

Press Release

15 FEBRUARY 2002 NO 11

Allocation of the Riksbank's net income 2001

The General Council of the Riksbank has today presented a proposal to the Riksdag (the Swedish parliament) regarding the allocation of the Riksbank's net income for the financial year 2001. Income before appropriations amounted to SEK 19.3 billion.

According to the current guidelines, 80 per cent of the average income before appropriations over the past five years shall be transferred to the Treasury. The income used as a base for calculating the size of the transfer (dividend) is adjusted for exchange rate effects and changes in the market value of gold. The dividend for 2001 should therefore be SEK 7.3 billion.

A majority of General Council members (Social Democrats and Left Party) stands behind a decision as follows. A minority of members in the Council (Moderates and Christian Democrats) has entered a reservation against the decision, as described in detail below.

The decision of the General Council

The General Council of the Riksbank has decided, in the light of a report from the Executive Board, that there is scope for an additional transfer of SEK 20 billion. The proposal from the General Council is therefore that a total of SEK 27.3 billion be transferred to the Treasury. This assumes that the current principles for allocation of net income will continue to be applied.

Background

The Riksdag decided in 2001, following a proposal by the General Council of the Riksbank, that an extra transfer of SEK 20 billion would be made by the Riksbank for the financial year 2000. It is claimed in a report by the Riksdag Finance Committee (2000/001:FiU23), which has been approved by the Riksdag, that the Riksbank has strong finances, both from an international perspective and the in the light of the bank's monetary and foreign exchange policy obligations. The credit risks in the Riksbank's operations are considered to be lower than ten years ago. The Finance Committee therefore considers that "...it should therefore be possible for the Riksbank to transfer an extra dividend to the Treasury of around

SVERIGES RIKSBANK

Telefon
08-787 00 00

Telefax
08 - 21 05 31

E-post
registratorn@riksbank.se

Internet
<http://www.riksbank.se>

SEK 20 billion next year...". After this transfer has been made, the Committee considers that the Riksbank will have attained a long-term balanced level of total capital and that the current principles for allocation of net income should be retained.

The General Council of the Riksbank has requested from the Executive Board, as a basis for making its decision, an update on the Board's assessment of the Riksbank's balance sheet and capital requirement. The Executive Board presented such an assessment to the General Council on 1 and 15 February 2002. The conclusion was that there is scope to transfer a further SEK 0-20 billion, in addition to the transfer made according to the current guidelines. The size of the transfer will have repercussions on the financial position of the Riksbank and thereby on the bank's possibility to manage losses in connection with acting as lender of last resort.

The Executive Board proposes that the Riksbank's total capital be reported in the balance sheet under new principles. It is proposed that some of the Riksbank's capital should be allocated to a fund that will guarantee that the Riksbank has sufficient income to manage its normal running costs. Another allocation is proposed to safeguard the Riksbank's capacity to manage losses in its operations, primarily with regard to the capacity to act as lender of last resort in the event of financial disturbances. Other parts of the total capital could be allocated to balance the unrealised changes in value arising in the foreign currency reserve and the gold reserve as a result of variations in market value. The income that remains after these allocations could be transferred to the Treasury.

The Executive Board proposes that these provisions regarding reservations and allocations should be included in the Sveriges Riksbank Act. In the opinion of the Executive Board, the Act should also contain a protective provision that prevents an allocation of net income that would put at risk the bank's possibilities of carrying out its legally-imposed tasks in an independent manner.

The General Council of the Riksbank has decided to present the Executive Board's proposals to the Riksdag for information. In the opinion of the General Council, the question of legislation with regard to the Riksbank's balance sheet and allocation of net income would only arise in connection with Swedish EMU membership.

Reservation specified by Johan Gernandt, Mats Odell, Ingegerd Troedsson and Peter Egardt

We enter a reservation against the proposal supported by the majority on the General Council of making an extra transfer to the Treasury of SEK 20 billion once again. We supported the additional dividend of SEK 20 billion last year after careful consideration. A given condition then was that this was a one-off measure and that the allocation of income principle that had applied from 1988 would continue to be applied in future without any additional withdrawals.

The management of the Riksbank has made a thorough survey, at the request of the General Council, of the capital requirement that would enable the Riksbank to meet its monetary and foreign exchange policy obligations and its task of being

able to act as lender of last resort in the event of a threatened disturbance in the payment system. A united Executive Board concluded that "if the current level of preparedness is to be maintained, no additional transfer should be made".

The increasing level of economic internationalisation has strengthened the links between the national financial systems, which involves new risks. The many financial problems that have arisen in recent years have provided a clear illustration of this. This background alone would advise that the best thing is not to settle for the lowest level of the SEK 25-45 billion that the Executive Board estimates as a necessary capital requirement. The central government has only one reserve to which it can turn in case of emergency and this is at the Riksbank.

The legislation regarding the Riksbank is aimed at safeguarding a long-term independence for the Riksbank, including its financial position, which enables the bank to carry out, in an independent and credible manner, the tasks stipulated in the Sveriges Riksbank Act. It is the task of the General Council to examine the question of the allocation of net income on the basis of these overall aims. We therefore consider that the General Council is unable to present proposals for the allocation of the Riksbank's income and capital that would involve bringing into question the independence of the Riksbank. The overall aims, as established in the Instrument of Government and the Sveriges Riksbank Act, are not compatible with a further additional transfer of SEK 20 billion.

Another reason why the proposal of an additional transfer should be rejected is the endeavour to achieve freedom of action with regard to Sweden's possible participation in the European Monetary Union. A lot could happen during the normal two-year trial period in ERM2, which according to the regulations would precede Sweden's entry into EMU, and which would require that the krona be held at a stable level during this time. This would need a larger, rather than a smaller, foreign currency reserve.

Therefore, the additional transfer of SEK 20 billion should not be implemented.

The Executive Board has also proposed a regulation in law with regard to reservations and allocations, as well as a protective provision that prevents an allocation of income that would put at risk the Riksbank's possibilities to carry out its legally-imposed tasks in an independent manner. A majority on the General Council does not wish to bring up this issue yet. We consider, particularly in the light of the majority's actions with regard to an additional transfer from the Riksbank this year, that such a regulation in law should be contemplated now.

Further information can be obtained from:

Sven Hulterström, Chairman of the General Council, tel. +46 70 530 42 63
Johan Gernandt, Vice Chairman of the General Council, tel. +46 733 14 66 01

A press conference will be held at 3 p.m. at the Riksbank. Taking part in the press conference will be Chairman of the General Council Sven Hulterström and Vice Chairman Johan Gernandt. Press cards must be shown.
NB! Entrance from Malmskillnadsgatan 7.