

Press Release

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The Riksbank's Year 2000 preparations

In an account today to the Parliamentary Standing Committee on Finance concerning the Riksbank's preparations for the turn of the millennium, Deputy Governor Kerstin Hessius had the following to report:

“The functional sector will have to function smoothly when we move from one millennium to the next. Sizeable resources have therefore been devoted to measures for minimising the risks of any technical problems and ensuring that all systems manage the changeover. It is a matter of adapting systems, testing that they function and building up readiness plans and reserve routines in case something does go wrong despite this. The Financial Supervisory Authority has closely monitored all the large and medium-sized institutions in the financial sector and states, in the latest report from 30 September, that the financial sector is well-equipped for the turn of the millennium.

“The function of the Riksbank in this context has to do with our regular central bank functions, that is, conducting monetary policy, promoting a safe and efficient payment system and ensuring an adequate supply of bank notes and coins. Besides being well-prepared internally as regards IT adaptations, tests and reserve routines, the Riksbank has to follow developments closely in fields that may affect our activities. Today I shall present our assessments and measures in these respects.

Monetary policy

“The Riksbank now considers that economic activity will not be affected at all substantially in connection with the Year 2000 changeover. Available information suggests that the risks of sizeable disturbances in production are small. In the corporate sector there are expectations that the turn of the millennium will have a slight positive impact on demand, particularly during the autumn.

“The possibility of technical faults is usually put forward as the major risk in connection with the millennium changeover. In collaboration with the banks, the Riksbank has therefore examined systems in particular to ensure that money and currency market transactions will function normally. The results of this inspection have been satisfactory.

Financial stability

“Matters to do with confidence are highly important for financial stability. If markets or the payment system are expected to function less well, this may cause market players to alter their behaviour or the general public to demand more cash.

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That in turn can generate concern about a lack of liquidity in the payment system and greater difficulties for refinancing by the banks.

“The Riksbank sees no cause for such concern. The banks are entitled to borrow as much as they need from the Riksbank against collateral. Moreover, the supply of such collateral in the market and the banks is good and thus should not be a restriction on borrowing. Unlike some other central banks, we have therefore found no need to announce special borrowing facilities for the turn of the millennium.

“The general public’s confidence in the ability of the banking system to cope with Year 2000 problems has grown during the year. Even so, the Riksbank will continue to spread factual information and knowledge about the turn of the millennium. To this end we have issued a brochure describing how the payment system works and the banks’ preparations. The brochure will soon be available at post offices and bank branches.

Cash supply

“We judge that the millennium changeover will not lead to any shortage of notes and coins. The year-end increase in the demand for cash is expected to be somewhat larger than normal but the Riksbank has large stocks of cash and both the banks and our subsidiary, PSAB, will be working to ensure that cash is available at the right places and times.

“In the ongoing work on the millennium changeover, the Riksbank will be monitoring developments in areas that affect its activities and acting, together with Swedish players as well as our colleagues abroad, so that the Year 2000 changeover proceeds without serious disturbances. We shall continue, in publications, speeches and press notices, to provide information about measures and assessments.”