that the number of coins in circulation declines. The reduction in weight will have considerable significance in reducing the cash management costs and environmental impact, and will make work easier for employees in the cash management business.

### **2.3 Amendment to the Sveriges Riksbank Act**

The renewal of the banknote and coin series will entail a need for an amendment to the Sveriges Riksbank Act to give the Riksbank the right to also issue banknotes in the denomination of two-hundred kronor and coins in the denominations of two-kronor and twenty-kronor.

The proposed amendment entails the Riksbank having the right to issue both a twenty-kronor banknote and a twenty-kronor coin during a transition period. The reason for this is that it is difficult to establish the exact time for a changeover to a coin. When a twenty-kronor coin has been introduced and has replaced the twenty-kronor banknote the Riksbank will return with a proposal for an amendment to the law entailing that the Riksbank can no longer issue banknotes in the denomination of twenty-kronor.

As a consequence of the Riksdag's earlier decision in March 2009 that the fifty-öre coin should become invalid on 30 September 2010, it is proposed that the possibility in the Sveriges Riksbank Act for the Riksbank to issue fifty-öre coins should be withdrawn.

### **2.4 Entry into force of the proposed act, etc.**

The Riksbank proposes that the Riksdag decides to amend the Sveriges Riksbank Act with regard to the denominations of banknotes and coins in accordance with the above proposal and that the amendment to the act comes into force on 1 January 2011.

The Riksbank intends to send the proposal for consultation to the European Central Bank, which must be consulted pursuant to the EUF treaty, to abbreviate and facilitate the Riksdag's preparation of this matter.