

Submission to the Riksdag  
2023/24:RB1

# Annual Report for Sveriges Riksbank 2023

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## To the Riksdag

Sveriges Riksbank hereby submits the Riksbank's Annual Report for 2023 to the Riksdag. In accordance with Chapter 8, Section 3 of the Sveriges Riksbank Act (2022:1568), the Annual Report includes an administration report, a balance sheet and profit and loss account, and an assessment of the Riksbank's internal controls.

In the administration report, the Riksbank gives an account of its monetary policy and other operations.

*The Executive Board proposes*

that the Riksdag adopt the Riksbank's balance sheet and profit and loss account for the financial year 2023 as proposed in the Annual Report.

Stockholm, 14 February 2024

On behalf of the Executive Board

Erik Thedéen

/ Anne Mattila Wass

Erik Thedéen, Anna Breman, Per Jansson, Martin Flodén and Aino Bunge took part in this decision.

The reporting clerks were Maria Ljungkvist and Henrik Gardholm.

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# The year in brief

## **Entry into force of new law**

- A new Sveriges Riksbank Act entered into force on 1 January 2023. Even though the new act broadly means that the Riksbank's main tasks are the same as under the previous act, it entails some changes. Among other things, the act extends the Riksbank's mandate with regard to responsibility for cash management and crisis preparedness and clarifies that the overriding objective of the Riksbank's activities is sustainably low and stable inflation. In addition, the scope for scrutiny of the Riksbank has increased.

## **Higher policy rate and falling inflation**

- The Riksbank continued to tighten monetary policy throughout most of the year in order to bring inflation down and stabilise it at the target within a reasonable period of time. The Executive Board decided on increases of the policy rate, which meant that it gradually rose from 2.5 per cent to 4.0 per cent in 2023. At the last monetary policy meeting of the year, the Executive Board chose to keep the policy rate unchanged. Holdings of securities decreased during the year due to both maturities and more decisions to sell government bonds.
- The policy rate rises in 2022 started to take effect, and with the tightening in 2023, economic activity slowed down. Towards the end of the year, resource utilisation was deemed lower than normal and CPIF inflation fell from 10.2 per cent in December 2022 to 2.3 per cent in December 2023.
- Rapidly falling energy prices contributed significantly to the decline in CPIF inflation over the year. At the same time, short-term price growth in goods and services had declined significantly towards the end of the year. On average, CPIF inflation was 6.0 per cent in 2023, although it was close to the inflation target at the end of the year.
- Long-term inflation expectations in Sweden remained only slightly above 2 per cent over the year, indicating that confidence in the inflation target was still strong.

## **Focus on increased risks in the financial system**

- The Riksbank assessed that the Swedish financial system functioned well over the year, even though the threats to the system were greater than normal. The increased risk of bankruptcy in the commercial property sector was deemed to be the greatest threat. In addition, it was judged that the pressure on household finances risked leading to a large drop in consumption, which could ultimately have a negative impact on financial stability.

The Riksbank urged property companies to continue to reduce their risks and the banks to have ample margins above the capital requirements.

- The Riksbank analysed the risks of serious disruptions to the financial system occurring in Sweden similar to the US and Swiss banking turmoil that arose in the spring. In particular, the Riksbank increased its analysis of the stability of Swedish banks' deposits. The Riksbank also strengthened its preparedness to take action if necessary.
- During the year, the Riksbank also increased its oversight of Bankgirot and broadened its oversight to include three additional companies. The Riksbank also introduced a lending facility for central counterparties.
- To ensure ample capacity to manage financial crises, the Riksbank reviewed its plans and procedures for crisis management and participated in several crisis exercises.

### **Secure, efficient and accessible payments in a rapidly changing payment market**

- The Riksbank assesses that payments in Sweden over the year were generally safe and efficient, while accessibility can be improved.
- The Riksbank's settlement system for large payments, RIX-RTGS, handled an average of 33,359 transactions per day. This is an increase of 10.1 per cent compared with the previous year. Preparations to transfer the settlement of instant payments to the Riksbank continued.
- Over the year, the Riksbank emphasised that legislation needs to be strengthened to safeguard the status of cash, that measures are needed to ensure that individuals and companies have access to payment accounts and that work on developing legislation for a possible e-krona must be started.
- The Riksbank's work on a possible e-krona focused on analysing legal and policy issues, and international cooperation in areas related to an e-krona continued. Efforts were also made to improve the conditions for cross-border payments.

### **The Riksbank's result, equity and currency hedging**

- For the financial year 2023, the Riksbank reported a profit of SEK 16.2 billion. After the allocation of profit, equity is expected to increase to SEK –2 billion in 2024.
- The reported profit was mainly due to interest income on the Riksbank's holdings of Swedish and foreign securities but also to realised foreign exchange gains.
- In accordance with the Sveriges Riksbank Act, the Riksbank will submit a petition to the Riksdag to strengthen its equity. The Riksbank also intends to investigate how the funding of its activities can be broadened.

- In order to reduce currency risk, the Riksbank has decided to hedge part of the foreign currency reserves. Hedging started in 2023 and will continue in early 2024 until around a quarter of the reserves have been hedged.

### **Work on civil preparedness was intensified**

- Over the year, the Riksbank implemented changes to ensure more efficient and coherent work on civil preparedness. This included centralising responsibility for coordinating the Riksbank's planning and preparations within civil preparedness in one department.
- The Riksbank largely implemented its new tasks connected with its responsibility to ensure that the public can make payments during peacetime crisis situations and states of heightened alert. The Riksbank's other work on payments and financial stability also contributed to the task of enabling the general public to make payments during peacetime crisis situations and states of heightened alert.
- The Riksbank participated in the work within the civil preparedness system in general, including meetings led by the Swedish Armed Forces and the Swedish Civil Contingencies Agency, and in the sectoral exercise organised by the group for private-public cooperation in the financial sector (FSPOS) in autumn 2023. The Riksbank also actively participated in the work of developing a new cooperation structure in the civil preparedness sector 'Financial services'.

### **Extensive international cooperation**

- During the year, the Riksbank took part in over 200 international committees and working groups. For example, the Riksbank actively participated in discussions on the monetary policy challenges posed by high inflation and financial stability risks due to rapidly rising market rates. Other priority areas for the Riksbank included cooperation on central bank digital currencies, cross-border payments, the review of international banking regulation and the increasing importance of non-banks. The Riksbank organised an international symposium on central bank independence and an international macroprudential conference.
- The Governor was elected to the Board of Directors of the Bank for International Settlements (BIS). The International Monetary Fund (IMF) published the results of a special assessment of the financial sector in Sweden and recommendations on how the Nordic and Baltic countries can improve their anti-money laundering efforts. The European Systemic Risk Board (ESRB) issued a general recommendation on risks related to vulnerabilities in the commercial property markets.

## **Communication challenges with higher inflation and interest rates**

- Inflation and policy rate rises continued to dominate the Riksbank's communication work in 2023. In monetary policy communication, the focus was on explaining monetary policy decisions and the value of low and stable inflation. Overall, communication on financial stability focused on threats to financial stability having increased, including the risks of high inflation and rising interest rates putting pressure on property companies and households.
- In 2023, the Riksbank was one of Sweden's most visible and widely discussed authorities in the media. Often, a representative of the Riksbank was interviewed, largely because the members of the Executive Board often travel around the country giving speeches and subsequent media interviews. News coverage of the Riksbank was dominated by inflation, interest rates, the housing market and the krona exchange rate.
- Surveys show that the public perceived the Riksbank's publicity as more negative than in previous years. Surveys also show that the proportion of the general public who have a very or fairly high level of confidence in the way the Riksbank conducts its work decreased in 2023.

## **Strategic plan, new premises and high health index**

- The Riksbank's strategic plan (2019–2023) served as an effective starting point for operational development, even though it has been a tumultuous period with the pandemic and war in Europe. In December, the Executive Board adopted a new strategic plan for the period 2024–2027.
- In 2023, new depots were commissioned in Umeå, Jönköping and Falun.
- The Riksbank building at Brunkebergstorg was completed in 1976 and needs to undergo extensive renovation and modernisation. To facilitate the renovation work and avoid disruptions to its operations, since November 2023, the Riksbank has rented office premises which can be used for parts of its operations.
- For the second year in a row, the Riksbank was awarded the Nyckeltalsinstitutet's prize for the best health index and was ranked first among employers with good working conditions and healthy employees. The employee survey carried out during the year showed that the Riksbank's employees are generally satisfied with their work situation, although the total index fell slightly compared with the previous year.

## Statement by the Governor

*The year was characterised by high inflation, which had a very negative impact on households and companies. The Executive Board is determined to do what it takes to bring inflation down within a reasonable time and this has been our focus during the year. We also need to respond to the deteriorating geopolitical and security situation and we have come a long way with our new task of ensuring that payments will function during a state of heightened alert. We have also implemented a number of measures to reduce the risk on the Riksbank's balance sheet.*

Inflation that is far too high and risks becoming entrenched. And, on top of that, a worrying international and security situation. These issues have significantly affected the lives of people in Sweden during the year. And these are issues that are highly relevant to the Riksbank. When we summarise the Riksbank's operations in 2023, it is largely a matter of describing how we have tackled these issues. Of course, our work is based on the Sveriges Riksbank Act, which entered into force on 1 January. The new law does not entail any fundamental change in the Riksbank's operations, but it does give us some new tasks, the most important of which is an increased responsibility for preparedness. The law also provides a clearer direction for how our operations shall be conducted and scrutinised.

### **The fight against inflation and issues regarding confidence**

As before, the Riksbank's overriding objective is price stability; according to the wording of the new act, we are to maintain sustainably low and stable inflation. Without neglecting this objective, we shall also contribute to a balanced development of the real economy. With inflation well above target and at risk of becoming entrenched, I and my colleagues on the Executive Board have found it necessary to act decisively to bring inflation back to target. We gradually increased the policy rate from 2.5 per cent at the beginning of the year to 4 per cent in September, and then kept it unchanged. We see that monetary policy is having an impact and that inflation has come down. At the end of the year, it stood at 2.3 per cent, which was, of course, good news. But the situation in Sweden and abroad is difficult to assess and there is reason to remain vigilant.

The whole purpose of the Riksbank's policy rate rises has been to bring inflation back to target within a reasonable time, at the lowest possible cost in terms of reduced demand. There is no denying that it has been a tough year for many. We see households and companies being squeezed by rising prices and higher interest rates. In this situation, it is particularly important for us to explain how monetary policy works and why it is so important to regain low and stable inflation. The Riksbank is the central bank for the whole country



and I and my colleagues on the Executive Board have given speeches and interviews and have participated in meetings in different parts of the country. I am particularly pleased that we were able to hold the last monetary policy meeting of the year in Jönköping. It worked perfectly well to make decisions outside Stockholm, so we will continue to do that sometimes.

### **Change in analysis and more monetary policy meetings**

At the same time, we are working to improve our analysis of the factors and conditions that affect inflation. The type of major shocks that have hit the economy in recent years are difficult to fully capture in models. But we can sharpen our analysis and improve our data collection so that we can recognise shifts in the economy early on and adjust monetary policy accordingly. We have also decided to increase the number of monetary policy meetings from five to eight. This makes it a little easier to react quickly to new information, which we think is important in a situation of uncertainty.

### **Higher interest rates challenging indebted companies and households**

The Riksbank has been warning for some time about the general public's high indebtedness but the risks in the commercial property market have also come increasingly into focus during the year. Many property companies have faced problems since the Riksbank started raising the interest rate. They need to act to strengthen their balance sheets and increase investor confidence, for example by reducing their debt or raising new equity. We have communicated this in our reports and this is an area that we will continue to monitor very closely.

### **Several major infrastructure projects to future-proof the payment system**

We are continuing the development work that has been ongoing for a number of years to ensure that the Riksbank's payment system continues to function well in the future and to contribute to the development of the Swedish payment system as a whole. Some of these projects involve cooperation with other central banks. There are difficult issues to deal with concerning technical conditions, regulation and safety. We do not know exactly what the payment system of the future will look like, which is why we need to broaden and increase our knowledge in order to manage change in the best possible way.

However, not all our focus can be on the solutions of the future. Cash needs to continue to work as a means of payment. The establishment of new cash depots is proceeding according to plan with a view to having five banknote depots by 2026. But that will not help much if companies do not accept cash and bank branches stop handling it. Political decisions are urgent if we want

to avoid the de facto disappearance of cash as a means of payment. This would make it more difficult to ensure that everyone can make payments both in normal conditions and in peacetime crisis situations and states of heightened alert.

### **Preparedness high on the agenda**

The change in the Sveriges Riksbank Act with the most concrete impact on our operations is our added responsibility for ensuring that payments can function even in peacetime crisis situations and states of heightened alert. We have put a lot of effort into taking on this new task. We now have the power to require companies to make the necessary preparations. Prioritising this area is not only a response to the legal requirement but also a result of the uncertain geopolitical situation and the deteriorating security situation in Sweden. We have also worked extensively on information security and other security issues in our own organisation. All in all, this signifies a fairly clear shift in the centre of gravity of our operations and means that we need to hire more employees, some with new skills to handle our task.

We also cooperate internationally. I and a few colleagues travelled to Ukraine in December to learn from their experience and to see how we can provide further support to the National Bank of Ukraine. It was a very interesting visit where we agreed that the Riksbank should expand its expert support, particularly in the payment market.

### **The Riksbank's financial independence**

The rapid rise in interest rates in recent years has caused the market value of the Riksbank's bond portfolio to fall. As a result, we have incurred significant losses and our equity is now below the statutory level. The Sveriges Riksbank Act stipulates that the Riksbank must have sufficient equity to be financially independent. Consequently, this spring we are submitting a petition to the Riksdag to restore equity. The Executive Board considers it desirable to reduce the risks on the balance sheet. We have accelerated the winding-up of the bond portfolio built up between 2015 and 2021. The aim of the portfolio was to bring the then too low inflation towards the target and to avoid an economic crisis. But now there is reason to return to a smaller balance sheet. We have also decided to reduce currency risks on the balance sheet by hedging around a quarter of the foreign currency reserves. In practice, this means that we have locked in some of the unrealised foreign exchange gains on the assets in the foreign currency reserves generated by the weak krona.

### **Development work involves the entire bank**

All in all, it has been an intensive year. This is why it is particularly important to lift our gazes and look forward. Managers and staff have reviewed the strategy and considered how the Riksbank should adapt and develop. The

following strategic shifts will characterise our new direction: We will make better use of data to inform our decisions on interest rates and other matters and we will build capabilities that increase our capacity for action. We will continue to strengthen preparedness across the financial system. We will also become even better at seeking knowledge and cooperation externally.

And now that the Riksbank building is to undergo extensive renovation and parts of our operations are moving to a replacement facility, we will also have the opportunity to test new ways of working in more modern premises than those we have today. In the meantime, the Riksbank building will be carefully renovated.

Finally, I would like to thank the General Council and my colleagues in the Executive Board for their excellent cooperation over the year. Special thanks go to Executive Board member Henry Ohlsson, who left the Riksbank at mid-year. Last but not least, a big thank you to all staff for their excellent work. We are now embarking on a new financial year. Overall, I think that the overall direction for the coming years is well reflected in the new guiding principles that we have jointly developed: a transparent and stable central bank at the forefront.

Erik Thedéen

# ADMINISTRATION REPORT

## Organisation and management

*Sveriges Riksbank is a public authority under the Riksdag. The Riksdag appoints the members of the Riksbank's General Council. In turn, the General Council appoints the members of the Riksbank's Executive Board, while the Executive Board is responsible for the Bank's operations.*

### **The General Council of the Riksbank**

The General Council consists of eleven members and as many deputies. Members and deputies are appointed by the Riksdag after each general election for a term of office of four years. The current General Council was appointed after the election in 2022. The General Council selects a Chairperson and a Vice Chairperson from among its members.

The Council had the following composition in 2023: Bo Broman (Chairperson), Tomas Eneroth (Vice Chairperson), Susanne Ackum, Martin Kinnunen, Annelie Karlsson, Hans Birger Ekström, Hans Hoff, Mattias Karlsson, Jonas Jacobsson Gjörtler, Emma Lennartsson and Mats Odell. Deputy members over the year were Andrea Kronvall, Mathias Tegnér, Malin Löfsjögård, Linda Lindberg, Ulla Andersson, Maria Plass, Peter Helander, Erik Kristow (until 20 December), Martin Selander (from 21 December), Katarina Brännström, Rasmus Ling (until 12 January), Ulf Holm (from 13 January) and Hanne Clivemo.

#### *The General Council's tasks*

The General Council appoints the members of the Riksbank's Executive Board and determines their salaries and other terms of appointment. The General Council decides on the allocation of the Riksbank's profit. It also decides on the themes to be displayed on the banknotes and coins issued by the Riksbank.

The General Council shall monitor the work of the Executive Board. The Chairperson and Vice Chairperson may attend and speak at the Executive Board's meetings, but they do not have the right to vote or make proposals. The General Council's audit function shall scrutinise the work of the Executive Board. The General Council shall report its observations to the Committee on Finance. See also 2023:24/RB2.

The Executive Board and the General Council shall give one another the opportunity to comment before petitioning the Riksdag and the Government within their respective areas of responsibility. The General Council submits consultation responses on behalf of the Riksbank within its area of responsibility.

## **The Executive Board of the Riksbank**

The Executive Board of the Riksbank consists of five members with terms of office of five or six years. During a transitional period, the Executive Board may consist of six members, as it did from 1 January to 30 June 2023. As of 1 July 2023, the Executive Board has consisted of five members.

The General Council appoints the Chairman of the Executive Board, who shall, at the same time, be Governor of the Riksbank, and at least one Vice Chairman, who shall, at the same time, be First Deputy Governor of the Riksbank. The General Council also determines the order in which the Deputy Governors shall serve in the Governor's place.

### *The Executive Board's tasks*

The Executive Board has a joint responsibility for the focus, development and efficiency of the operations. The Executive Board also decides on the Riksbank's organisation and Rules of Procedure. Furthermore, the Executive Board takes decisions regarding monetary and exchange rate policy, important issues in the area of financial stability, payment issues and the Riksbank's asset management. The Executive Board also decides on strategic objectives, the operational plan, budget and consultation responses. The Governor is tasked with managing the day-to-day operations in accordance with the Sveriges Riksbank Act and the directives and guidelines adopted by the Executive Board.

The Executive Board takes decisions collectively at its meetings. In 2023, the Board held a total of 31 meetings, five of which were monetary policy meetings. In addition, the Executive Board took eight decisions by circulation and responded to 13 consultations.

The Executive Board shall regularly or on request submit a report on monetary policy, the management of cash in Sweden and its other operations to the Riksdag Committee on Finance. In 2023, members of the Executive Board participated in four open hearings according to the Committee's agenda.

### *Members of the Executive Board*

In 2023, the Executive Board consisted of the following members:

#### **Erik Thedéen**

Erik Thedéen is the Governor of the Riksbank and the Chairman of the Executive Board. He took up the post on 1 January 2023 for a term of office of six years.

Erik Thedéen is a member of the General Council of the European Central Bank (ECB) and a member of the General Board of the European Systemic Risk Board (ESRB). He is a member of the Board of Directors of the Bank for International Settlements (BIS) and of its Administrative Committee. He is also a member of the BIS Economic Consultative Committee (ECC), Global Economy Meeting (GEM) and a member of the BIS Innovation Hub (BISIH)

Advisory Committee. Erik Thedéen is also Sweden's representative on the Executive Board of the International Monetary Fund (IMF), a member of the Nordic Baltic Macroprudential Forum (NBMF) and a member of the Financial Stability Council. He also participates in the informal meetings of EU economy and finance ministers and central bank governors (informal ECOFIN Council meetings), the Nordic central bank meetings and in the IMF cooperation between Sweden, the Netherlands, Belgium and Switzerland (G4).

### **Anna Breman**

Anna Breman has been First Deputy Governor of the Riksbank since 2 September 2022. She took up the post of Deputy Governor on 1 December 2019 for a six-year term of office ending on 30 November 2025. She is the Governor's alternate on the ECB General Council and takes part in the Riksbank's work in the IMF and G4. She represents the Riksbank in the Nordic-Baltic Monetary and Financial Committee (NBMFC), which she chaired in 2023, and in the Network for Greening the Financial System (NGFS), a network of central banks and financial supervisors. Anna Breman also participates in the meetings of the Nordic central bank governors.

### **Per Jansson**

Per Jansson is Deputy Governor of the Riksbank. He took up the post on 1 January 2012. Since then, he has had his term of office extended twice by the General Council, most recently in August 2021 by a further six years until 31 December 2027. He represents the Riksbank in the EU Economic and Financial Committee (EFC) and the BIS Committee on the Global Financial System (CGFS) and participates in the meetings of the Nordic Deputy Governors. Mr Jansson is also the Governor's deputy on the BIS Bimonthly and the BISI Advisory Committee.

### **Martin Flodén**

Martin Flodén is Deputy Governor of the Riksbank. He took up the post on 22 May 2013 for a term of office of five years. In 2018, his mandate was extended for a further six years until 21 May 2024. He represents the Riksbank in the OECD Working Party 3 (WP3), the Basel Committee (BCBS) and the Bellagio Group. Mr Flodén also participates in the Financial Stability Board - Regional Consultative Group for Europe (FSB RCG-E).

### **Henry Ohlsson**

Henry Ohlsson was Deputy Governor of the Riksbank until 30 June 2023, when he resigned as a member of the Executive Board at his own request. He took office on 12 January 2015 for a term of six years and in 2020 was extended for a further five years until 11 January 2026. Since 22 March 2023 Henry Ohlsson has not participated in Executive Board meetings or monetary policy meetings.

## **Aino Bunge**

Aino Bunge is Deputy Governor of the Riksbank. She took up the post on 1 December 2022 for a six-year term of office until 30 November 2028. Aino Bunge is the Riksbank's representative on the BIS Committee on Payments and Market Infrastructures (CPMI) and a member of the ECB's European Retail Payments Board (ERPB) and the ESRB's Advisory Technical Committee (ATC). She also represents the Riksbank in the Central Bank Digital Currencies (CBDC) Coalition, which is a collaboration between the BIS, the Riksbank and six other central banks.

### *External assignments of the Executive Board members*

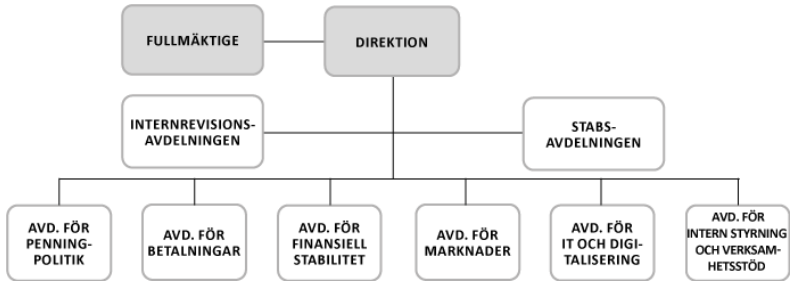
If a member of the Executive Board wishes to take up an external assignment in addition to their employment at the Riksbank, this must be approved by the General Council and reviewed every second year. Erik Thedéen is a member of the Board of Trustees of the Centre for Business and Policy Studies (SNS). Anna Breman is a member of the Swedish House of Finance Advisory Board and a member of the Royal Swedish Academy of Engineering Sciences (IVA). She is also part of the Advisory Board's MSC programme at the Stockholm School of Economics. Martin Flodén is a Research Fellow at the Centre for Economic Policy Research.

For one year after the end of a board member's employment (qualification period), the member needs the General Council's authorisation to hold certain jobs or positions. The General Council decided in October to approve former Governor Stefan Ingves' assignments as a member of the Master of Central Banking Advisory Board of the Asian School of Business, as a senior fellow at the Swedish House of Finance, as a member of the Central Banking Advisory Board and as a member of the Honorary Board of the Scope Foundation. In 2023, Stefan Ingves also retained his positions as a board member of the Toronto Center and a member of the Royal Swedish Academy of Sciences, as previously approved by the General Council.

## **The organisation of the Riksbank**

In 2023, the Riksbank consisted of eight departments (see Figure 1 and Annex 1). The Riksbank's Management Group consisted of the heads of all departments except the Internal Audit Department, and of the Director of Communications and the General Counsel. The Head of the Internal Auditing Department and the Head of the Risk Division may attend the Management Group's meetings to the extent considered necessary. The Head of the General Secretariat chairs the Management Group.

As of 1 July 2023, the Corporate Services Department has been renamed the Internal Control and Operational Support Department, partly as a result of previously expanded tasks.

**Figure 1 The Riksbank's organisation**



## Operations and strategies

*The Riksbank's high degree of independence also entails a responsibility to manage resources efficiently. The Riksbank reduced its workforce over a long period of time and kept cost developments stable. For a long time, new challenges and initiatives were financed by reprioritising among existing staff. However, since 2019, with a strategic plan and new challenges, not least in payments and preparedness, a new Sveriges Riksbank Act and the consequences of the pandemic, it has become increasingly clear that staff numbers need to grow.*

*The pandemic and war close at hand highlighted additional resource needs, for instance in the area of crisis preparedness, continuity and crisis management, including the conduct of monetary policy in times of crisis. But despite its growth in recent years, it is clear that the Riksbank is - and continues to be - a small central bank in an international perspective. The Riksbank's size, costs and income in the long term will depend, among other things, on the choices made regarding a possible e-krona, and a connection to European platforms for payments and securities settlement, as well as the tools with which monetary policy is conducted.*

*The Riksbank's property portfolio is multifaceted and has grown over the year. Its headquarters has a protected status, and parts of the operations are moving into new premises while the headquarters are being renovated. The Riksbank is also responsible for various infrastructures. This is why the Riksbank increased its monitoring of operational risks over the year. Financial risks were expected to decrease in 2023, mainly because the nominal holdings of Swedish securities fell and had a shorter remaining maturity and because the Riksbank hedged parts of its foreign currency reserves.*

### **The Riksbank's tasks**

The Sveriges Riksbank Act (2022:1568), which entered into force on 1 January 2023, aims to provide a modern and more appropriate legal regulation of the objectives, tasks and powers of the Riksbank's various areas of responsibility. The Riksbank's position as an independent central bank and autonomous administrative authority is consolidated and combined with increased transparency and scrutiny of the Riksbank's operations.

As previously, price stability is the overriding objective and without neglecting it, the Riksbank shall take account of developments in the real economy. The Riksbank shall also contribute to the stability and efficiency of the financial system and ensure that the public can make payments.

The new act changes the conditions for the Riksbank's various areas of work to some extent and gives the Riksbank the new task of ensuring that it is possible to make payments even in peacetime crisis situations and states of heightened alert.

Furthermore, according to the Sveriges Riksbank Act, the Riksbank shall manage its assets with low risk and attach particular importance to the promotion of sustainable development in its asset management. The Riksbank shall endeavour to achieve a high level of efficiency in its operations and to be economical with state funds.

### **Structure of the annual report**

Sveriges Riksbank is an independent authority under the Riksdag and shall submit an annual report to the Riksdag, the Swedish National Audit Office and the General Council of the Riksbank (Chapter 8, Section 4 of the Sveriges Riksbank Act). The annual report forms a basis for the Riksdag's scrutiny of the Riksbank's operations.

In the Administration Report for 2023, monetary policy and other operations are presented in six chapters based on the general provisions set out in the Sveriges Riksbank Act, followed by explanations based on the Riksbank's tasks and powers. Unlike previous years, activities in civil preparedness and international operations are therefore presented in separate chapters. The chapter 'Bank-wide areas' presents the operational support functions of different departments. Here too, the report is based, where appropriate, on the information specified in the Riksbank Act.

The section on the Riksbank's vision and priorities is based on the strategic plan that has governed operations during the period 2019-2023 to provide an overall account of the requirement that the Riksbank's operations shall be conducted seeking a high degree of efficiency and practising sound financial management with state funds. (Chapter 1, Article 7 of the Sveriges Riksbank Act).

### **The Riksbank's vision and strategic priorities**

The strategic plan adopted by the Executive Board in December 2018 for 2019-2022 was extended by one year and ended in 2023. The vision was that the Riksbank needed to be an innovative central bank with a high level of preparedness to take advantage of new opportunities and meet new risks and threats. The five strategic priorities, which formed the backbone of the annual operational plans, were: A payment market for the future, Strengthened preparedness, Communication in new forms, Updated and agile analysis and a Developmental workplace.

#### *Turbulent times, but the strategy was still relevant*

The strategic plan was intended to guide the Riksbank's operations in a changing and uncertain landscape, but no one could foresee events as drastic as a global pandemic and war close at hand. The vision and the five strategic priorities remained relevant, but needed to be prioritised in the new context. The

pandemic meant that travel and face-to-face meetings were obviously de-prioritised, while preparedness and information security issues were given increased priority after Russia's full-scale invasion of Ukraine.

### *Joining forces on payment infrastructure*

A payment market for the future illustrates perhaps the biggest shift in the strategic plan. The Riksbank needed to understand and address the consequences of the sharp decline in the use of cash and managed many initiatives and innovations in payment methods and payment systems that a digitalised payment market brings. The Riksbank has extended its analysis of the payment market in accordance with the strategic plan. This has included various initiatives to develop the payment infrastructure in Sweden and the publication of an annual report on the Riksbank's e-krona project. In addition, the Riksbank has started to explore the possibility of offering real-time cross-currency payments.

### *Strengthened preparedness with an even higher level of ambition*

Another major shift in the strategic plan was strengthening preparedness in a broad sense – investing in information security and internal crisis preparedness, meeting increased demands regarding Sweden's civil preparedness and maintaining a high level of financial crisis preparedness. The Riksbank has significantly increased its capacity in the area of information security and financial crisis preparedness was tested in practice during the pandemic. The threat landscape is constantly changing and there is still work to be done before the target for the Riksbank's civil preparedness is achieved.

### *Communication and working arrangements were re-prioritised*

As mentioned above, the pandemic meant re-prioritising, not least with regard to the parts of the strategic plan dealing with new forms of communication and the development of the Riksbank as a workplace. Digital communication and digital meeting and working arrangements were developed faster than planned. But it also meant that other developments were de-prioritised or redirected. These included initiatives for more physical meetings, the formulation of the Riksbank's core values and the automation of day-to-day work processes.

### *A new strategic plan was prepared in 2023*

A new strategic plan was developed over the year. The entire organisation has been invited to contribute ideas and thoughts on the changes the Riksbank needs to make over the next four years. The new strategic plan is based on the great uncertainty and rapid pace of change and the complexity of the conditions for the Riksbank's tasks. The strategy therefore focuses above all on build-

ding an organisation capable of moving with the times, interpreting how changing conditions affect our tasks and responding quickly with appropriate analysis and well-targeted actions.

The new vision is to be an open and stable central bank at the forefront.

- The Riksbank shall be open, i.e. a transparent and clear central bank with open communication adapted to the target group and whose work is easy to evaluate. The Riksbank shall participate in relevant national and international networks and actively seek new types of cooperation to gather and share new knowledge.
- The Riksbank must be stable, i.e. be well able to deal with uncertainty and changes while maintaining the reliability of its analyses and ensuring the delivery of its services.
- The Riksbank shall also endeavour to be at the forefront in all areas that are important for achieving the objectives of its operations.

To achieve the goals, the strategic plan contains four major shifts that will characterise the Riksbank's development work over the next four years: The Riksbank shall:

- harness the potential of data
- build skills that increase our capacity for action
- strengthen preparedness across the financial system
- establish partnerships to strengthen these shifts.

### **Internal control and risk management**

A condition for the organisation to be efficient and economise on resources is that it is run with satisfactory internal control (IC) and risk management. This means, for instance, that the Executive Board's governance permeates operational planning, financial planning and the internal regulations that guide operations in line with the Riksbank's overall tasks and objectives, including sound risk management.

The Executive Board is ultimately responsible for internal control and establishes overall policies and certain regulations that govern the Riksbank's operations. IC is a process involving risk analysis, control measures, follow-up and documentation. Moreover, the Executive Board presents its assessment of the adequacy of internal control in the Annual Report (see 'Assessment of internal governance and control').

A key element of this work is to ensure that operations have appropriate risk management. The division of responsibility for risk management follows the principle of three lines of responsibility. In brief, this means that, in the first line of responsibility, the operations are responsible for day-to-day risk management. The second line of responsibility consists of an independent risk division that is responsible for defining the frameworks and methods for risk management. The risk division is also responsible for monitoring and verifying that operations in the first line comply with these and manage their risks

appropriately. The third line of responsibility consists of an independent internal audit function, reporting directly to the Executive Board, which examines selected areas of the Riksbank's internal control, including the work of the risk division and the Riksbank's risk management.

### *Non-financial risks*

Non-financial risks refer to risks arising from inadequate or failed internal processes or routines, human error, defective systems or external events. The work on non-financial risks follows the steps of the risk management process: identify, assess, manage, follow-up, report and communicate.

In 2023 the focus was on identifying and managing operational risks related to the ongoing renovation of the Riksbank building and the completion of a replacement facility.

The Riksbank has also implemented measures, such as clarifying governing documents, to reduce the risks associated with information management. The management of risks in purchasing and contract management has also been prioritised during the year, including through recruitment and targeted controls.

The overall level of non-financial risks was estimated to be in line with that of 2022.

### *Financial risks*

The Riksbank's financial risk and investment policy is determined by the Executive Board every year and sets the outer frameworks for dealing with the financial risks arising in the management of the Riksbank's assets and liabilities.

Financial risks consist of market risk, credit risk and liquidity risk. These risks are followed up by the Markets Department, which is responsible for day-to-day risk control, while the Risk Division is responsible for the overall and independent risk control.

Financial risks have decreased during the year, after an initial period of market turmoil. The decrease is mainly due to the fact that the Riksbank's nominal holdings of Swedish securities have shrunk, at the same time as the remaining maturity became shorter and because the Riksbank has started to hedge parts of the foreign currency reserves. The Swedish securities holdings are being reduced as a result of monetary policy decisions not to reinvest maturing securities and to actively sell securities in kronor. Currency hedging is a measure that reduces financial risk.

Overall, the measures and market developments have led to a reduction in market risk in particular and also a reduction in credit risk. The lower securities holdings mean lower interest rate and credit risks, while the currency hedging reduces the risk of the assets in foreign currency losing value measured in Swedish kronor.

**Data protection**

Data protection work was carried out during the year with a focus on prevention, including reviewing and evaluating procedures and processes and developing guidance documents. A mandatory training programme was implemented to raise staff awareness of data protection issues.

## Sustainably low and stable inflation

According to Chapter 2, Sections 1-3 of the Sveriges Riksbank Act, monetary policy shall fulfil the following general provisions:

- The overriding objective of the Riksbank is to maintain sustainably low and stable inflation (the price stability target). Without neglecting the price stability objective, the Riksbank shall also contribute to a balanced development of production and employment (consideration for the real economy).
- The Riksbank shall apply the exchange rate system decided by the Government in accordance with the Exchange Rate Policy Act (1998:1404).
- The Riksbank shall, with the approval of the Riksdag, decide on the specification of the price stability target.

The Riksbank's target is an annual change of 2 per cent in the consumer price index with a fixed interest rate (CPIF). Since 1992, the exchange rate for the Swedish krona has been floating. This means that the exchange rate is freely determined in the foreign exchange market.

*During 2022, inflation rapidly rose to its highest level in more than 30 years. The price growth spread widely in the economy, both in Sweden and abroad. The Riksbank, like many other central banks, raised its policy rate rapidly to prevent inflation from becoming entrenched in price and wage formation. The policy rate was also raised in 2023, but in more gradual steps compared to 2022. It was raised by a total of 1.5 percentage points, from 2.5 per cent to 4 per cent.*

*The tightening has taken effect, and in 2023 inflation has fallen back. In the first half of the year, energy and food price growth in particular slowed significantly. By contrast, prices of services and goods have fallen more slowly. The Riksbank has had a strong focus on creating a broad decline in price growth to achieve sustainably low and stable inflation within a reasonable time perspective. In 2023, inflation also fell back relatively quickly, from a peak of 10.2 per cent in December 2022 to 2.3 per cent in December 2023. This means that target fulfilment at the end of the year was good, although the average deviation from the target was large in 2023. The contractionary monetary policy reduced resource utilisation in the Swedish economy from a high level and contributed to higher unemployment. But high inflation is harmful to the economy, and by achieving sustainably low and stable inflation, monetary policy creates the conditions for favourable economic development.*

## **Economic developments and monetary policy decisions in 2023**

The Executive Board of the Riksbank held five monetary policy meetings in 2023. The Minister of Finance was informed of the decisions in accordance with Chapter 2, Section 7 of the Sveriges Riksbank Act. In conjunction with the monetary policy decisions, a Monetary Policy Report was published containing forecasts for the policy rate, inflation and other economic variables. The Riksbank followed general economic developments and developments in the financial markets in accordance with Chapter 1, Section 9 of the Sveriges Riksbank Act. These developments are described in more detail in the Monetary Policy Reports.

The Riksbank's monetary policy is evaluated by the Riksdag Committee on Finance, and the Riksbank shall regularly or on request submit an account of its monetary policy activities (Chapter 11, Section 1 of the Sveriges Riksbank Act). The accounts are presented in the Monetary Policy Reports and in a special document for evaluating monetary policy. In March of the year following the year being evaluated, the Riksbank publishes the report, Account of Monetary Policy. Among other things, the report describes how inflation and the real economy have developed over the past year. The Account of Monetary Policy for 2023 will be submitted to the Riksdag on 22 March 2024.

### *Monetary policy is taking effect – inflation is falling and economic activity is slowing down*

Global financial conditions clearly tightened in 2022, mainly due to a rapid increase in central bank policy rates. By early 2023, policy rates had reached contractionary levels and cooled the strong demand, with most major central banks slowing the pace of increases in spring 2023 (see Chart 1). The global economy had proved to be relatively resilient to rising prices and interest rates. Labour markets continued to develop strongly, with historically high employment rates both in Sweden and abroad. But during the year, GDP growth slowed down.

Central bank rate increases were reflected in both short and long-term market rates. With regard to the Riksbank, the policy rate rises had a relatively rapid and powerful pass-through to households as many of them are highly indebted and have short interest-rate fixation periods. The transmission of the Riksbank's monetary policy to the interest rates faced by households and companies is considered to have worked well. Demand became increasingly subdued over the course of the year, particularly in interest-rate-sensitive parts of the economy: household consumption and housing investment. In the second half of the year, the slowdown in the Swedish economy also became evident in the labour market, as the employment rate started to decline from a high level, and unemployment started to rise. Inflation in Sweden and abroad fell back from its peak levels in 2022 and has moved closer to central bank targets.



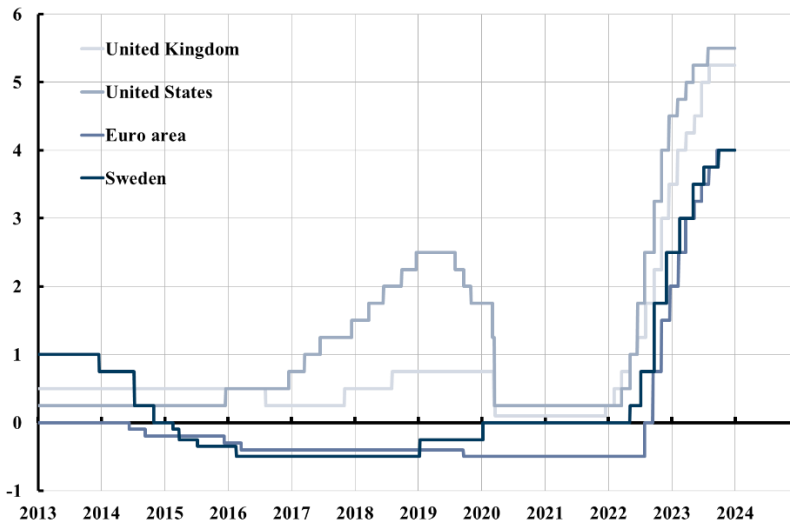
In Sweden, inflation in 2023 was slightly higher than the euro area average, and this was most evident in goods prices, which increased faster than elsewhere. An important explanation for this is probably the depreciation of the krona in recent years, a trend that continued in the first half of 2023 (see Chart 2). Moreover, there are indications that the change in the exchange rate had an unusually strong impact on consumer prices over the past year, and the weakness of the krona contributed to uncertainty about the development of inflation. In the final months of the year, the exchange rate strengthened, reducing the risk of inflation becoming entrenched.

In 2023, the rapid decline in energy prices contributed significantly to the fall in CPIF inflation. The decline in the CPIF excluding energy was slower, and this more persistent part of the inflation remained high in December (see Chart 3). At the same time, short-term price growth had declined significantly towards the end of the year, for both goods and services.

Despite high inflation during the year, long-term inflation expectations in Sweden remained only slightly above 2 per cent (see Chart 4). This indicates that confidence in the inflation target remained strong. Wage formation is another factor that has a major impact on future inflation developments and the risk of inflation becoming entrenched. The wage agreements concluded by the social partners during the year were higher than in previous years, but lower than in the rest of the world, and show that wage formation has strong confidence in the inflation target. This is important because it reduces the risk of a problematic wage-price spiral.

### Chart 1 Policy rates in Sweden and abroad

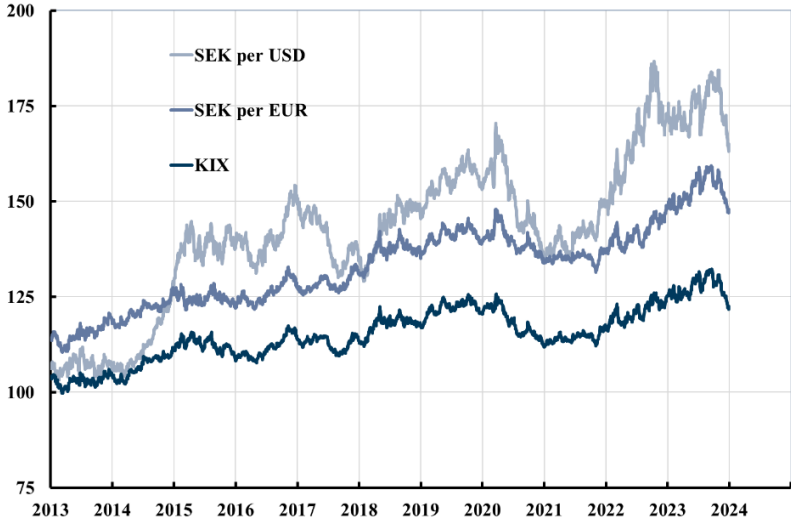
Per cent



Sources: National sources and the Riksbank.

**Chart 2 Nominal exchange rate of the Swedish krona**

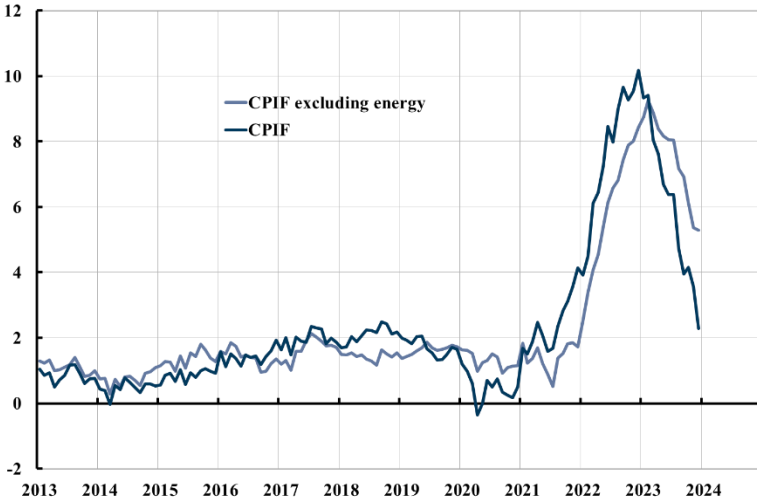
*Index, 18 November 1992 = 100*



Note: The KIX (krona index) is a weighted average of the currencies in 32 countries that are important for Sweden’s international trade. A higher value indicates a weaker exchange rate.  
Sources: National sources and the Riksbank.

**Chart 3 CPIF and CPIF excluding energy**

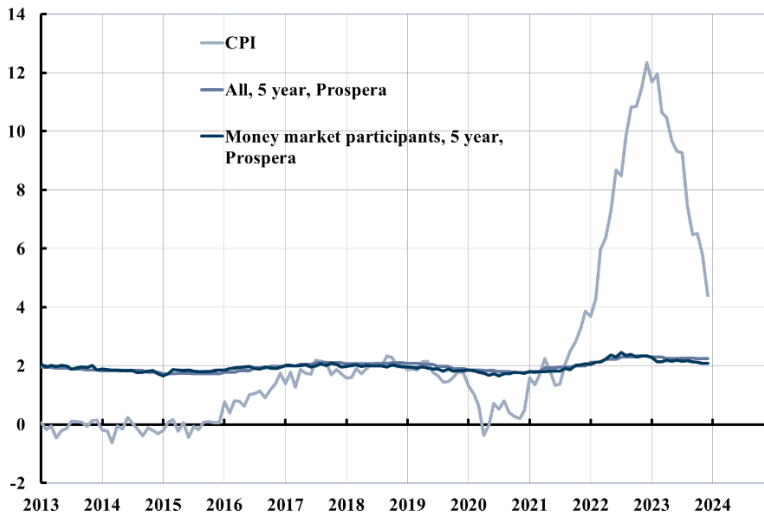
*Annual percentage change*



Note: The CPIF is the consumer price index (CPI) with a fixed interest rate.  
Source: Statistics Sweden.

### Chart 4 CPI and long-term inflation expectations

Per cent



Sources: Kantar Sifo Prospera and Statistics Sweden.

### *Monetary policy decisions in 2023*

In the February Monetary Policy Report, the Riksbank noted that the signals of a continued economic downturn in 2023 were clear in Sweden, not least through a slowdown in household consumption. The Economic Tendency Survey showed that households' views of both their own finances and the Swedish economy had become more pessimistic than ever before and that confidence in both the retail trade and the services sector was very weak. However, while economic activity had started to decline in the Swedish economy, the employment rate was still high and inflation was far too high. The broad upturn in price growth was confirmed by several measures of underlying inflation, and these had not yet shown any sign of a downward turn. In addition, companies were planning to continue raising prices. It was therefore very difficult to know whether inflation would fall fast enough and far enough, also given the weak krona. To bring down inflation and safeguard the inflation target, the Executive Board therefore decided at the monetary policy meeting on 8 February to raise the policy rate by 0.5 percentage points to 3.0 per cent. The forecast for the policy rate was revised up and indicated that the policy rate would be raised further during the spring. As an additional measure to the higher policy rate, the Executive Board decided that the Riksbank would sell government bonds as from April so that the asset holdings would decrease at a faster pace, and to offer larger volumes of Riksbank Certificates in the weekly monetary policy operations.

During the spring, the policy rate increases had increasingly clear effects on demand in the Swedish economy, and in the April Monetary Policy Report it was noted that CPI inflation had fallen roughly in line with the Riksbank's

forecast. However, new information also indicated that demand and resource utilisation in the Swedish economy were somewhat higher than expected and that the decline in inflation was mainly due to the fall in energy prices. Other goods and service prices continued to increase unexpectedly rapidly during the first months of the year, and the CPIF excluding energy was significantly higher than in the Riksbank's forecast at the time of the decision in April. The new agreement reached by the social partners on 31 March indicated continued strong confidence in the inflation target and reduced the risk of a problematic wage-price spiral. However, if wage agreements are to lead to real wage growth, inflation needs to come down in the fairly near future. In line with this, monetary policy remained focused on bringing inflation to the target within a reasonable period of time, and to ensure this, the Executive Board judged that a further increase in the policy rate was needed. The Executive Board therefore decided on 25 April to raise the policy rate by 0.5 percentage point to 3.5 per cent. The forecast for the policy rate was revised up and indicated that the policy rate would most likely be increased by a further 0.25 percentage points in June or September. The Executive Board considered that after the April meeting there would be scope to adjust the policy rate in smaller steps, but emphasised that there was still considerable uncertainty. Two Executive Board members entered reservations against the decision to raise the policy rate by 0.5 percentage points and against the forecast for the policy rate. They advocated an increase in the policy rate of 0.25 percentage points and an interest rate path that indicated a high probability of further increases in June and/or September.

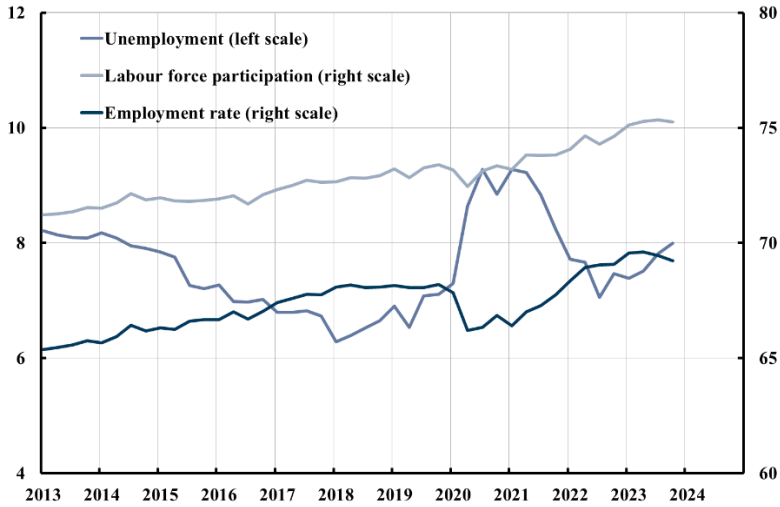
In April and May, CPIF inflation continued to decline, but when adjusted for energy prices, the rate of decline was slower and inflation was slightly higher than expected. It was noted in the June Monetary Policy Report that GDP and the employment rate had developed stronger than expected, and that services prices had risen unexpectedly quickly, which was deemed to reflect continued high demand in parts of the Swedish economy. Moreover, the weak krona was assessed to be contributing to keep inflation up, and the Riksbank discussed the fact that the pass-through of the krona to price increases risked being greater in situations with high inflation. The policy rate was judged to be contractionary, but to ensure that inflation would continue to fall and stabilise around the target within a reasonable period of time, the Executive Board judged that monetary policy needed to be tightened further. On 28 June, the Executive Board decided to raise the policy rate by 0.25 percentage points to 3.75 per cent. The members also decided to increase the pace of government bond sales from SEK 3.5 billion to 5 billion per month with effect from September. The forecast for the policy rate was revised upwards and showed that the policy rate would probably be raised one more time during the year and after that would remain at a contractionary level for a relatively long period of time. The Riksbank continued to emphasise the great uncertainty and that new information and how it would affect the outlook for the economy and inflation would be crucial for the monetary policy stance going forward.

Inflation continued to fall, and in the September Monetary Policy Report, the Riksbank noted that inflation was moving in the right direction. At the same time, the weak krona and rapidly rising services prices were assessed to keep inflation up. Inflationary pressures were still judged to be too high and, in line with the June forecast, it was concluded that monetary policy needed to be tightened somewhat further to bring inflation back to target within a reasonable period of time. The Executive Board therefore decided on 20 September to raise the policy rate by 0.25 percentage point to 4 per cent. They emphasised the need for monetary policy to remain contractionary for an extended period, and the forecast for the policy rate indicated that it could be raised further. As before, it was emphasised that new information and how it affects the outlook for economic activity and inflation would be crucial for determining the monetary policy stance.

Monetary policy continued to cool demand in the Swedish economy, and in the November Monetary Policy Report, the Riksbank noted that inflation had continued to fall and that inflationary pressures had clearly eased. The short-term rate of increase in consumer prices was lower than before, and companies had further adjusted their plans for price increases downwards. The labour market had slowed down from a strong initial position (see Chart 5). On 22 November, the Executive Board decided to hold the policy rate at 4 per cent. At the same time, it was emphasised that inflation was still too high and that risks remained that it would not continue to fall sufficiently fast and stabilise at the target within a reasonable period of time. The forecast for the policy rate was that it could be raised further at the start of 2024, and that monetary policy needed to be contractionary for a relatively long period of time for inflation to fall back and stabilise close to the target of 2 per cent.

### Chart 5 Labour force participation rate, employment rate and unemployment

Percentage of the population and labour force, respectively, refers to persons aged 15-74 years.



Note: Seasonally adjusted data.

Source: Statistics Sweden.

### The Riksbank's target fulfilment in 2023

It is not possible to keep inflation at 2 per cent all the time, because there are constant changes in the economy that cause inflation to fluctuate in ways that cannot be predicted with sufficient precision, or counteracted in the short term. This means that deviations from the inflation target for individual years are the rule rather than the exception. From a historical perspective, the target deviation was exceptionally large in 2022 and 2023 (see Table 1). Major demand and supply shocks hit the global economy in the wake of the pandemic and the war in Ukraine, resulting in rapidly rising inflation.

There is no general answer to the question of how quickly the Riksbank aims to bring inflation back to 2 per cent if it deviates from the target. Too rapid a return from overly high inflation may in some situations have very negative effects on production and employment, while too slow a return may instead weaken the credibility of the inflation target. The Riksbank conducts what is known as flexible inflation targeting, which means also taking into account the real economy, without disregarding the inflation target. A prerequisite for the Riksbank to be able to take into account the real economy is for households and companies to be confident that deviations from the target will not last too long as this could affect their expectations as to what level of inflation will be normal in the economy.

In connection with each monetary policy decision, the Executive Board assesses which monetary policy is well-balanced. As it takes time for monetary policy to have a full impact on inflation and the real economy, monetary policy

is guided by economic forecasts. If inflation deviates from the inflation target, it is normally a question of finding a balance between how rapidly it shall be brought back to target and the effects on real economic developments. Although the effects of last year's interest rate increases were not expected to become evident until 2023 and the forecasts suggested that inflation would fall towards the target in 2023, the starting point of inflation above 10 per cent meant there was still a concern that inflation would become entrenched in changed pricing behaviour. High inflation creates problems in the economy, and the Riksbank's tolerance for continued high inflation was low. Further interest rate increases were implemented during the year to ensure that inflation would return to 2 per cent. While the tightening was expected to lead to a weaker economy and higher unemployment, monetary policy was fully focused on inflation being low and stable again in 2024, thereby also creating the conditions for favourable economic growth.

### *CPIF inflation close to target again towards end of 2023*

In 2023, inflation fell back relatively quickly, from a peak of 10.2 per cent in December 2022 to 2.3 per cent in December 2023. This means that, on average, the deviation from the target during the year was large, but that the target fulfilment at the end of the year was good (see Table 1 and Chart 6). However, to ensure that inflation would fall, monetary policy during the year needed to be more contractionary than the Riksbank expected at the end of 2022 (see Chart 8).

The fall in CPIF inflation was in line with the Riksbank's forecasts (see Chart 6). During the year, however, energy prices contributed significantly to the decline, particularly in the first few months. Adjusted for volatile energy prices, inflation fell more slowly and on several occasions was higher than the Riksbank had expected (see Chart 7). In particular, services prices continued to increase at a rapid pace. In the second half of the year, there was a more pronounced decline in the underlying, more persistent part of the inflation too. Although the CPIF excluding energy was still significantly higher than the CPIF in December, by the end of the year, short-term price growth rates had declined significantly for both goods and services. At the same time, there were also other signs of dampening inflationary pressures, not least as GDP growth and the labour market slowed down.

**Table 1 Comparison of different measures of inflation**

*Annual percentage change, annual average*

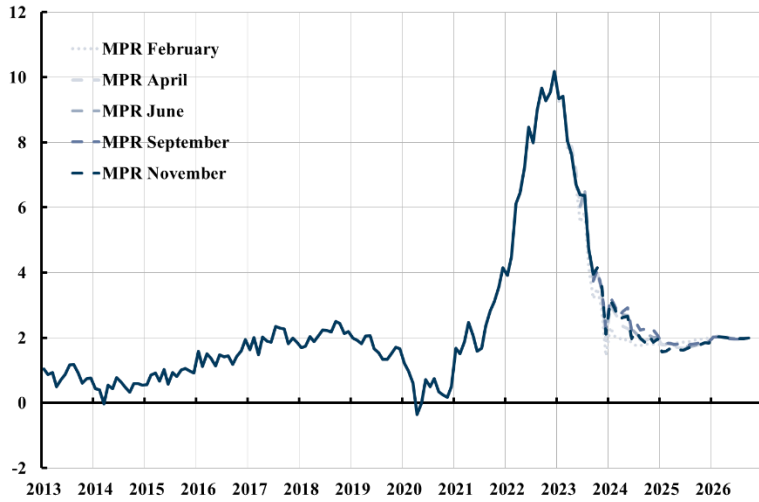
	2021	2022	2023
CPIF	2.4	7.7	6.0
CPIF excl. energy	1.4	5.9	7.5

Note: The CPIF is the consumer price index (CPI) with a fixed interest rate.

Source: Statistics Sweden.

### Chart 6 CPIF and forecasts 2023

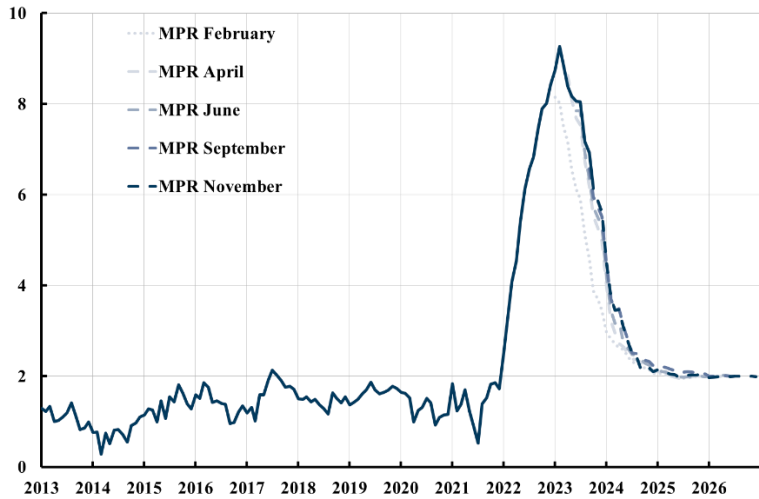
Annual percentage change



Note: Solid line refers to outcome, dashed lines represent the Riksbank's forecast.  
Sources: Statistics Sweden and the Riksbank.

### Chart 7 CPIF excluding energy and projections for 2023

Annual percentage change

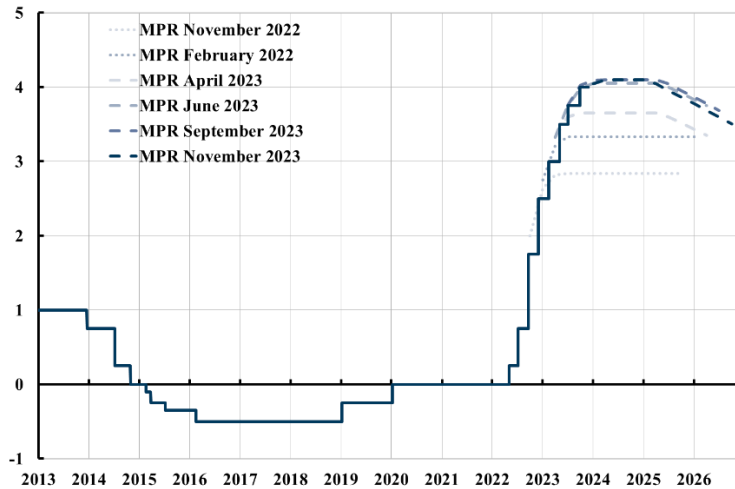


Note: Solid line refers to outcome, dashed lines represent the Riksbank's forecast.  
Sources: Statistics Sweden and the Riksbank.



### Chart 8 Policy rate and policy rate forecasts 2023

Per cent



Note: Outcomes are daily data and the forecasts refer to quarterly averages. Solid line refers to outcome, dashed lines represent the Riksbank's forecast.

Source: The Riksbank.

#### *The high economic activity slowed down during the year*

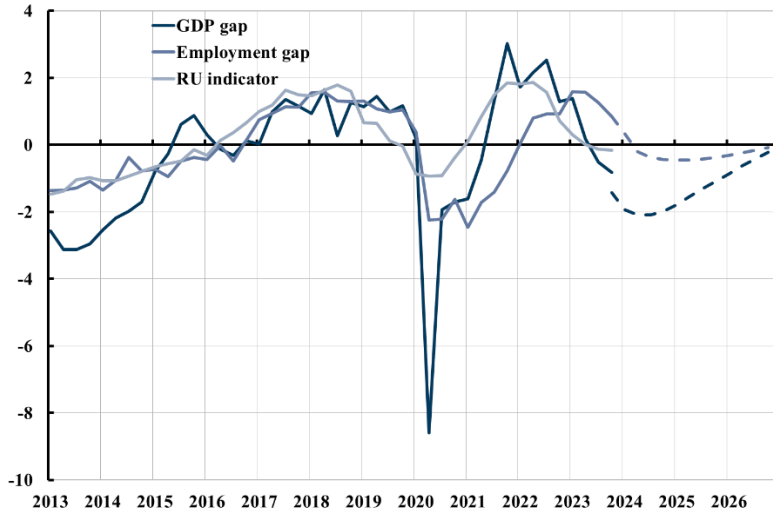
The fact that the Riksbank is also to take the real economy into account means in practice that the Riksbank, without disregarding the price stability objective, shall try to stabilise economic activity around long-term sustainable levels - i.e. stabilise resource utilisation. However, there is no clear-cut measure that perfectly captures resource utilisation in the economy, which leads to considerable uncertainty about both outcomes and forecasts. The Riksbank, like many other forecasters, therefore makes an assessment based on several different measures. The most important of these are the GDP gap and the employment gap, which show the deviations of GDP and employment from their respective trend paths (see Chart 9).

In 2023, demand in the Swedish economy was surprisingly resilient to policy rate increases, with the employment rate continuing to rise in the first half of the year to new record highs and the unemployment rate remaining broadly unchanged. GDP and employment gap measures also indicate that economic activity was higher than normal in the early part of 2023. During the year, activity slowed down as the tightening of monetary policy cooled the Swedish economy, particularly the interest rate-sensitive components such as construction investment and household consumption. There were also increasing signs of a slowdown in the labour market: redundancy notices increased, new job openings decreased and unemployment started to rise. Towards the end of the year, overall resource utilisation in the economy was assessed to be lower than normal. At the November monetary policy meeting, this was a contributing factor in the Executive Board's assessment that

inflationary pressures had eased and that the weaker economic outlook indicated that the fall towards sustainably low and stable inflation would continue.

### Chart 9 Different measures of resource utilisation

Per cent



Note: The gaps refer to the deviation in GDP and employment from the Riksbank's projected trends. The RU indicator is a statistical measure of resource utilisation; from Q1 1996 to Q4 2023, it has been normalised so that the mean value is 0 and the standard deviation is 1. The solid line refers to the outcome (Q4 is based on the outcome of Statistics Sweden's GDP indicator), the dashed line refers to the Riksbank's forecast from the Monetary Policy Report November 2023.

Sources: Statistics Sweden and the Riksbank.

### Losses resulting from the Riksbank's securities holdings

After the 2008 global financial crisis, and especially during and after the pandemic, the Riksbank and many other central banks bought securities. The aim was to ensure that monetary policy had the desired effect, stimulating demand in the economy, raising inflation and maintaining confidence in the inflation target. In 2023, the Swedish National Audit Office conducted an audit of the Riksbank's securities purchases 2015–2021. The report was published on 6 December. It states that the Swedish National Audit Office considers that the asset purchases were generally carried out in a transparent manner and with a solid decision-making basis. It also assesses that the asset purchases at the start of the pandemic reduced the impact of the pandemic on the economy by counteracting the financial stress, keeping interest rates low and maintaining credit supply.

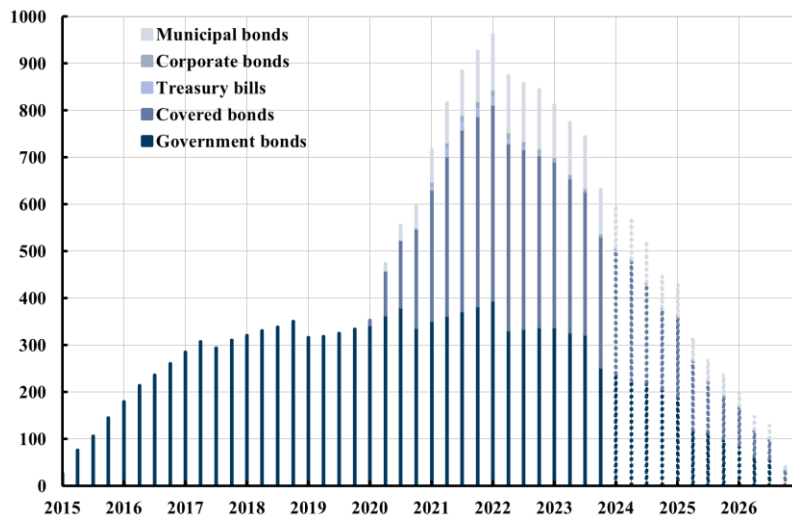
One inevitable consequence of central banks building up large holdings of bonds and other securities in this way was that they took on interest rate risk, which can lead to financial losses or gains if interest rates rise or fall rapidly. The recent rapid rise in inflation and interest rates in recent years has meant

that the risk of financial losses has materialised in a very short period of time and that the losses have been substantial. The National Audit Office states in its report that the costs of the asset purchases have been greater than anticipated, and that expected costs, risks and side effects could have been described more clearly. The Riksbank reported a large financial loss for 2022, and equity was negative after the allocation of profit in 2023 (see also the chapter ‘Asset management’).

At the end of 2021, the Riksbank ended its pandemic asset purchase programme, i.e. net purchases ceased, and in 2022 the Riksbank reduced the holding slightly (see Chart 10). With effect from 2023, no reinvestments are made to compensate for maturing securities. In 2023, the Executive Board also decided to sell government bonds so that the holding of securities would normalise at a faster pace. In February it was decided to start sales from April, and in June it was decided to accelerate sales from September. In November, the Executive Board announced that the Riksbank was considering increasing the pace of sales further in 2024.

**Chart 10 The Riksbank’s securities holdings**

SEK billion



Note: The dashed bars are a projection of the Riksbank’s securities holdings, as stated in the Monetary Policy Report in November 2023. It is based on maturities and decisions that no asset purchases are made after 2022 and that government bonds will be sold for a nominal value of SEK 5 billion per month. Source: The Riksbank.

## Monetary policy development work

During the year, the Riksbank continued to focus on investigating the forces driving inflation in its monetary policy development work. Important questions concerned companies’ pricing behaviour, the impact of the exchange rate on inflation and the effects of monetary policy on resource utilisation in the Swedish economy. Table 2 lists the monetary policy-related studies.

One lesson learnt in the Account of Monetary Policy 2022 was that the Riksbank could use scenarios to a greater extent in its monetary policy analysis and communication. In the Monetary Policy Reports in 2023, the Riksbank has therefore chosen to use scenarios to a greater extent for monetary policy communication. An important message about the scenarios has been that the Riksbank would react with monetary policy in a different way if inflation was unexpectedly high than if it was unexpectedly low. Another important message has been the importance of reacting in time if inflation becomes unexpectedly high. The costs to the economy can be very high if the Riksbank waits and instead needs to raise interest rates later.

**Table 2 Monetary policy-related studies conducted in 2023****Articles in Monetary Policy Reports**

The new Riksbank Act and the monetary policy framework, February

How quickly will inflation fall? April

Strong labour market in Sweden and abroad, June

The krona will strengthen in the medium term, September

Household savings increased significantly during the pandemic, September

The pass-through of the krona to inflation appears to have been larger than usual, November

**Economic Commentaries**

C. J. Belfrage, J. Hansson, and A. Vredin), "How should we view the development of the krona?", No. 3

H. Lovéus, "New indicators of resource utilisation", No. 4

N. Holmer, "The Business Survey's new indicator of economic activity - an early temperature gauge of the Swedish economy", No. 5

I. Häkkinen Skans and P. Wasén, "The labour force, employment and changes in population composition", No. 6

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### More monetary policy meetings

In September 2023, the Executive Board decided to increase the number of ordinary monetary policy meetings from five to eight per year, with effect from 2024. It was assessed that more opportunities for decision-making make it easier for the Riksbank to more rapidly adapt monetary policy to the prevailing situation and communicate a coherent view on economic developments more often. This helps to ensure a predictable monetary policy. Compared with most other central banks, the Riksbank has had a smaller number of monetary policy meetings. With this decision, the Riksbank aligns with international practice.

All monetary decisions will be followed by publication of the meeting minutes and a decision appendix. The time between the monetary policy meeting and the publication of the minutes is shortened to approximately five working days. In connection with four of the eight monetary policy meetings, a Monetary Policy Report with full forecasts will be published. The number of Monetary Policy Reports will thus be reduced from five to four.

### Asset management

According to Chapter 9, Section 1 of the Sveriges Riksbank Act, the Riksbank's asset management shall fulfil the following general provisions:

- The Riksbank shall manage assets for the purpose of fulfilling its tasks and powers of authority and generate sufficient income to finance its activities.  
The assets shall be managed with low risk and taking into account the Riksbank's status as a central bank and the purpose of the asset holdings.  
In the management, particular weight shall be attached to how sustainable development can be promoted without waiving the requirements of the first and second paragraphs.

*In 2023, the Riksbank's reported result amounted to SEK 16.2 billion. The profit for the year is mainly explained by interest income on the holdings of Swedish and foreign securities. The result was also positively affected by the currency hedging transactions carried out by the Riksbank to reduce the currency risk in the foreign currency reserves. The Riksbank's total result, which includes both realised and unrealised results, amounted to SEK 11.0 billion.*

*The Riksbank can have little or negative equity and still function as usual. In the longer term, however, the Riksbank's capital needs to increase to ensure the Riksbank's financial independence. After the large loss in 2022, the Riksbank's equity, according to the annual report for 2023, is less than one third*

*of the statutory target level. Consequently, the Riksbank will submit a petition to the Riksdag to restore its equity. The petition will be submitted to the Riksdag after the Riksbank has submitted its annual report and the General Council has decided on the allocation of the results for the financial year 2023.*

## **Financial assets and liabilities**

Most of the Riksbank's financial assets consist of securities in Swedish kronor purchased for monetary policy purposes. In 2015, the Riksbank began buying Swedish government bonds to counteract the low inflation. After the outbreak of the coronavirus pandemic, the Riksbank also bought other Swedish securities to support the economy and counteract problems in the financial markets.

Another large share of the assets is made up of the gold and foreign currency reserves. This ensures that the Riksbank, if necessary, can supply temporary liquidity support in foreign currency and intervene in the foreign exchange market. The foreign currency reserves consist of debt securities in foreign currencies with high liquidity and low credit risk, primarily government bonds.

The Riksbank's assets also include receivables from the International Monetary Fund (IMF). Part of the Riksbank's receivables from the IMF is the holding of special drawing rights (SDR) and the remaining receivables consist of loans to the IMF. From 1 January 2023, the Riksbank shall fund new lending to the IMF through borrowing from the Swedish National Debt Office.

The Riksbank's financial liabilities mostly consist of the banking system's claims in Swedish krona on the Riksbank. This is mainly because the Riksbank borrows Swedish kronor from the banking system to finance its holdings of Swedish and foreign securities. When the banks' total claims exceed their total liabilities in Swedish kronor to the Riksbank, the banking system has a liquidity surplus in relation to the Riksbank. This has been the case for the banking system since 2008.

In 2023, the Riksbank also had financial liabilities in foreign currency that it had previously borrowed via the Swedish National Debt Office in order to fund parts of the foreign currency reserves. These liabilities consisted of two foreign currency loans of USD 3 billion and EUR 4 billion that matured and were repaid in February and April respectively.

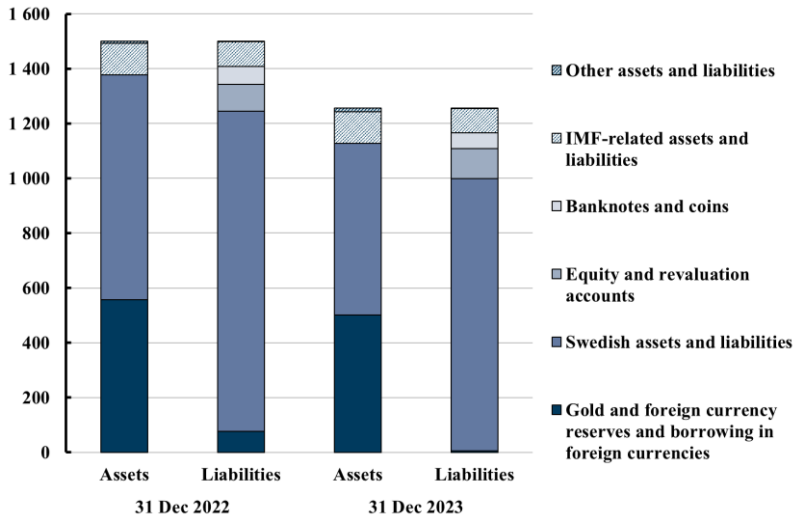
In addition, the Riksbank has a liability to the IMF corresponding to the value of the SDR the Riksbank has been allocated by the IMF.

In 2023, the balance sheet total decreased by SEK 244.3 billion to SEK 1,255.7 billion, primarily because the Riksbank reduced its holdings of securities in Swedish kronor and repaid foreign currency loans at the Swedish National Debt Office (see Chart 11). The items equity (including result for the year) and revaluation accounts increased by SEK 11.0 billion to SEK 109.4 billion. This increase corresponds to the Riksbank's total result and is mainly explained by interest income from the Riksbank's holdings of debt securities. At the end of the year, the value of the Riksbank's financial assets was SEK

1,254.4 billion (see Table 3). The total return on the Riksbank's financial assets and liabilities amounted to SEK 12.2 billion.

**Chart 11 The Riksbank's balance sheet at the end of 2022 and 2023 respectively**

SEK billion



Source: The Riksbank.

**Table 3 The Riksbank's financial assets and liabilities at the end of 2023**

SEK million

	Assets	Liabilities	Return		
			Interest	Currency	Total
<b>Gold and foreign currency reserves</b>	<b>502,843</b>	<b>3,374</b>	<b>19,987</b>	<b>2,864</b>	<b>22,851</b>
Gold reserves	83,928	–	–	7,440	7,440
Foreign currency reserves	418,915	3,374	19,987	–4,576	15,411
<b>Derivative instruments</b>	<b>5,299</b>	<b>–</b>	<b>–163</b>	<b>–</b>	<b>–163</b>
<b>Foreign currency loans</b>	<b>–</b>	<b>2,606</b>	<b>–171</b>	<b>–1,027</b>	<b>–1,198</b>
<b>IMF</b>	<b>116,078</b>	<b>88,231</b>	<b>998</b>	<b>–674</b>	<b>324</b>
<b>Monetary policy instruments</b>	<b>630,140</b>	<b>987,169</b>	<b>–9,654</b>	<b>–</b>	<b>–9,654</b>
Securities in SEK	629,927	–	29,014	–	29,014
Standing facilities	213	246,516	–6,765	–	–6,765
Riksbank Certificates	–	740,653	–31,903	–	–31,903
<b>Total</b>	<b>1,254,360</b>	<b>1,081,380</b>	<b>10,997</b>	<b>1,163</b>	<b>12,160</b>

Note: The table shows financial assets and liabilities on the Riksbank's balance sheet. The calculation of the return is based on both assets and liabilities and is reported in the table for the Riksbank's net receivables.

Source: The Riksbank.



## Monetary policy instruments

At the end of the year, the total market value of the Riksbank's monetary policy assets and liabilities amounted to SEK 630.1 billion and SEK 987.2 billion respectively (see Table 4).

**Table 4 The Riksbank's monetary policy instruments at the end of 2023**

SEK million

	Assets	Liabilities	Return
<b>Securities in Swedish kronor</b>	<b>629,927</b>	–	<b>29,014</b>
Government bonds	262,012	–	11,061
Treasury bills	–	–	10
Covered bonds	270,882	–	13,098
Municipal bonds	90,273	–	4,317
Corporate bonds	6,760	–	528
<b>Standing facilities</b>	<b>213</b>	<b>246,516</b>	<b>–6,765</b>
<b>Riksbank Certificates</b>	–	<b>740,653</b>	<b>–31,903</b>
<b>Total</b>	<b>630,140</b>	<b>987,169</b>	<b>–9,654</b>

Note: The table shows monetary policy assets and liabilities on the Riksbank's balance sheet. The calculation of the return is based on both assets and liabilities and is reported in the table for the Riksbank's net receivables.

Source: The Riksbank.

### *Holdings of securities in Swedish kronor decreased*

During the year, the Executive Board decided to reduce the Riksbank's holdings of Swedish securities at a faster pace than through maturities alone (see the chapter 'Sustainably low and stable inflation'). The Riksbank therefore started selling Swedish nominal and inflation-linked government bonds in April 2023. Overall for the year, holdings of Swedish securities decreased by a nominal SEK 212.2 billion (see Table 5).

**Table 5 The Riksbank's holdings of Swedish securities at the end of 2022 and 2023 respectively and change in holdings during 2023**

SEK million

	Holdings 31 Dec 2022	Sales 2023	Maturities 2023	Holdings 31 Dec 2023
Government bonds	338,365	30,425	55,409	252,531
Treasury bills	2,500	–	2,500	–
Covered bonds	367,500	–	87,900	279,600
Municipal bonds	125,154	–	31,870	93,284
Corporate bonds	10,863	–	4,069	6,794
<b>Total</b>	<b>844,382</b>	<b>30,425</b>	<b>181,748</b>	<b>632,209</b>

Note: The table shows the nominal value of sales, maturities and holdings of Swedish securities.

Source: The Riksbank.

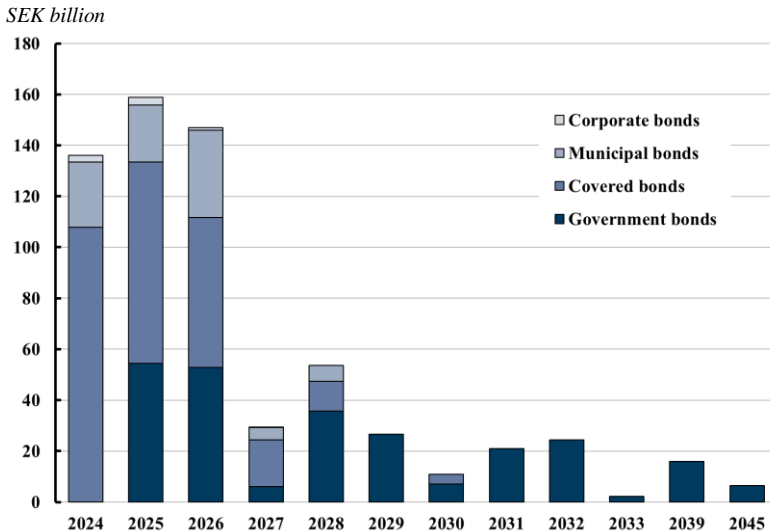
### The largest holding consisted of Swedish covered bonds

The total market value of the Riksbank's holdings of Swedish securities amounted to SEK 629.9 billion at the end of the year. At that point, the average remaining maturity of the securities was 3.3 years, with remaining maturities ranging from 15 days to almost 22 years (see Chart 12). Over the year, the return on the securities amounted to SEK 29.0 billion or 4.3 per cent. The return is mainly explained by the reversal of part of previous years' securities write-downs as interest income. In addition, the value of the holding was positively affected by the fall in Swedish market rates during the year.

At the end of the year, the largest part of the securities holdings consisted of covered bonds issued by seven different institutions. Another large part of the holdings consisted of nominal and inflation-linked government bonds, with 84 per cent of the nominal amount being made up of nominal government bonds. The Riksbank's holdings of Swedish treasury bills matured in March.

The municipal bonds held by the Riksbank at the end of the year were issued by 19 different Swedish municipalities and regions and by Kommuninvest i Sverige AB. The Riksbank also held corporate bonds issued by 46 different Swedish non-financial corporations. 58 per cent of the nominal value of the holding of corporate bonds was made up of bonds issued by Swedish property companies.

**Chart 12 The maturity structure of the Riksbank's holdings of Swedish securities at the end of 2023**



Note: The chart shows the nominal value of the Riksbank's holdings of Swedish securities, together with when the various types of securities mature.

Source: The Riksbank.

*Sales and maturities of Swedish securities reduced the banking system's claims on the Riksbank.*

The Swedish banking system has a liquidity surplus in relation to the Riksbank, which was mainly due to the Riksbank having purchased Swedish securities from the banks. In the same way as the Riksbank's purchases of Swedish securities increase the liquidity surplus in the banking system, the surplus decreases when the Riksbank's holdings of Swedish securities decrease. As the Riksbank sold Swedish securities at the same time as some of the holdings matured, the liquidity surplus and thus the banking system's claims on the Riksbank decreased in 2023.

Banks that are monetary policy counterparties to the Riksbank may deposit the liquidity surplus with the Riksbank via two different monetary policy instruments – either in a standing deposit facility overnight or in Riksbank Certificates with a maturity of one week. As of 14 February, the Riksbank began offering larger volumes in the weekly auctions of Riksbank Certificates, corresponding to the entire liquidity surplus of the banking system. As a result, investments in Riksbank Certificates increased while deposits in the overnight deposit facility decreased.

At the end of the year, total placings from the banking system at the Riksbank amounted to SEK 987.2 billion, which is SEK 171.0 billion less than the previous year. The banking system's placings constitute an interest-bearing liability for the Riksbank and, as a result of the positive policy rate, the Riksbank's interest expenses for the placings amounted to SEK 38.7 billion.

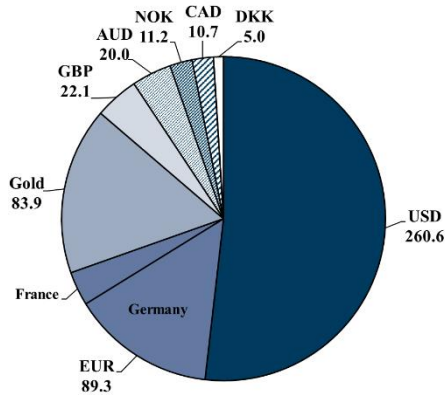
## **Gold and foreign currency reserves**

The gold and foreign currency reserves shall be managed so that the Riksbank is always ready to fulfil its commitments (Chapter 9, Section 1 of the Sveriges Riksbank Act). The reserves must therefore be designed so that they can be used to provide temporary liquidity support to banks operating in Sweden, to intervene in the FX market and fulfil Sweden's part in the IMF's international lending. In addition, the reserves are designed to diversify the Riksbank's financial risks and provide a long-term return that helps to safeguard the Riksbank's financial independence.

The Riksbank's preparedness to provide temporary liquidity support in foreign currency at short notice places strict demands on the assets in the foreign currency reserves. The reserves therefore consists mainly of assets that can be rapidly converted into liquid funds, mainly government bonds in US dollars and euro. At the end of the year, the total market value of the gold and foreign currency reserves amounted to SEK 502.8 billion (see Chart 13).

### Chart 13 Composition of the gold and foreign currency reserves at the end of 2023

SEK billion



Note: The chart shows the market value of the gold and foreign currency reserves, including accrued interest.

Source: The Riksbank.

#### *No major changes in foreign currency reserve assets*

The Executive Board decides on a financial risk and investment policy that establishes the principles for investments in the gold and foreign currency reserves (Chapter 9, Section 2 of the Sveriges Riksbank Act). The policy sets out the restrictions on management. These are established on the basis of the contingency requirement that indicates which currencies the Riksbank may need for contingency reasons. The Riksbank also takes return and risk into account when deciding the composition of the foreign currency reserves. Furthermore, the Riksbank takes sustainability into account in its choice of assets by, as far as possible, limiting the total carbon footprint without significantly reducing the return or increasing the risk. In addition, the Riksbank assesses new assets based on factors such as climate, social responsibility and governance before they can be included in the foreign currency reserves.

In mid-2023, the Riksbank chose to slightly increase the interest-rate sensitivity of the foreign currency reserves as this was deemed to have a positive impact on the return in the long term. The change should be seen in the light of the large interest rate increase in 2022 and that the Riksbank then chose to have a slightly lower interest rate sensitivity than normal in the foreign currency reserves. At the end of 2023 the interest rate sensitivity of the foreign currency reserves was 4.2, measured as modified duration.

### *The Riksbank hedged part of the foreign currency reserves*

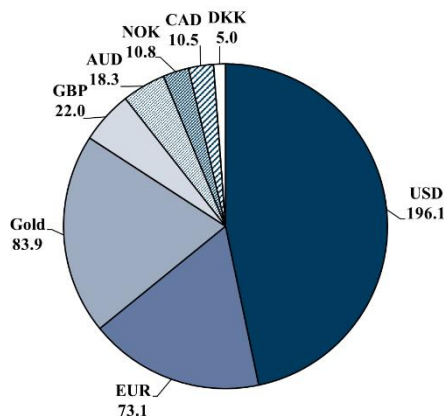
The value of the foreign currency reserves in Swedish kronor is affected by changes in market prices such as exchange rates and interest rates. When the krona weakens, the value of the reserves increases and when it strengthens, the value decreases. This exposes the Riksbank to currency risk. Currency risk constitutes a large share of the Riksbank's total financial risks.

To manage its financial risks, the Riksbank needs to have sufficient capital as a buffer against future losses. However, the Riksbank's capital decreased significantly after the Riksbank reported a large loss in 2022. To maintain sound risk management, the Riksbank judged it appropriate in 2023 to reduce the currency risk by hedging part of the foreign currency reserves. This was considered especially appropriate in light of the Riksbank's assessment that the krona would appreciate in the period ahead. In September, the Executive Board therefore decided that the Riksbank would sell USD 8 billion and EUR 2 billion in exchange for Swedish kronor. The currency hedge began on 25 September 2023 with the aim of being fully complete within four to six months. The measure is aimed at limiting the Riksbank's losses if the krona appreciates and does not have a monetary policy purpose. The Riksbank will continue the hedging until the Riksbank decides otherwise.

In total during the year, the Riksbank sold USD 6.7 billion and EUR 1.2 billion. The Riksbank's currency hedging contributes to the difference between the currency exposure of the gold and foreign currency reserves and the asset allocation. Chart 14 shows the currency exposure at the end of year.

**Chart 14 Currency exposure of the gold and foreign currency reserves at the end of 2023**

*SEK billion*



Note: The chart shows the currency exposure of the gold and foreign currency reserves including accrued interest. The calculation of the currency exposure is based on both assets and liabilities (including derivative instruments) and is reported for the Riksbank's net receivables.

Source: The Riksbank.

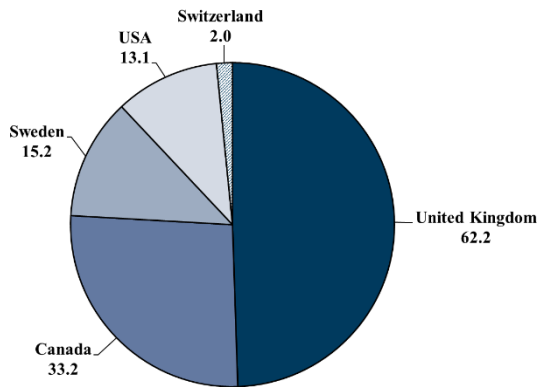
### *The gold reserve was held unchanged*

The Riksbank has a gold reserve of 125.7 tonnes of gold. The gold is a financial asset that, like the foreign currency reserves, aims to ensure that the Riksbank can carry out its tasks. The Riksbank's gold reserve is stored by the central banks of the United Kingdom (Bank of England), Canada (Bank of Canada), the United States (Federal Reserve Bank of New York) and Switzerland (Swiss National Bank), as well as at the Riksbank's own depot in Sweden (see Chart 15). Almost half of the gold reserve is stored in the UK, where the most liquid and central marketplace for trading physical gold is based. Holding it at the Bank of England allows a large part of the Riksbank's gold to be converted at very short notice, should the need arise.

As in previous years, the Riksbank also stored gold on behalf of one other central bank in 2023.

**Chart 15 Storage of the gold reserves at the end of 2023**

*Tonnes*



Source: The Riksbank.

### *Positive return on the gold and foreign currency reserves*

Over the year, the return on the gold and foreign currency reserves amounted to SEK 22.9 billion or 4.1 per cent. The largest contribution to the return was interest return, which totalled SEK 20.0 billion. The positive interest return is mainly explained by the interest income from the holding of foreign bonds, but also by the increase in the value of the bonds as foreign market rates fell during the year. Another positive contribution to the return came from the gold reserve. The gold price in US dollars increased by 13.7 per cent, but as the krona strengthened against the dollar, the value of the gold reserve expressed in kronor increased by only 9.7 per cent or SEK 7.4 billion. The stronger krona also contributed to a negative currency return on the foreign currency reserves, which amounted to SEK -4.6 billion. The currency return declined as the krona

strengthened during the year. However, the decrease was limited by the fact that the Riksbank began hedging part of the foreign currency reserves at the end of September. Through the currency hedging transactions, foreign exchange gains were realised that contributed SEK 10.3 billion to the return. The total return on the foreign currency reserves amounted to SEK 15.4 billion, or 3.2 per cent.

## The Riksbank's financial commitment to the International Monetary Fund

The Riksbank has various tasks and powers in relation to the International Monetary Fund (IMF) under Chapter 6, Sections 2-4 of the Sveriges Riksbank Act.

The Riksbank contributes towards the funding of the IMF via capital contributions and arrangements to borrow and, for many years, has been prepared to use the gold and foreign currency reserves to fulfil its commitments in relation to the Fund (see Table 6). Since January 2023, new lending to the IMF has been financed by borrowing from the Swedish National Debt Office. The value of this borrowing amounted to SEK 2.6 billion at the end of the year.

**Table 6 The Riksbank's remaining financial commitment to the IMF**

*SDR and SEK, million*

	31 Dec 2023		31 Dec 2022	
	SDR	SEK	SDR	SEK
Special Drawing Rights (SDR)	12,654	170,689	12,785	177,978
Capital contribution (quota)	3,175	42,824	3,145	43,785
New Arrangements to Borrow	4,507	60,794	4,490	62,502
Credit agreement	3,188	43,004	3,188	44,381
Poverty Reduction and Growth Trust	696	9,385	708	9,851
<b>Total remaining commitment</b>	<b>24,220</b>	<b>326,696</b>	<b>24,316</b>	<b>338,497</b>

Note: The commitment for Special Drawing Rights (SDR) is calculated as an allocated amount plus twice the allocated amount less the Riksbank's holdings of SDR. According to the IMF Articles of Agreement, the Riksbank may be required to purchase SDR for foreign currency at an amount that means that the Riksbank's total holding of SDR amounts to a maximum of 300 per cent of the ordinary allocation. See also Notes 2, 21 and 39 in Balance Sheet and profit and loss account for a more detailed account of the commitment to the IMF.

Source: The Riksbank.

Over the year, the Riksbank's receivables from the IMF increased by SEK 25 million to SEK 116.1 billion (see Table 3). This increase is mainly explained by increased lending to the IMF. The Riksbank's liabilities to the IMF decreased by SEK 2.6 billion and amounted to SEK 88.2 billion at the end of the year. The reason for this decrease was that the krona strengthened against the basket of currencies on which the valuation of Special Drawing Rights (SDR) is based. The interest return on net receivables amounted to SEK 998 million over the year. The Riksbank's commitments to the Fund are described in more detail in the section International operations and Balance sheet and profit and loss account.

## Reported result and equity

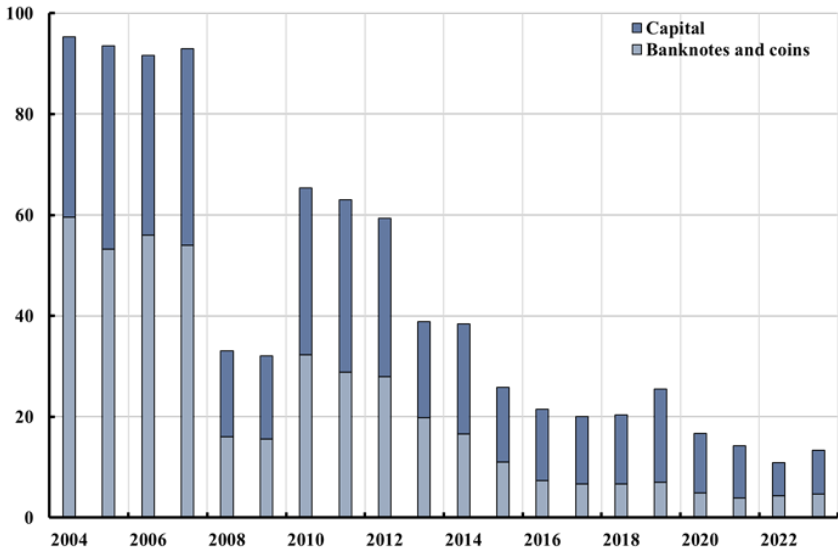
The Riksbank's interest-bearing assets need to yield, and have so far yielded, sufficient returns to cover the bank's costs and thereby contribute to the Riksbank being a financially independent authority. An important reason for the financial independence is that a sufficiently large part of the debt that finances the Riksbank's assets has been interest-free. The interest-free debt consists of the Riksbank's capital and the volume of banknotes and coins.

The Riksbank's annual report for 2022 described the loss that has led to the Riksbank now having negative equity and thus a historically very small proportion of interest-free debt (see Chart 16). On the part of the debt that is not interest-free, the Riksbank pays interest that is very closely linked to the policy rate. This rose sharply in 2022 and has continued to rise in 2023. Overall, this means that it will be more difficult to cover the bank's expenses with the return on interest-bearing assets.

For 2023, the Riksbank makes a profit of SEK 16.2 billion (see Chart 17). The profit depends on several factors. One factor is that the market value of the holdings of interest-bearing securities rose when market rates in Sweden and abroad fell during the end of the year. As a result, write-downs on Swedish and foreign securities holdings were lower than expected. Another is that SEK 10.3 billion of previously unrealised gains in foreign currency have been realised when the Riksbank hedged part of the foreign currency reserves. These gains have exceeded the write-downs of SEK 1.4 billion made on the Riksbank's interest-bearing assets in both Swedish kronor and foreign currency.

**Chart 16 Interest-free debt as a share of the balance sheet total**

Per cent



Note: Interest-free debt includes the value of banknotes and coins and capital, which in turn consists of equity, unrealised gains on revaluation accounts and financial risk provisions.

Source: The Riksbank.

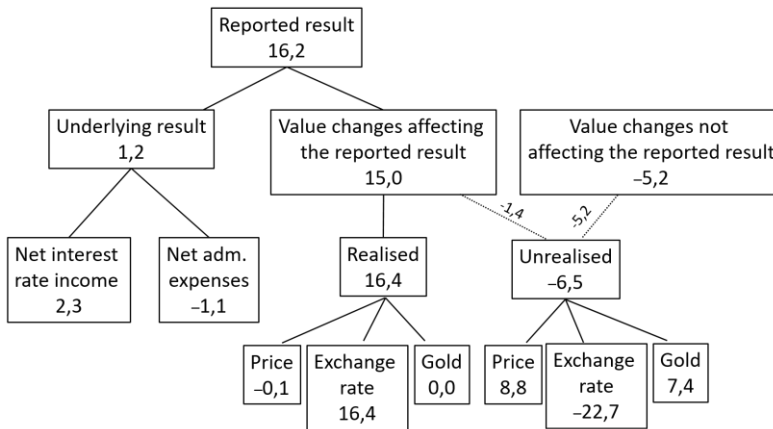


### *Reported profit due to realised foreign exchange gains and higher market values*

The Riksbank's result can be divided into two parts: the underlying result and changes in the value of the Riksbank's holdings of foreign and Swedish interest-bearing securities.

**Figure 2 Composition of the Riksbank's reported result**

SEK billion



### **Underlying result**

The underlying result includes interest income on assets, interest expenses on liabilities (the difference between these is usually called net interest income), other income such as fees, and the cost of running the Bank's operations. Net interest income benefits from the fact that part of the Riksbank's liability side is interest-free. Banknotes and coins in circulation are part of the Riksbank's interest-free debt and contribute to the part of the net interest income usually referred to as seigniorage (see the section 'What is seigniorage and what is its significance?'). The Riksbank's capital also constitutes an interest-free liability that benefits net interest income.

The Riksbank's net administration income shows the costs of the Riksbank's operations adjusted for the income the Riksbank receives via, for example, fees for the RIX system.

As the underlying result is not directly affected by changes in value, it is relatively stable and thus a relatively good indicator of the Riksbank's long-term financial earnings. The underlying part of the result has averaged SEK 2.6 billion over the past ten years, and it was SEK 1.2 billion in 2023 (see Chart 18). An important reason why the underlying result for 2023 is lower than the historical average is that interest expenses rose for the banks' deposits with the Riksbank.

### Changes in value

The Riksbank follows the accounting guidelines of the ESCB. These allow scope to choose whether monetary policy-motivated securities holdings are to be recorded at market value or amortised cost (see the chapter ‘Accounting policies’). However, the Riksbank records all its assets at market value. The value of the assets is affected by changes in market prices, such as exchange rates and interest rates. When bond yields rise, the market price of bonds falls and vice versa. When the krona weakens, the value of foreign assets in krona terms rises and vice versa.

Changes in the value of the Riksbank’s assets may be realised or unrealised. Realised changes in value occur when assets are sold and result in a cash flow. Unrealised changes in value show what the realised profit or loss on an asset would be if it were realised, i.e. sold at the current market price. As long as the Riksbank does not sell the asset, the change in value is not associated with any cash flow, but it can still affect the reported result.

Only changes in value in the form of realised gains and losses and unrealised losses leading to write-downs are included in the reported result. Changes in value that lead to unrealised gains during the year are instead booked against revaluation accounts (see also the section ‘The Riksbank’s capital is more than just equity’).

The total value changes affecting the result were SEK 15.0 billion in 2023, of which 16.4 are realised gains and 1.4 are unrealised losses (see Figure 2).

#### *Realised changes in value*

Price losses of SEK –0.1 billion, foreign exchange gains of SEK 16.4 billion and gold of SEK 0.0 billion contributed to the realised changes in value of SEK 16.4 billion. The price losses consist of interest-related losses on bonds in Swedish kronor of SEK –0.5 billion and interest-related gains on bonds in foreign currency of SEK 0.4 billion. The realised changes in value for bonds in Swedish kronor are due to the Riksbank selling off part of the Swedish government bond holding in 2023. The realised foreign exchange gains are mainly due to the currency hedging.

#### *Unrealised changes in value*

The unrealised changes in value were SEK –6.5 billion. These changes in value consist of price gains on the Riksbank’s assets in Swedish kronor and foreign currency corresponding to SEK 8.8 billion. In addition, a change in exchange rates contributed SEK –22.7 billion and the change in the value of the gold holding SEK 7.4 billion (see Figure 2).

Of the unrealised changes in value, SEK –1.4 billion contributed to the reported result. This SEK 1.4 billion corresponds to write-downs (see Figure 2 and the section ‘How revaluation accounts work’ in this chapter). The write-downs for 2023 are relatively small. Interest-related write-downs (known as price effects) for holdings of Swedish securities contributed SEK –0.5 billion,

while foreign securities contributed SEK –1 billion (see also ‘Balance sheet and profit and loss account’).

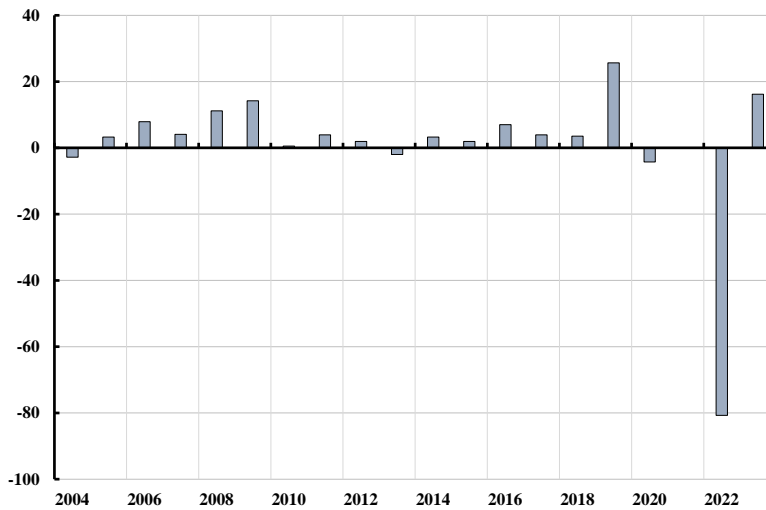
The unrealised changes in value that do not affect the result correspond to SEK –5.2 billion. These changes in value do not affect the reported result but are instead recorded in revaluation accounts, the balances of which are reduced by the corresponding amounts (see Figure 2).

### Reported result

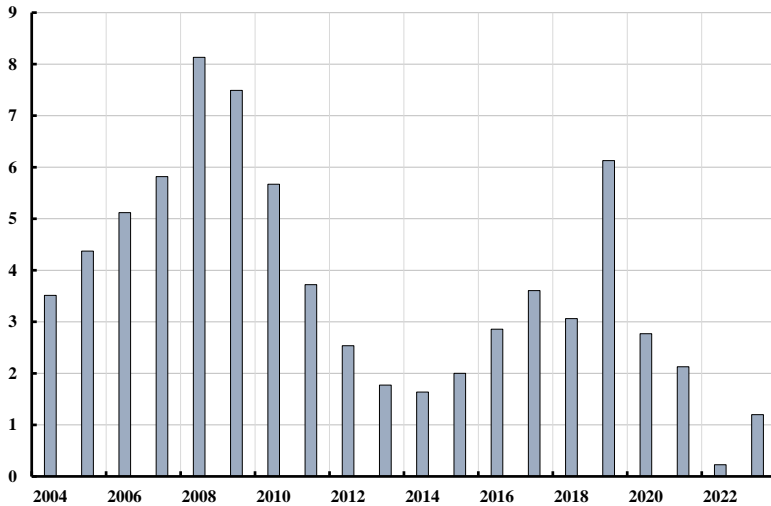
The total reported result (SEK 16.2 billion) is the sum of the underlying result (SEK 1.2 billion) and changes in value transferred to the result (SEK 15.0 billion).

### Chart 17 Reported result

*SEK billion*



Source: The Riksbank.

**Chart 18 Underlying result***SEK billion*

Note: The underlying result includes net interest income, other income such as fees, and costs of running the bank's operations.

Source: The Riksbank.

*The Riksbank's capital is more than just equity*

Capital is a liability item on the Riksbank's balance sheet. It is the difference between the value of the Riksbank's total assets and the sum of all claims on the Riksbank. The Riksbank's capital consists of equity, unrealised gains on revaluation accounts and funds previously set aside for financial risks, known as financial risk provisions.

**No financial risk provisions for 2023**

Previously assigned funds for financial risks were reversed in 2022, thereby helping to mitigate the loss incurred by the Riksbank in 2022. Thus, there are no assigned funds to reverse for 2023. The Riksbank decided not to make any financial risk provisions for 2023 as the Riksbank saw a need to use the profit to increase its equity, which also acts as a buffer, instead of making a risk provision. As there is no provision for financial risks, the capital currently consists only of equity and unrealised gains on revaluation accounts.

**How revaluation accounts work**

The Riksbank values all its assets at market value in accordance with ESCB guidelines. This means that when interest rates and exchange rates change, the value of the bonds in Swedish kronor also changes. Some of these changes affect the reported result at year-end, and some are instead captured in what are known as revaluation accounts. These are divided into three categories. One category captures price effects that arise when interest rates on Swedish

or foreign assets change, another category captures the effects of the exchange rate on foreign assets in the foreign currency reserves and yet another captures gold value effects.

Each individual asset is matched by a revaluation account on the liability side of the balance sheet that reflects price effects. The balance of the accounts shows the difference between the market value of the asset and its acquisition cost. If the balance is positive, the Riksbank has made an unrealised gain, and if the balance is negative, the Riksbank has made an unrealised loss on the asset in question. At year-end, unrealised gains remain as positive balances in their respective revaluation accounts. For all assets with a negative balance on their revaluation account, this unrealised loss is transferred to the reported result for the year, and the revaluation account for the asset is reset to zero. The Riksbank then writes down the acquisition value to the current market value. The write-down means that the future reported interest income increases in parity with the write-down if the assets are held to maturity. A write-down can be likened to the Riksbank having sold the asset at the prevailing market price and realised a result, and then buying the asset back at the same price. As each bond corresponds to a separate revaluation account for price effects, there may be unrealised losses and write-downs on some bonds while other bonds are associated with an unrealised gain.

Similarly, for each currency there is a revaluation account that captures the difference in the value of the asset at the current exchange rate and the exchange rate at the time of acquisition. The revaluation account for the gold holdings shows the difference in the market value of gold in Swedish kronor compared with the acquisition value. The purpose of using revaluation accounts is to reduce the variation of the reported result and any profit distribution to the treasury. Revaluation accounts act as a risk buffer that can absorb losses. It can also be seen as a precautionary principle to allow only unrealised losses to affect the reported result and thus equity.

The Riksbank's capital for 2023, after this year's profit of SEK 16.2 billion, amounts to SEK 109.4 billion. Equity contributes SEK –18.1 billion but is expected to rise to SEK –2.0 billion after the allocation of profit. The revaluation accounts amount to SEK 111.4 billion, of which unrealised gold gains correspond to SEK 72.1 billion (see also Note 25).

### *Need to restore equity*

The purpose of equity is that, together with banknotes and coins, it shall constitute an interest-free funding that improves the Riksbank's net interest income. Another purpose of the capital is to provide a buffer against future losses. The Riksbank's self-financing is based on the assets corresponding to its equity, together with banknotes and coins, being able to generate sufficient return to enable the Riksbank to cover its administration costs and to build up capital buffers that make the bank financially independent. As the amount of

cash is small and shrinking, as is also the seigniorage, the need for equity is growing.

In the short term, the Riksbank's ability to fulfil its tasks is not affected by the reduction in capital and negative equity. Even in a situation of negative equity, a central bank can function as usual because it can always pay for itself in its own currency. In the longer term, however, the Riksbank's capital needs to increase to ensure the Riksbank's financial independence. The Riksbank can strengthen its capital either by accumulating profits or by the government restoring equity. To reduce the need for a large amount of equity, it is important to investigate how the Riksbank's funding can be changed in the longer term so that financial independence can still be safeguarded.

The Riksbank's equity is regulated in Chapter 8, Sections 8-10 of the Sveriges Riksbank Act and is covered by rules on how large it may be, how any profits are to be distributed to the state and how it is to be restored if it becomes too low.

Equity may not exceed the target level of SEK 60 billion unless the Riksdag decides otherwise. An amount equal to two thirds of the target level is the base level of equity. If equity is less than one third of the target level, the Riksbank shall petition the Riksdag to restore equity (Chapter 8, Section 15 of the Sveriges Riksbank Act).

After the 2022 loss, the Riksbank's equity, according to the 2023 annual report, is less than one third of the target level. This means that the Riksbank has to submit a petition to restore its equity. This petition will be submitted to the Riksdag after the Riksbank has submitted its annual report and the General Council has decided on the allocation of profit for the financial year 2023.

The allocation of profit to the primary capital and reserve fund and retained profits for the financial year 2023 is made in accordance with the equity levels specified in the Sveriges Riksbank Act as a starting point, but adjusted upwards by the consumer price index (CPI). This means that the target level is adjusted upwards by the annual percentage change in the CPI in 2023, i.e. the change in the CPI from December 2022 to December 2023 and thus also the base and minimum levels, which are defined as two-thirds and one-third of the target level respectively. This annual percentage change in the CPI for December 2023 corresponded to 4.4 per cent and means that the target level for the financial year 2023 corresponds to SEK 62.6 billion and that the base and minimum levels correspond to SEK 41.8 and 20.9 billion respectively. These are the levels on which the Riksbank's profit allocation for 2023 is based.

### *What is seigniorage and what is its significance?*

Banknotes and coins are usually regarded as a debt to the public. The central bank pays no interest on this debt but incurs costs for both the production and management of banknotes and coins. By issuing banknotes and coins, the central bank can finance part of its assets. These assets generate returns in the

form of interest and profits. It is this return, minus the cost of producing and handling banknotes and coins, that constitutes seigniorage. Seigniorage is important for financing the activities of central banks and contributes to their financial independence.

The value of all banknotes and coins in circulation is reported as a liability on the Riksbank's balance sheet. At the end of 2023, this value amounted to SEK 58.5 billion and the costs of cash provision, i.e. the management of banknotes and coins, amounted to SEK 0.3 billion (see also the section 'Profit and loss account and balance sheet by operational area'). The Riksbank has no earmarked assets that correspond exactly to the banknote and coin item, and it is therefore difficult to estimate exactly how large the seigniorage is in practice.

Apart from interest rate effects, the size of the Riksbank's seigniorage has decreased in recent decades as the total value of banknotes and coins in circulation has decreased. As a share of GDP, the volume of cash in 2023 was only around 1 per cent. From 2022 to 2023, the value of banknotes and coins fell by SEK 6.5 billion.

As the amount of cash in Sweden decreases, the Riksbank's ability to finance its operations and remain financially independent via seigniorage also decreases. Currently, the Riksbank, together with Norges Bank, is quite alone to face such a situation. In most advanced economies, the demand for cash is still increasing, giving rise to higher seigniorage that can compensate for losses and help rebuild equity.

## A stable and efficient financial system

According to Chapter 3, Section 1 of the Sveriges Riksbank Act, the Riksbank shall fulfil the following general provision:

- The Riksbank shall, without neglecting the price stability objective, contribute to the stability and efficiency of the financial system, including the ability of the public to make payments.

*By means of analyses, assessments and various measures during the year, the Riksbank endeavoured to strengthen the stability and efficiency of the financial system in both the short and long term.*

*The Riksbank presented its overall assessment in two Financial Stability Reports. The Swedish financial system was considered to have functioned well overall during the year, although the risks have been greater than normal. The increased risk of bankruptcy in the commercial real estate sector was seen as the main threat. In addition, it was judged that the pressure on household finances risked leading to large falls in consumption, which could ultimately have a negative impact on financial stability. The Riksbank emphasised that real estate companies need to continue to reduce their risks and urged the banks to take account of the uncertain economic situation and ensure they have ample margins above the capital requirements.*

*The Riksbank also analysed the risks of serious disruptions to the financial system in Sweden similar to the US and Swiss banking turmoil that arose in the spring. In particular, the Riksbank deepened its analysis of the stability of Swedish banks' deposits. The Riksbank also strengthened its preparedness to take action if necessary.*

*The Riksbank also analysed certain structural changes in the Swedish financial system to assess whether these could lead to increased systemic risks in the long term and worked on developing and using new measures and methods to better analyse and assess different types of risk.*

*Within the framework of its oversight of the financial infrastructure, the Riksbank increased its oversight of Bankgirot and broadened it to include a further three companies that were deemed to be of particular importance to the financial infrastructure. The Riksbank also introduced a lending facility for central counterparties (CCPs).*

*In order to ensure sufficient capacity to manage financial crises, the Riksbank reviewed its plans and procedures for crisis management and updated the calculations of the contingency requirement in foreign currency. The Riksbank also participated in several crisis exercises and in the planning of a future cross-border crisis exercise. Furthermore, the Riksbank expanded the information on its website about the liquidity tools the Riksbank can use to counteract serious shocks to the financial system.*



*The Riksbank also worked actively to promote the use of the fully transaction-based reference rate SWESTR, which the Riksbank has been providing since September 2021.*

*All in all, the Riksbank's assessment is that it contributed to the stability and efficiency of the financial system by analysing, assessing and taking measures in critical areas and by highlighting risks in the financial system and recommending appropriate measures to reduce them.*

## **Analysis and assessment of the stability and efficiency of the financial system**

A key task for the Riksbank in this area of operations is to assess the stability and efficiency of the financial system, identify risks of severe shocks or significant efficiency losses and present its assessments. If the Riksbank concludes that these risks may affect the activities of other authorities, it shall inform these authorities and other interested parties (Chapter 3, Section 9 of the Sveriges Riksbank Act).

The Riksbank's oversight of the financial infrastructure is presented in the next section, although the infrastructure is also part of the financial system. The reason is that the Sveriges Riksbank Act contains a specific, and more detailed, provision on this oversight (Chapter 3, Section 8 of the Sveriges Riksbank Act).

### *Overall, the financial system functioned well*

The Riksbank's overall assessment, presented in two Financial Stability Reports, was that the Swedish financial system generally functioned well over the year, despite the turbulence on the global financial markets during the spring. However, the risks were assessed as higher than normal. This was due to the vulnerabilities that had long characterised the Swedish economy and posed challenges when interest rates rose. This was particularly true for banks' large exposures to the commercial real estate sector, where some companies are highly indebted. Households were also judged to be vulnerable to shocks due to their high indebtedness and short interest-rate fixation periods.

### *Global financial turmoil required deeper analyses*

Economic conditions changed rapidly during the year, with high inflation in particular causing interest rates to rise rapidly. This contributed to the problems faced by some US banks in the spring. The banks affected had large holdings of bonds that quickly fell in value as interest rates rose. This worried depositors, who lost confidence in the banks and hurriedly withdrew their money. This rush of withdrawals was historic, both in terms of its size and speed, and created international banking turmoil. The Riksbank followed the events closely and examined whether this type of risk could also threaten Swedish banks.

In particular, the Riksbank deepened its analysis of the stability of Swedish banks' deposits, in order, among other things, to better assess the risks of bank runs. The analysis, which was presented in an article in the autumn Financial Stability Report, was based on a new dataset with detailed information on the deposits of 24 Swedish banks. The US banks that failed held a large share of deposits that were not covered by the deposit insurance scheme and were therefore more flighty. Moreover, deposits were largely concentrated in individual sectors. The Riksbank's analysis of deposits in the Swedish banks showed that non-guaranteed deposits accounted for a much lower share than in the affected US banks and that they were not as concentrated. The deposit structure thus differed between the Swedish banks and the affected US banks. The Riksbank also noted that there were large differences in the importance and composition of deposits between different types of banks in Sweden and that the banks with a higher proportion of non-guaranteed deposits also had larger liquidity buffers. The analysis also showed that the deposits varied in flightiness, and might be particularly flighty at some smaller banks. In addition, the Riksbank judged that new technologies and social media in general may have made deposits more flighty and that it is therefore important to continue monitoring the risks associated with deposits. The lessons learnt from this banking turmoil, and possible measures to reduce the risks it gave rise to, were also discussed to a considerable extent in the forums for international cooperation in which the Riksbank participates (see also the chapter 'International operations').

Another turbulent episode that the Riksbank analysed in more detail was the liquidity crisis in UK pension funds in autumn 2022, when UK long-term interest rates rose sharply as a result of an unfunded budget proposal by the UK government. The Riksbank examined why the problems arose, how they affected financial stability and what the corresponding risks and vulnerabilities were in Sweden. The analysis, presented in a Staff Memo, indicated that the Swedish market is not as vulnerable as the UK market in a similar scenario, as pension fund management strategies differ between the countries. For example, Swedish pension companies do not borrow to finance their interest-bearing assets to the same extent, which reduces this type of liquidity risk. In addition, they increasingly manage their assets internally, giving them better control over their financing. At the same time, it was emphasised that it is important to remain vigilant about the liquidity risks of pension companies and their interconnectedness with other financial market participants.

#### *Analysis of risks related to more bankruptcies, mainly in the Swedish commercial real estate sector*

The rise in interest rates during the year also put pressure on the real estate sector, both internationally and in Sweden. Swedish real estate companies are sensitive to rising interest rates, as they have large debts. Much of the debt is financed by bank loans and if the property companies cannot repay their loans,

the banks risk making loan losses if the collateral is insufficient. This could jeopardise the stability of the financial system. In order to test the resilience of Swedish banks, should the financial situation of real estate companies deteriorate, the Riksbank conducted simplified stress tests. The Riksbank also analysed how higher interest rates and lower income could affect financial ratios in different scenarios, both for individual real estate companies and for the sector as a whole. The analyses showed that there is a clear dichotomy in the sector. The Riksbank noted that the deteriorating economic situation and developments in the real estate sector meant that the risks in the Swedish financial system were higher than normal. The Riksbank therefore emphasised that real estate companies needed to continue to reduce their financial risks. The banks were also deemed to have an important role to play, both by maintaining the supply of credit to viable companies, and, within the framework of their lending, by requiring real estate companies to take measures to reduce their financial risks. The Riksbank also urged the banks to have ample margins above the capital requirements, even if their capital situation was adequate.

The Riksbank also deepened its knowledge of the corporate sector as a whole by analysing the companies that have gone bankrupt (during and after the pandemic) and the vulnerability of the companies that are still active. The analysis, presented in an article in the autumn Financial Stability Report, showed that companies that have gone bankrupt have been highly indebted in relation to their assets and had weak cash flows for many years. However, the size of the aggregate loans was limited and the bankruptcies had therefore only a small impact on banks' loan losses. However, the analysis showed that there were still around 40,000 active companies with similar characteristics to the bankrupt companies. The Riksbank judged that these companies could force Swedish banks to have larger loan loss provisions if they encountered problems.

### *Analysis of risks related to high household indebtedness*

Households, which are highly indebted by both historical and international standards, came under pressure from rising inflation and interest rates. However, the vast majority of mortgagors were judged to be able to repay their loans, while consumer loan borrowers were generally judged to have a poorer debt-servicing ability. The rise in interest rates also had a clear impact on household consumption. This contributed to a reduction in corporate profitability, albeit from a strong starting point. The Riksbank judged that if consumption declined sharply, it could lead to greater profitability problems among companies and ultimately to increased loan losses for banks.

In the spring Financial Stability Report, the Riksbank presented an analysis of households' financial margins. It compared standard cost-of-living calculations used by several banks in their credit assessments, which do not cover all household expenses, with households' actual cost of living. The Riksbank's assessment was that if households, when they took out their loans, were not

aware that the banks' standard calculations do not cover all expenses, households would have to reduce their consumption more than they had expected when interest rates rose.

Another analysis, also presented in the spring Financial Stability Report, emphasised that households' short interest-rate fixation periods contribute to the rapid pass-through of rising interest rates to household cash flows. The analysis also showed an increase in the share of variable-rate mortgages. The Riksbank also analysed the interest-rate fixation periods of tenant-owner housing associations, as their fee increases may affect households' cash flows. The analysis, which was presented in the autumn Financial Stability Report, showed that tenant-owner housing associations typically have longer interest-rate fixation periods than households, but that interest rates on their loans have nevertheless risen significantly. This could result in some associations having to increase their fees significantly.

However, assessing the vulnerability of households to changes in financial conditions requires not only information on the evolution of household costs and debts, but also more detailed information on the evolution of their assets. The Riksbank therefore worked to improve access to data on household assets and liabilities, for example by submitting a consultation response to the inquiry report 'New statistics on household assets and liabilities' (SOU 2022:51). The Riksbank supported the inquiry's proposal regarding new statistics on households' assets and liabilities and stressed that it was essential that the proposal be acted on as soon as possible. This would make it easier to assess households' resilience and also facilitate the Riksbank's monetary policy assessments.

The Riksbank also responded to a consultation on strengthened consumer protection against risky lending and over-indebtedness (SOU 2023:38), and was in favour of the proposal to introduce a register that makes it possible for creditors to obtain a picture of the borrower's total credit in credit assessments. The Riksbank assessed that the proposal may help to reduce the proportion of highly leveraged households than would otherwise be the case, and therefore the proposal would also have a positive impact on financial stability.

### *Analysis of structural changes in the financial sector*

Developments in the financial sector are often rapid and the Riksbank therefore analyses new development tendencies to examine whether they threaten or may threaten the stability or efficiency of the financial system. In the Swedish banking sector, the number of payments made via the Buy now pay later (BNPL) payment product has grown significantly in recent years, as a result of the increasing number of e-commerce transactions taking place in this way. The Riksbank's analysis, which was presented in a Staff Memo, showed that there may be financial stability risks with BNPL, among other things because the operators offering the product are dependent on deposit-guaranteed deposits to finance their business model. Therefore, as BNPL transactions grow,

the threat to financial stability also increases. It was also noted that authorities need to better understand the risks associated with how BNPL operators finance their activities.

Another business that has grown significantly in recent years is the Swedish fund sector, which has almost quadrupled in size since 2012. The fund sector does not operate in isolation, but is highly interconnected with global financial markets. Using micro-data, the Riksbank analysed, for the first time, in detail the Swedish investment fund sector's cross-border links from investments linked to the fund market. The analysis, which was presented in a Staff Memo, shows that the Swedish fund sector's activities are concentrated in Sweden, but that there are significant and growing links to foreign markets that can affect Swedish financial stability. For example, foreign funds have large investments in Swedish securities. This applies in particular to short-term securities issued by Swedish banks.

### *Development and use of new measures and methods to better assess risks*

Over the year, the Riksbank has developed and used new measures and methods to improve its ability to assess the risks in the financial system. As banks' operations are associated with significant liquidity risks, the Riksbank monitors these risks closely. A key global metric for measuring such risks is the banks' liquidity coverage ratio (LCR), which focuses on the risk of liquidity shortages occurring after 30 days. In practice, however, the risks are ignored *during* these first 30 days. The Riksbank has therefore produced a supplementary metric that describes the risks during the first 30 days. This metric is presented in an Economic Commentary. The supplementary metric showed that the major banks in Sweden have no significantly elevated risks at the aggregate level, but the Riksbank will continue to test the major banks with this metric and also test smaller banks with it.

Cyber risks are currently one of the greatest threats to the international financial system and its participants. The Riksbank therefore continued its work to strengthen the resilience of the financial sector. A key element was the completion of the first round of Threat Intelligence-Based Ethical Red-teaming (TIBER) tests, which have been running for three years. TIBER is a framework for testing the cyber security of participants in the financial system. It is developed by the ECB, and the Riksbank decided in 2019 to start using it. It is voluntary for market participants to take part in the programme, but binding once they have chosen to participate. The tests, which involve simulating a cyber-attack, do not result in companies being approved or not approved, but aim to identify weaknesses in order for companies to be able to improve their resilience to cyber-attacks. The Riksbank also conducted a survey to investigate how well different participants in the financial system are able to recover from a powerful cyber-attack that knocks out all critical technical systems at once and thus threatens financial stability. The survey responses showed that

the providers of critical functions, which enable payments, savings, investments and risk management, can do more to improve their resilience to such cyber-attacks and thus reduce the risks to financial stability, including by conducting more extensive tests and exercises. The Riksbank described its cyber security work in a Staff Memo and in an article in the spring Financial Stability Report.

### *Presentation of the Riksbank's assessments of the financial system*

It is mainly in the Financial Stability Report, published twice a year, that the Riksbank presents its overall assessment of the risks and threats to the financial system and its evaluation of the system's resilience to them. The report also describes measures that can help to make the financial system more robust.

However, the analysis of the financial system is constantly ongoing and the Riksbank's analyses and assessments are also communicated through other channels, such as Economic Commentaries and Staff Memos (see Table 7). In addition, the Riksbank communicates mainly through speeches, consultation responses, and discussions with external parties, such as the Confederation of Swedish Enterprise, the Ministry of Finance and real estate companies, as well as in various international contexts.

### **Table 7 Studies in 2023 related to stability and efficiency of the financial system**

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#### **Articles in the Financial Stability Report**

New Sveriges Riksbank Act provides clearer mandate to promote financial stability, June  
 Cyber risks and financial stability, June  
 Flightiness of deposits varies across Swedish banks, November  
 Company bankruptcies on the rise, November

#### **Economic Commentaries**

T. Lindqvist and E. Olausson (2023), "An adjusted liquidity coverage ratio that takes greater account of maturity matching", No. 1, February

#### **Staff Memos**

M Andersson, "The liquidity crisis in UK pension funds from a Swedish perspective", January.  
 D Petersson and I Wallin Johansson, "Some questions about the design of SWESTR", May.  
 J Häggmark, K Jönsson, U Nilsson and J Stenkula von Rosen, "Cyber risks and financial stability", June.  
 S Myers, "Mapping Swedish cross-border links to the investment fund sector", August.  
 N. Svahn, "Buy now, pay later – a threat to financial stability?", September

#### **Other**

U Stejmar and S Wollert, "The Riksbank's corporate bond purchases and perspectives on the market", contribution to an anthology within a research project on regulatory issues on the corporate bond market, Stockholm Centre for Commercial Law (Stockholm University). The anthology is planned to be published in early 2024.

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## **Oversight of the financial infrastructure**

According to Chapter 3, Section 8 of the Riksbank Act, the Riksbank shall oversee settlement, payment and clearing systems, the accounting of financial instruments, transaction registers and other activities of particular importance to the financial infrastructure in Sweden. The Riksbank shall also monitor developments in the payment market.

### *Deeper oversight of Bankgirot*

Over the year, the Riksbank deepened its oversight of Bankgirot, due to the changes now taking place in the Swedish payment infrastructure to develop a new infrastructure solution for mass payments. The purpose of the oversight was to ensure the clearing of mass payments and the continued stability of the financial infrastructure.

Bankgirot has long been Sweden's only clearing organisation for payments. For several years, banks have been trying to develop a new infrastructure solution for mass payments, but have not yet decided on a new one. This has created considerable uncertainty about what the future payment infrastructure will look like, and this uncertainty has made it difficult for Bankgirot to make long-term and realistic plans (see also the section 'The Riksbank's work in the light of payment market developments' in the chapter 'Safe, efficient and accessible payments').

To highlight the risks identified by the Riksbank at Bankgirot, representatives from the Executive Board of the Riksbank met with representatives from Bankgirot's Board of Directors on several occasions during the year. During these meetings, the Executive Board stressed that Bankgirot's stability is of the utmost importance for the execution of payments in Sweden and that Bankgirot's Board, and the banks that own and are responsible for the company, need to ensure stability in both the short and long term. Furthermore, during the year the Riksbank emphasised the need for Bankgirot to appoint one or two independent board members. The Riksbank's message to Bankgirot was also published in this year's two editions of the Financial Stability Report.

### *Oversight of activities of particular importance to the financial infrastructure*

The Riksbank also broadened its oversight in accordance with the provision in Chapter 3, Section 8 of the Sveriges Riksbank Act. The Executive Board of the Riksbank decided in April to start overseeing Finansiell ID-Teknik BID AB, Getswish AB and the Swedish Bankers' Association's activities with Dataclearingen.

Finansiell ID-Teknik BID AB owns, manages and develops the e-identification Bank-id, which is currently the main alternative for signing and identification when making digital payments in Sweden. Swish payments also depend on the functioning of the service. Getswish AB provides the Swish mobile application for real-time money transfers. Dataclearing is a transfer

system between banks and credit market companies. It includes salary and pension payments.

The decision to oversee these three activities was based on the criteria developed by the Riksbank to help assess which operators are of particular importance to the financial infrastructure. The criteria include how essential the activity is to the financial infrastructure, how it is interconnected with the financial infrastructure, and how concentrated the type of activity in question is (i.e. the number of operators performing it).

### *Lending facility for central counterparties*

The Executive Board of the Riksbank decided in October to provide a lending facility for central counterparties (CCPs), which allows them to access credit overnight (in addition to the daytime as previously offered). In its oversight, the Riksbank noted that liquidity risks may arise for CCPs in stressed scenarios. The Riksbank's assessment is that CCPs are systemically important players in the financial system and that a situation in which they have difficulties managing sudden liquidity needs could have serious consequences for both monetary policy and financial stability. The Riksbank therefore considered that there are monetary policy reasons for offering CCPs that are participants in RIX and clear Swedish kronor access to overnight loans from the Riksbank. The measure was also assessed to contribute to a stable and efficient financial system.

### *Oversight cooperation with the Bank of England*

Over the year, the Riksbank continued its close cooperation with the Bank of England in the oversight of the British central counterparty London Clearing House Limited (LCH). LCH is an important part of the financial infrastructure for the Swedish market, as it clears the majority of interest rate swaps in Swedish kronor and also other important financial instruments. To emphasise the importance of this cooperation, the Riksbank and the Bank of England published a joint statement in September in which the central banks reaffirmed their strong commitment to effective cooperation in the oversight of LCH. This cooperation helps to maintain financial stability while promoting cross-border clearing.

### **Crisis preparedness work**

The Riksbank shall have a good capacity to counteract serious shocks to the financial system in Sweden and shall identify liquidity support measures that can be used to counteract such shocks. The Riksbank may participate in crisis preparedness work in Sweden and abroad (Chapter 3, Section 10 of the Sveriges Riksbank Act).



### *Planning and preparations to be able to manage financial crises*

In order to ensure its preparedness to manage a financial crisis, the Riksbank reviewed its crisis management plans and procedures to make them compatible with the provisions of the new Sveriges Riksbank Act. In conjunction with the spring turmoil in the US and Swiss banking markets, the Riksbank also strengthened its internal preparedness and prepared a number of concrete crisis management measures that could have been implemented in different scenarios arising from the banking turmoil.

In addition, the Riksbank updated the calculations of its contingency requirement for foreign currency. These form the basis for assessing the appropriate size and currency distribution of the foreign currency reserve from a contingency perspective.

During the year, the Riksbank also participated as an observer in the resolution colleges for Handelsbanken, Nordea, SEB and Swedbank, as well as Danske Bank and DNB Nor. Furthermore, in autumn 2023, resolution colleges were established for Cboe Clear Europe and Nasdaq Clearing, of which the Riksbank became a member.

### *Crisis management exercises*

To have high crisis management capacity, it is important to also practice financial crisis management. The Riksbank therefore carried out a number of crisis exercises during the year. They took place both within the framework of various cooperation projects with other authorities, both Swedish and foreign, and internally at the Riksbank. The Riksbank participated in the international exercise Locked Shields with, among others, the Swedish Armed Forces, which dealt with cyber-attacks, and in a Nordic exercise in cooperation with the US Department of the Treasury concerning cyber-attacks in the Baltic Sea region. The Financial Stability Board also conducted a cyber-related exercise.

Furthermore, the Riksbank participated in an exercise within the framework of the Financial Sector Private-Public Cooperation Forum (FSPOS) and carried out a small internal crisis exercise. The Riksbank also participated as a lecturer in the courses (including crisis exercises) offered by the Toronto Centre to train staff from central banks and supervisory authorities around the world in crisis management.

The Riksbank also participated in the preparations for a financial crisis exercise to take place in 2024 in the Nordic Baltic Stability Group (NBSG), in which central banks, supervisory and resolution authorities and ministries of finance in the Nordic-Baltic countries will participate. NBSG also continued to identify what is needed to ensure effective communication in a crisis.

### *More information on the Riksbank's crisis management tools*

At the beginning of the year, the Riksbank updated the information on its website about the liquidity tools the Riksbank can use to counteract serious shocks to the financial system. In particular, it describes the Riksbank's tools within

the framework of general and special liquidity support, the legal conditions for using these tools and the other conditions for using them established by the Riksbank. The purpose of the information is to fulfil the provision in Chapter 11, Section 4, second paragraph of the Sveriges Riksbank Act on the publication of liquidity support measures and the terms and conditions for them in certain cases.

### **Cooperation with other authorities**

The Riksbank shall give Finansinspektionen and the Swedish National Debt Office the opportunity to comment before the Riksbank makes decisions on important issues related to the activities of these authorities (Chapter 3, Section 11 of the Sveriges Riksbank Act).

#### *Financial Stability Council*

The Financial Stability Council, and its preparatory group, is a forum for discussion of financial stability issues between the Riksbank, Finansinspektionen, the Swedish National Debt Office and the Ministry of Finance. During the year, the Riksbank participated in three meetings of the Stability Council, two ordinary and one extraordinary (in March). At the extraordinary meeting, discussion took place on the problems of some US banks and a Swiss bank and the possible impact on Swedish financial stability. During the spring, much focus was placed on the ongoing exchange of information between authorities on the state of the banking sector and financial markets. Together with the other authorities in the Stability Council, the Riksbank has also discussed and analysed the functioning of the Swedish bond market and produced the report ‘The functioning of the bond market’, which was published in June. In October, the Secretariat of the Stability Council organised a cyber-related crisis exercise in which Stability Council members participated. In addition, the Council preparatory group discussed, among other things, possible future risks and started updating the joint inter-agency crisis manual.

#### *Bilateral cooperation with Finansinspektionen and the Swedish National Debt Office*

The Riksbank also cooperated on a bilateral basis with Finansinspektionen on a number of issues. For example, Finansinspektionen was given the opportunity to comment on the Riksbank’s decision to start overseeing three companies of particular importance to the financial infrastructure. The Riksbank and Finansinspektionen also discussed financial stability issues within the framework of their international work, such as preparations for meetings of the Basel Committee and the ESRB. Furthermore, the authorities exchanged information when preparing their respective stability reports. The Riksbank also had contacts with the Swedish National Debt Office on issues relating to the development of the resolution framework, for example when participating

in resolution colleges, and on issues concerning the Riksbank's liquidity-supporting role in the event of financial turmoil or crisis.

### *Enhanced cooperation in macroprudential policy*

In a consultation response to the Ministry of Finance, the Riksbank was in favour of Finansinspektionen cooperating with the Riksbank prior to decisions on countercyclical buffer levels. However, the Riksbank pointed out that information on monetary policy is not included in the exchange of information.

### **SWESTR - a fully transaction-based reference rate**

The Riksbank may provide and publish reference values for financial instruments and financial contracts in accordance with Chapter 1, Section 12 of the Sveriges Riksbank Act.

A reference rate serves as a benchmark in the pricing of financial contracts. Given its important role in financial markets, it is important that it is fair and trustworthy. In this way, it contributes to stability and efficiency in the financial system.

As administrator of the fully transaction-based reference interest rate SWESTR, the Riksbank provided during the year average interest rates and an index based on the fixed SWESTR values. Like most other central banks that provide such reference rates, the Riksbank has undertaken to follow, in applicable and relevant parts, the principles for financial benchmarks developed by the International Organisation of Securities Commissions (IOSCO). These represent the best international standard for how work on reference values should be carried out. In September 2023, the Riksbank certified its compliance with these principles. SWESTR, average interest rates and indices were determined and published in good order every business day during the year. The normal calculation method for SWESTR was used for all days except one, when an alternative calculation method was used due to a technical error. During the year, SWESTR values were based on an average of SEK 58 billion spread over 102 transactions. Typically, six banks per day contributed transactions.

Sweden is behind the rest of the world in the transition to a transaction-based reference rate and the Riksbank therefore worked actively to promote the use of SWESTR. Following a consultative procedure among users, the Riksbank brought forward the timing of the daily publication of SWESTR and increased the transparency of the transaction dataset. The Riksbank also conducted a survey to better understand how the so-called year-end effect affects the willingness to use SWESTR and what possible changes in the design might be appropriate. Furthermore, the Riksbank responded to a consultation from the Swedish Bankers' Association on a planned transition from STIBOR Tomorrow/Next to SWESTR, and emphasised the importance of the transition taking place quickly in order to harmonise with the rest of the world. In addition, the Riksbank highlighted, in a Staff Memo, how the Riksbank's design of

SWESTR affects the properties of the reference rate. Finally, as is customary, the Riksbank held meetings with external parties within the Advisory Group and within a forum for the promotion of SWESTR.

## Safe, efficient and accessible payments

According to Chapter 3, Section 1 and Chapter 4, Section 1 of the Sveriges Riksbank Act, the Riksbank shall fulfil the following general provisions:

- The Riksbank shall, without neglecting the price stability objective, contribute to the stability and efficiency of the financial system, including the ability of the public to make payments
- Sweden's currency is called the krona. A krona consists of 100 öre.
  - The Riksbank shall contribute to the availability of banknotes and coins in kronor (cash) to a satisfactory extent throughout Sweden.

*The Riksbank assesses that payments in Sweden are safe and efficient but that accessibility can be improved.*

*In 2023, the Riksbank's system for large-value payments (RIX-RTGS) handled an average of 33,359 transactions per day and the average daily turnover was SEK 585 billion. Technical availability was high.*

*The development and digitalisation of the payment market, which is monitored and analysed by the Riksbank, is expected to help reduce society's costs for payments. Digitalisation also puts pressure on the payment infrastructure to transform and modernise. This applies to both the state infrastructure in the form of the Riksbank's RIX system and the private infrastructure.*

*The Riksbank has analysed the accessibility of payments in Sweden and concluded that it has deteriorated. This is due to reduced opportunities to use cash to pay for goods and services, but also to digital exclusion that still ostracises a large group of people from electronic payment methods. The difficulty for some, both individuals and companies, to access a payment account contributes to reduced accessibility.*

*The demand for cash decreased in 2023, and the value of cash in circulation at the end of the year amounted to SEK 58 billion.*

*In its analysis of cash provision in Sweden, the Riksbank has found that the situation is vulnerable because the cash management chain is largely dependent on a few market participants. Conditions in the cash market could change rapidly if the use of cash were to fall below a critical level where market participants would no longer be able to operate profitably.*

*This chapter consists of four sections. The first three sections describe the work the Riksbank has done over the year to fulfil its tasks. The fourth section contains an account of cash management in Sweden.*

### **The RIX payment system**

According to Chapter 3, Section 2 of the Sveriges Riksbank Act, the Riksbank shall provide systems for the settlement of payments. The Riksbank provides the payment system RIX, which has two settlement services, RIX-RTGS and

RIX-INST. RIX-RTGS handles large-value payments in Swedish kronor between banks and other actors. Payments are made in the form of transfers between accounts held by the different participants in the RIX system. RIX-INST enables affiliated banks to settle payments in central bank money instantly. RIX-INST uses the Eurosystem's settlement platform for instant payments – Target Instant Payment Settlement (TIPS).

### *Target fulfilment and overall status*

RIX-RTGS is evaluated on the basis of two operational targets: technical availability and cost coverage. The target for technical availability is defined as the time that the system functions and payments are settled. The target value is 99.85 per cent. The Riksbank's assessment is that RIX-RTGS functioned well in 2023 despite a disruption that meant that the system could not settle payments for a total of 300 minutes. The outcome for technical availability for 2023 was therefore 99.82 per cent.

All costs relating to the provision of services in RIX are to be covered by fees paid by the participants. The requirement for full cost coverage is that revenues are to correspond to 100 per cent of costs  $\pm 10$  percentage points. For RIX-RTGS, cost coverage is measured over a three-year period and for RIX-INST over a seven-year period. In 2023, costs amounted to SEK 176 million, 86 per cent of which was covered by fees. Over a three-year period (2021–2023), cost coverage was 99 per cent. The Riksbank's own fees for both RIX-RTGS and RIX-INST were left unchanged in 2023.

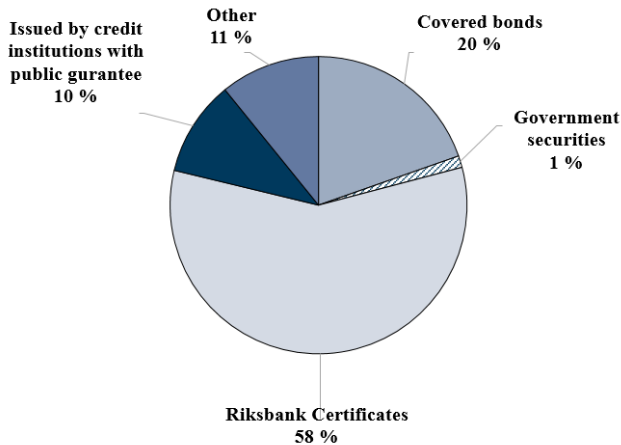
At the end of 2023, RIX-RTGS had a total of 45 affiliated participants, of which 3 were added during the year. On average, the system handled 33,359 transactions per day. This is an increase of 10.1 per cent compared with the previous year. Daily turnover averaged about SEK 585 billion, which was an increase of 5.9 per cent compared with the previous year. The average transaction amounted to about SEK 17.5 million, while the corresponding figure for 2022 was SEK 18 million. At the end of the year, RIX-INST had 11 affiliated participants but still no flows. The transfer of the Swish-payments to the RIX-INST platform is expected to take place in early 2024.

### *Management of collateral and credit limits*

To avoid transfers in RIX failing because participants lack liquidity, the Riksbank can provide credit to participants against collateral during the day. This allows transfers to be carried out more quickly and makes the payment system more efficient. The Riksbank accepts as collateral mainly bonds or other debt instruments with a high credit rating. Combined, the RIX participants had credit facilities of SEK 297 billion per day on average in 2023. On average, 41.5 per cent of this facility was utilised. At the end of 2023, Riksbank certificates made up 58 per cent of the value of all collateral pledged to the Riksbank (see Chart 19).

### Chart 19 Collateral value pledged for credit per 29 December 2023

By type of security



Source: The Riksbank.

#### *Crisis management in RIX*

Functioning contingency routines are crucial for the ability to maintain the functionality of the RIX system even in the event of disruptions and operational interruptions. To ensure that existing contingency routines are kept up to date, the Riksbank and the participants practise continuously. In 2023, around thirty exercises of varying scope were carried out, some of which included the RIX participants and some of which were internal only. The most comprehensive exercise simulates an interruption in the settlement of the RIX system and the transition to manual procedures. This exercise was conducted twice during the year, in accordance with the RIX exercise plan. Both exercises were carried out successfully, and lessons learnt from the exercises have been incorporated into contingency routines and operational plans.

#### *Work in progress, projects and investigations*

Over the year, the Riksbank participated, together with market participants, in the preparatory work to transfer the flow of Swish payments from Bankgirot's platform Payments in Real Time (BiR) to the Riksbank's service for settlement of instant payments, RIX-INST. The work was intensified in the spring with both external and internal tests. A first rehearsal was carried out with good results at the end of the year and the Riksbank currently sees no obstacles to the migration being carried out as planned during the first quarter of 2024.

Over the year, the Riksbank began an in-depth analysis of the Eurosystem's settlement system for large payments (T2) and the system for managing collateral and securities settlement (T2S). The analysis follows the strategic decision taken by the Executive Board of the Riksbank in September 2021 to

work towards joining the settlement services provided by the Eurosystem. The analysis included internal analysis work in several different work streams during the year. Within the framework of the analysis, the Riksbank also conducted a dialogue with RIX participants, central securities depositories and participants on the Swedish securities market.

During the year, the Riksbank also worked on preparations to change the message format in RIX-RTGS and related support systems to ISO 20022. In 2025, the new messaging standard ISO 20022, which allows a greater amount of information to be included in payment messages, will replace SWIFT's current standard. The transition is global and involves all payment market participants using SWIFT. In the preparatory work, the Riksbank ensures that technology, processes and operations are adapted to the change.

Over the year, the Riksbank continued its work on investigating the conditions for making it possible to make instant payments between different currencies on the TIPS platform.

### **The Riksbank's work in the light of payment market developments**

To help ensure that the general public can make payments, the Riksbank monitored and analysed developments on the payment market over the year and participated in various forums and cooperation groups.

#### *The Riksbank continued to analyse the digitalisation of the payment market.*

The digitalisation of the payment market continued in 2023 with rapidly increasing volumes of Swish payments and card payments via mobile phones. The use of cash for in-store purchases seems to have stabilised at a low level after a long period of decline. According to the Riksbank's own survey in the Payments Report, 8 per cent of the adult population paid cash for their last purchase in a shop in 2022. This can be compared with 40 per cent in 2012.

The Riksbank considers that the single most important measure to improve inclusion on the payment market is to ensure that consumers and companies have access to payment accounts with related payment services. In its consultation response to the Payments Inquiry, the Riksbank supported proposed measures, including that the banks shall offer accounts with limited functionality, or strengthen the monitoring of accounts, in the event of an increased risk of money laundering. In addition, the Riksbank considers that credit institutions providing payment accounts should offer payment services that are adapted to consumers who have difficulties using digital services. This could include, for example, over-the-counter and postal giro payments. Such services should be available at reasonable prices. The state also needs to take more responsibility and possibly offer payment services, for example through government service centres, to those who are unwilling or unable to pay digitally.



### *The first cost study in more than ten years*

The Payments Council decided in March 2021 that a new cost study for payments should be carried out. The decision was taken because the last cost study was published in 2012 and was based on data from 2009. These twelve years have seen major changes in the payment market. For example, the use of cash has dropped sharply, Swish payments have been launched and rapidly expanded, and card payments for smaller amounts are faster and easier to make using contactless payment methods (known as NFC technology).

The cost study, published in 2023, analyses the economic costs of different types of payments. The study shows that in 2021 the cost of payments in Sweden was estimated at 0.93 per cent of GDP, which is comparable to the costs in our neighbouring countries. Costs also appear to have fallen since 2009. However, the differences in the costs of different payment methods vary greatly, indicating that there is further potential to make the payment market more efficient. Payments by debit card and Swish incur the lowest economic costs. They cost SEK 4.4 per transaction while a cash payment costs on average SEK 13.4.

Businesses, including the public sector, account for the largest share of the total economic costs of payments, 55 per cent, while payment service providers (such as banks) account for 25 per cent and households for the remaining 20 per cent.

### *Work on modernisation of the Swedish payment infrastructure*

During the year, P27, the planned new Nordic payment infrastructure for payment systems and payment clearing, withdrew its application to Finansinspektionen for a clearing licence (see also the section ‘Oversight of the financial infrastructure’ in the chapter ‘A stable and efficient financial system’). Intensive work by private operators is still needed to guarantee a modernised payment infrastructure in Sweden. This applies both to Bankgirot and its owners and to other payment service providers. They need to adapt to new regulations and standards in order to modernise the payment infrastructure. Related to this, in 2023 the Riksbank developed a vision for the future Swedish mass payments infrastructure. During the year, the Riksbank also worked on preparing a round-table discussion on the future payment infrastructure with all relevant stakeholders. The round-table discussion is scheduled to take place in 2024.

### *Infrastructure issues have also been addressed in the Infrastructure Council*

During the year, the Riksbank participated in two meetings of the Infrastructure Council. These meetings included discussions on payment market developments related to payments and securities. In the framework of the Council’s work, an analysis of major common strategic initiatives related to payments and securities was also carried out. The objectives and direction of

the Council's work were also discussed and adopted. National forums with a preparedness perspective in the area of payments and securities were identified.

The Infrastructure Council for Payments and Securities was formed in 2022 on the initiative of the Riksbank and consists of a number of authorities, industry organisations and private companies with activities related to payments and securities. Deputy Governor Martin Flodén chairs the Council and the Riksbank is responsible for the Council's secretariat.

### *Work on an e-krona entered a new phase*

The Riksbank's work on a possible e-krona entered a new phase during the year. The technical pilot project is concluded and the focus of the work shifted to analysing legal and policy-related issues linked to an e-krona. During the year, the Riksbank continued its international cooperation in areas related to an e-krona.

Since 2020, the Riksbank has been conducting a pilot project to learn more about what a technical solution for an e-krona might look like. In the spring, the e-krona report – phase 3 was published. It was a joint project called Icebreaker, which was carried out together with the central banks of Norway and Israel and the Bank for International Settlements (BIS). During the spring, the e-krona pilot focused on testing offline security and the lessons learnt will be published in a report in 2024. This is the final stage of the e-krona pilot. As part of the work on the e-krona, user studies have also been carried out to understand the needs of merchants and the general public with regard to payments on the Swedish market. The results of the studies have been published in two reports on the Riksbank's website, and the results have also been presented in several external forums.

With regard to cooperation on an e-krona, in 2023 the Riksbank continued to gather knowledge and information from market participants in the dialogue forum established in 2022. In 2023, the forum held five meetings. The dialogue forum had its last meeting in November 2023. The continued cooperation with the market on an e-krona will in future partly take place in the Payments Council's new working committee for digitalisation and new services.

In 2022, the Riksbank published a request for information (RFI) aimed at learning more about what different technical solutions for an e-krona might look like. The Riksbank selected a few technical solutions that it wanted to learn more about. There were supplier meetings and demonstrations were also given. The RFI work was finalised in spring 2023 with further supplier meetings.

The Payments Inquiry (SOU 2023:16) emphasises that the work on investigating the conditions for an e-krona is important but that there is currently no need for an e-krona. However, rapid changes in the payments market may affect the need. In its consultation response, the Riksbank pointed out that work on analysing developing legislation for a possible e-krona needs to begin

now if it is to be possible to launch of an e-krona without too long a throughput time. Market developments, as well as the preparatory work of the European Central Bank (ECB) on a digital euro, and the European Commission's legislative proposal on a digital euro, are accelerating the need to prepare legislation for an e-krona.

The Riksbank is monitoring international work on CBDCs and analysing what the Commission's legislative proposal regarding a digital euro may mean for Sweden as an EU Member State with its own national currency.

### *Developing the Payments Council*

The Riksbank leads the Payments Council, which is a forum for dialogue with payments market participants. The Council consists of representatives of public authorities, financial market infrastructures, payment service providers, the business sector and consumers. The Riksbank assists the Council with a secretariat. A member of the Executive Board, currently Aino Bunge, is the chairperson. During the year, the Payments Council held two plenary meetings and four meetings of the working committees on the accessibility of payment services and on regulation and supervision. During the year, Getswish AB was elected as a new member of the Council.

In the autumn, the Payments Council carried out an evaluation of its activities and decided which working committees would assist the Council in its work. The Council decided to create a new committee on digitalisation and new services. Finally, the Council decided on new work programmes for the three working committees for the period 2024–2026.

### *Work on the Payments Report*

The Payments Report is the Riksbank's central policy report in the area of payments. The report is published once a year and describes and analyses developments in the payments market. The report is an important part of the work to fulfil the requirement to monitor developments in the payments market. The report, including policy positions, is adopted by the Executive Board. During the year, the Riksbank worked on producing a payments report but decided, for administrative reasons, to postpone the publication of the 2023 Payments Report until March 2024. The collection of data on Swedish payment habits in a survey was carried out as usual in autumn 2023.

In 2023, the Riksbank published several analyses and studies in the area of payments (see Table 8).

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**Table 8 Publications in the field of payments in 2023**


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**Economic Commentaries**

N Engström, F Linton and R Olofsson, “Payments cost - but the costs vary”, No 2.

**Studies and publications related to e-krona**

E-krona pilot, phase 3, 4 April

User study - General public, 23 October

User study - Traders, 23 October

**Other**

Consultation response regarding The state and payments (SOU 2023:16), 27 October

Breaking new paths in cross-border retail CBDC payments, together with the Bank of Israel, Norges Bank and the BIS Innovation Hub, 6 March.

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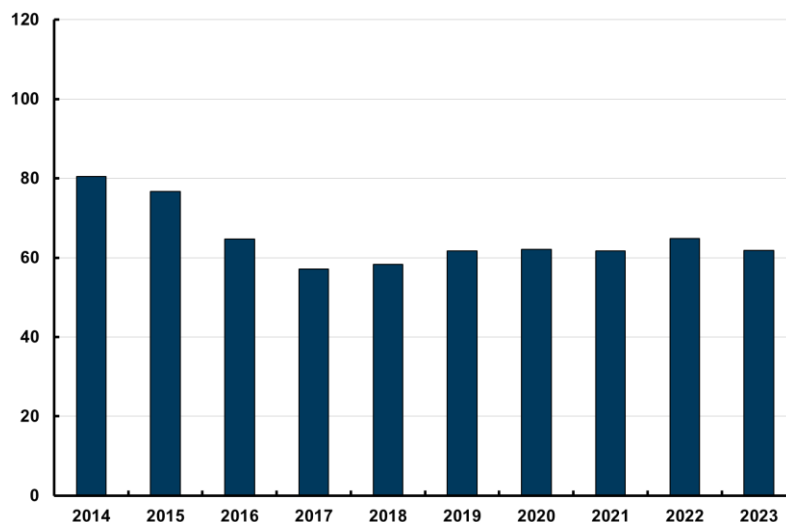
**The Riksbank’s tasks related to cash provision in Sweden**

According to Chapter 4, Section 2 of the Sveriges Riksbank Act, the Riksbank shall issue and redeem cash and, according to Chapter 4, Section 6, provide depots. This sub-section describes the supply and demand for cash and the Riksbank’s work with depots.

*Access to cash*

In 2023, the Riksbank provided banknotes and coins to the banks and monitored the value of cash in circulation. The Riksbank is obliged to provide at least five locations for the storage and issue and return of banknotes in Sweden (depots). Three of these depots have been in operation since 1 January 2023, and two more are being planned for operation by 1 January 2026.

In connection with the outbreak of war in Ukraine, the Riksbank saw an increased demand for cash, and thus the total amount of cash increased in 2022. However, in 2023 the amount of cash in circulation decreased again. The amount is governed by the demand for banknotes and coins, which varies over the course of a year. One way to describe the amount of cash during the year is to calculate an average of the value of banknotes and coins in circulation on the last day of each month. This value averaged SEK 62 billion in 2023, of which the value of banknotes amounted to SEK 59 billion and the value of coins to SEK 3 billion (see Chart 20 and Table 9).

**Chart 20 Average value of banknotes and coins in circulation***SEK billion*

Note: The figures in the chart do not include the value of commemorative coins.

Source: The Riksbank.

The volume of cash amounted to SEK 58 billion at the end of 2023, of which the value of banknotes amounted to SEK 55 billion and the value of coins to SEK 3 billion (see Table 9). This is a reduction of SEK 7 billion compared with the end of 2022.

**Table 9 Value of banknotes and coins in circulation***SEK billion*

	2019	2020	2021	2022	2023
Total value on 31 December	63	63	61	65	58
Banknotes	60	60	58	62	55
Coins	3	3	3	3	3
Total value, average during the year	62	62	62	65	62
Banknotes	59	59	59	62	59
Coins (excluding commemorative coins)	3	3	3	3	3

Note: The data in the table have been rounded off.

Source: The Riksbank.

### *Fewer counterfeit banknotes handed in*

Normally, Swedish banknotes are counterfeited to a minor extent, but the Riksbank observed a sharp increase in 2020 and continued high levels in 2021 and 2022. In 2023, the number of counterfeit banknotes handed in to the police almost halved compared to the previous year. The counterfeits are not to be particularly sophisticated but still come into circulation as many people are

not used to using banknotes. The Riksbank continued its communication initiatives about counterfeit banknotes in social media and elsewhere. The value of counterfeit banknotes removed from circulation during the year amounted to SEK 1,047,670. The number of counterfeit banknotes amounted to 2,179. Around 93 per cent of these were 500-krona banknotes.

**Table 10 Number of banknotes and coins**

	2019	2020	2021	2022	2023
Number of banknotes in circulation (millions)	266	262	256	265	256
Number of coins in circulation (millions)	624	662	686	705	719
Number of counterfeited banknotes (units)	1,703	6,629	4,655	4,166	2,179

Note: The information on the number of banknotes and coins in circulation refers to an average over the year and is rounded off. The information on number of coins in circulation does not include commemorative coins.

Source: The Riksbank and the Police Authority.

### *The Riksbank's work in the Cash Management Council*

Over the year, the Riksbank has continued its work in the Cash Management Advisory Board. The board was established by the Riksbank in 2006 and is made up of representatives of the Riksbank, banks, cash management companies, cash-in-transit companies, the retail trade and authorities. It is a forum where issues related to cash management in society are discussed. The board is chaired by Deputy Governor Aino Bunge, and two plenary meetings were held in 2023. During the meetings, issues such as the return of Swedish banknotes from abroad to Sweden and the function of Swedish cash management were discussed.

### *New regulations on cash management*

On 1 May 2023, the Riksbank's regulations on which types of company can collect and deposit cash at the Riksbank's depots or receive interest expense compensation for cash held in their own depots began to apply. The new regulations mean that the Riksbank's potential clientele has been broadened from banks and bank-owned companies to also include payment institutions with cash-in-transit operations. These companies can now sign the same agreements with the Riksbank and contribute to more efficient cash provision.

### **Report on the management of cash in Sweden**

The Riksbank has a special task under Chapter 11, Section 2 of the Sveriges Riksbank Act to report on the management of cash in Sweden. Under Chapter 4, Section 8 of the Sveriges Riksbank Act, the Riksbank shall monitor, analyse and, if necessary, coordinate the management of cash in Sweden.

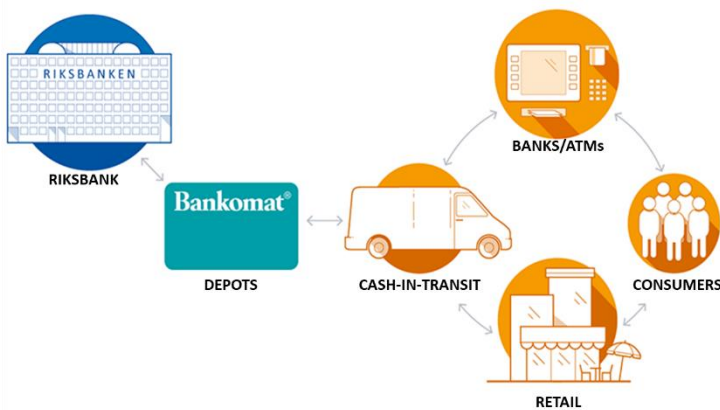
The sub-section below provides a summary report on the management of cash in Sweden, focusing on the Swedish cash provision chain, vulnerabilities in the cash management market, risks associated with reduced cash use and the Riksbank's view of measures that need to be taken to ensure the continued function of cash as a means of payment in Sweden. In the Riksbank's Payments Report, which will be published in 2024, the analyses of the function of cash as a means of payment in Sweden will be more detailed.

In the analysis, the Riksbank finds that cash provision in Sweden is vulnerable in that seemingly minor changes in the cash management market can have major consequences for the role of cash as a means of payment. The Riksbank's assessment is that legislative measures are needed to strengthen the position of cash as a means of payment, otherwise there is a risk that a structure will no longer be maintained that makes it possible to make cash payments in Sweden, which risks making cash irrelevant as a means of payment in Sweden.

### *The cash provision chain*

The cash provision chain in Sweden consists of the Riksbank and, in practice, two private market operators, Bankomat AB (Bankomat) and Loomis. Bankomat is currently the monopoly provider of private depots and has a dominant position in cash withdrawals and deposits thanks to its network of ATMs (see Figure 3). Loomis has a monopoly in cash management, including the counting and transport of cash. This means that the system is very vulnerable to disruptions or changes. If either of these operators is unable to provide their services, it could have major consequences for cash provision in Sweden.

**Figure 3 Illustration of the flow of Swedish cash provision**



The legal requirement that obliges the major banks to provide the public with the opportunity to withdraw cash and companies and organisations with the opportunity to deposit their daily takings is currently provided by the bank-

owned company Bankomat. The National Post and Telecom Agency is responsible for monitoring to ensure that there is access to these basic cash services and has so far assessed that this is the case.

The market for cash management is shrinking as the use of cash declines. The share of cash purchases in physical retail outlets is currently around 8 per cent and is expected to continue to decline. Declining cash use also reduces the opportunities for commercial activities related to the management and distribution of banknotes and coins. Although cash use has levelled off at a low level, the reduced amount of cash in circulation may mean that fewer banknotes are available in society. Should the demand for cash payments increase in the short term, the pressure on the infrastructure that supplies the public with banknotes will increase, and if demand falls below the current low levels, the functioning of the infrastructure risks deteriorating significantly.

*Changes in the cash management market may affect the status of cash as a means of payment*

Bankomat has announced that it intends to enter the transport and value management market within a few years to manage the operation and servicing of its own ATMs. How this will affect the market for cash management services as a whole is currently uncertain. Competition is basically desirable, but one risk of increased competition may be a declining market base for individual operators and increased costs in other stages of the cash management chain, such as cash management by retailers, which in turn may make it even more difficult to maintain a profitable cash management operation, which is already considered problematic.

Overall, the structure of the Swedish market for cash management services is fragile in that there are only a few operators in the market. This market structure means that changes that could be seen as minor can have major consequences for how different operators and sectors, such as companies in the retail sector, see their conditions for continuing to handle cash. Individual operators may perceive cash payments as inefficient, as a result of too high costs or too low a range of services, and may therefore stop offering such services to their customers. Fixed cash management costs will then no longer be spread as widely. This may result in fewer but larger operators being the only ones able to offer cash management and/or payment services. The possibility of procuring these services through competitive tendering, which is already severely limited, would be further reduced, which could lead to even higher costs for payments and cash management. Thus, there is also a link back from the ability to use cash to the structure of the cash management market.

In this context, it can be noted that the Riksbank, in its work on providing cash, is also dependent on private operators in the Swedish market for cash management services. If market conditions change significantly, this will also affect the Riksbank's possibilities and considerations regarding cash provision in Sweden.



Overall, the structure of the market for cash management services is complex and sensitive. The Riksbank considers that a stronger status for cash as a means of payment is required to maintain the conditions for cash as a means of payment and to make the market for payments more robust.

### *The scope for using cash is narrowing*

Both the level of cash use in Sweden and the amount of cash in circulation are among the lowest in the world. According to the Riksbank's own studies and those of others, the level of cash payments in physical retail has fallen sharply. In physical retail, cash payments accounted for 8 per cent of purchases in 2022, compared to just under 40 per cent in 2010. Cash is now mostly used for small payments and mainly by older people.

### **Digital exclusion**

While the use of cash has decreased recently, a large number of people in Sweden still experience some form of digital exclusion and need help to use electronic payment methods. According to the Riksbank's survey of the Swedish people's payment habits, one in four have at some point needed help to make an online payment. The Payments Inquiry's survey from 2021 shows that it is mainly people aged 65-85 who need help to make payments. The Internet Foundation and the Payments Inquiry have estimated the size of the group experiencing digital exclusion in the payments market. The results suggest that up to one tenth of the adult population cannot participate in the digital payments market. Reasons for this may include the fact that this group lacks access to Bank-ID and a smartphone.

In recent years, several areas of use for cash have also been restricted or eliminated. The important work done by Finansinspektionen and the banks to prevent and deter money laundering and terrorist financing is likely to have contributed to this. Increased demands on payees, combined with increased costs for manual cash management, are contributing to a weakening of the status of cash in relation to electronic alternatives.

### **Inadequate access to basic payment services**

In 2022, the ability to pay bills by cash disappeared with the closure of the Kassagirot service operated by the company ClearOn. The same applies to exchanging money orders for cash for amounts exceeding SEK 2,000. These services are important both for people who use cash for payments and for people who do not have a bank account.

In a 2023 monitoring report from the County Administrative Board of Dalarna on access to basic payment services, it was assessed that access to basic payment services in the country was inadequate at national level. The shortcomings are mainly related to manual over-the-counter payment services, where cash payments or money order exchange are largely unavailable. The

legal requirements for access to withdrawals and deposits have led to a consolidation of cash management into withdrawal and deposit machines at the expense of manual cash management in bank branches.

According to the county administrative boards' monitoring report, the possibility for companies and associations to make deposits of daily takings has deteriorated in several parts of the country. For cash to work as a means of payment, the infrastructure must be maintained so that payees can deposit cash in an account.

### **Indications of problems with exchanging Swedish krona abroad**

At the end of May 2023, it was announced that it was suddenly more difficult to exchange Swedish cash abroad. The Riksbank received many calls and emails from the public and a widespread rumour circulated on social media suggesting, among other things, that the Riksbank and other authorities had decided to ban people from taking Swedish cash abroad. However, the problem was not related to Swedish cash itself. The root cause of the problem is somewhat unclear, but the reluctance of Scandinavian banks to accept cash from foreign institutions seems to have increased due to a fear of promoting money laundering. Thus, the problems with exchanging kronor abroad appear to have arisen as a reaction to uncertainty about the possibility of repatriating banknotes to Sweden. One reason for this may be that both Norway and Denmark have had major problems repatriating currency and one of the major international currency wholesalers has had a bank account cancelled. Over time, it has become clear that the cash flow back to Sweden is still working after all, and indications from market participants are that the flow has decreased but is working. Since autumn 2023, the public has largely stopped contacting the Riksbank on this issue. Some stricter legal or regulatory requirements related to repatriation came into force in 2023. In this context, it is important to emphasise that issues relating to money laundering through the exportation of Swedish cash need to be dealt with to reduce the risk of problems with the repatriation of banknotes and to ensure that the status of Swedish cash is not negatively affected in general.

### **Cashless shops and money laundering**

The position of cash as a generally accepted means of payment is also threatened by the current trend towards cashless operations in Sweden. Many of the new problems are at least partly a consequence of money laundering control requirements. The money laundering requirements imposed on cash-intensive business operators may thus discourage people from handling cash. The Riksbank's view is that while efforts to prevent money laundering are important, they should not limit the ability of retailers to accept cash payments. We need to be able to continue to pay for essential goods in cash.

## *The future of cash*

### **Cash will remain an important issue**

In the Payments Report and the consultation response to the Payments Inquiry, the Riksbank has described the development of cash and called for stronger legislation to enable legal tender to be used for the purchase of essential goods and services.

The Payments Inquiry proposed that certain business operators should be obliged to offer payment in cash. This could include, for example, the payment of prescription drugs and the payment of taxes up to 0.25 price base amounts. However, the Riksbank considers that it is important that more business operators, such as grocery stores, sellers of pharmacy goods (including non-prescription medicines and self-care products) and manned outlets selling transport fuel, are included in the obligation to accept cash payments.

Cash is an alternative especially for those who cannot or do not want to pay by electronic means. These groups can be helped to some extent by better support and access to bank accounts, for example. In addition to these groups, there are also individuals who experience various limitations due to their advanced age. These limitations can be difficult to overcome with more digital tools. It is also important to highlight the problems of users who are forced into electronic and digital payment services without being competent or prepared to do so, as these users are at risk of fraud and may be exploited by money launderers.

Overall, cash continues to be an important means of payment and will be needed for the foreseeable future. Therefore, cash is and will continue to be an important issue with regard to individuals' ability to manage their financial affairs independently.

### **Decreasing cash use in Europe**

Even in the EU, cash use is declining rapidly and several countries have, or are planning to, strengthen legislation to protect cash as a means of payment. For example, Denmark has a long-standing mandatory law that all purchases (with some exceptions) in physical retail must be payable in cash. Other European countries with their own currencies and high cash use are also passing laws to protect the status of cash. Within the ECB, there are plans to strengthen the legislation on cash payments in euro area countries.

## *Need for action*

The Riksbank considers that developments in cash management in 2023 highlight the need to strengthen cash as a means of payment in Sweden. The legislator needs to clearly address how and where cash can be used in order for the market to maintain a reasonable level of use and circulation of cash. Due to network effects, a level where cash no longer functions as a means of payment in Sweden may soon be reached.

Society as a whole is currently not ready to deal with a situation where cash no longer works as a means of payment. Until electronic payment options are available to all residents of the country, the need for banknotes and coins will continue to exist. It is up to the state to meet the existing needs, for everyone's right to make their payments.

The use and circulation of banknotes and coins required for cash to be viable as a means of payment need to be maintained through stronger legal protection. If the cash flow is further reduced, the risk is that the flow of cash will not work at all. And if it fails to work under normal conditions, it won't work in crisis situations and states of heightened alert. So even if there were some more or less viable alternatives to cash during normal periods, such a situation could represent a major vulnerability in a crisis situation.

The Riksbank highlighted these issues with clarity in its consultation response to the Payments Inquiry, which also included proposals for strengthened legislation to ensure the public's ability to pay for essential goods and services and to ensure that the public can make cash deposits into bank accounts. According to the Riksbank, the question of the status of cash as a viable means of payment is about to be brought to a head and if any measures are postponed, there is a significant risk that the social costs of regaining what has been lost in the unfavourable development will only increase as fewer and fewer operators accept cash payments and the infrastructure is dismantled.

The structure of the cash management market is sensitive to change. If the market structure changes, the conditions for market participants may also change, leading them to adapt their service offerings. This may in turn lead to a change in the conditions for using cash. For example, if it were no longer profitable for companies to offer cash management services to retailers, retailers might no longer be able to manage their daily takings in the same way as today. The risk is that an increasing number of traders will rapidly stop accepting cash. The conditions for the function of cash in Sweden can thus change rapidly and there is therefore a need for awareness and preparedness to manage such a development.

## Civil preparedness

According to Chapter 5, Section 1 of the Sveriges Riksbank Act, the Riksbank shall fulfil the following general provisions:

- The Riksbank shall have the capacity to maintain its activities in peacetime crisis situations and states of heightened alert, including the ability of the public to make payments in peacetime crisis situations and states of heightened alert.

*The Riksbank works continuously to fulfil the requirements of the Sveriges Riksbank Act regarding civil preparedness. In 2023, the Riksbank made changes to its organisation and governance to ensure more efficient and coherent work on civil preparedness. In addition, the departments planned and prepared to maintain essential operations within each department.*

*The Riksbank assesses that the activities carried out in 2023 have improved the conditions for the Riksbank's work on civil preparedness. The work in 2023 also strengthened the Riksbank's ability to maintain its own operations in peacetime crisis situations and states of heightened alert. The responsibility for the general public's payments is largely new. Previously, the responsibility was limited to the operations conducted by the Riksbank itself. The Riksbank is working to strengthen robustness based on its own operations relating to payments, see the chapter 'Safe, efficient and accessible payments'. In addition, the Riksbank contributes to the stability and efficiency of the financial system, which among other things strengthens the robustness of payments, see the chapter 'A stable and efficient financial system'.*

*The new Sveriges Riksbank Act extends the Riksbank's responsibility to a broader social perspective. The Riksbank's new tasks were largely introduced in 2023. The final part concerns oversight and will be implemented in 2024. The Riksbank has decided on regulations that will enter into force on 1 February 2024. Oversight refers to the Riksbank's responsibility for overseeing that the companies concerned fulfil the obligations arising from Chapter 5 of the Sveriges Riksbank Act and the regulations. Work will then begin, together with the companies affected by the regulations, on developing the ability to maintain payments in peacetime crisis situations and states of heightened alert.*

### **Ability to maintain the Riksbank's operations**

According to Chapter 5, Sections 2 and 3 of the Sveriges Riksbank Act, the Riksbank has the following tasks and powers to maintain its operations:

- The Riksbank shall plan and prepare to be able to continue its activities in peacetime crisis situations and states of heightened alert. The Riksbank shall take into account the requirements of total defence.

- The Riksbank shall carry out joint training and exercises for its own staff and for employees and contract workers in companies that conduct operations that are of particular importance for the execution of payments.

### *New organisation and governance*

Over the year, changes were made to the Riksbank's rules of procedure with the aim, among other things, of centralising responsibility for the coordination of the Riksbank's planning and preparations for civil preparedness in the Internal Control and Operational Support Department. As before, the responsibility for leading and coordinating the Riksbank's management of a peacetime crisis situation or state of heightened alert lies with the General Secretariat. The responsibility for planning and preparation covers both the internal work to ensure that the Riksbank has a good capacity to maintain its operations in peacetime crisis situations and states of heightened alert and the broader work regarding the general public's payments.

In 2023, the Executive Board adopted a new policy on civil preparedness to improve internal work in this field. The policy describes the Riksbank's planning and preparations for and activities in peacetime crisis situations and states of heightened alert, as well as the responsibilities of different roles. The Executive Board decides which of the Riksbank's activities are to be considered important to society. Each head of department is responsible for ensuring that there is appropriate civil preparedness in the department, which includes planning and preparing for and operating in peacetime crisis situations and states of heightened alert.

The Riksbank shall have ample capacity to continue its operations in peacetime crisis situations and states of heightened alert. In addition, the Riksbank shall, if necessary, be able to prioritise its vital operations. When the Riksbank plans and prepares for states of heightened alert, the work shall as far as possible be based on how the Riksbank has planned and prepared for peacetime crisis situations. Planning and preparation covers the areas of plans, staffing, premises and technical support, training and exercises, as well as cooperation.

The preparatory work in civil preparedness is also coordinated by a special committee within the Riksbank, the Preparedness Committee, in which all of the Riksbank's departments are represented except the Internal Audit Department. The Committee's responsibilities include compiling a basis for decisions on the overall direction of the Bank's preparedness planning work for decision by the Executive Board. It shall also coordinate preparedness issues that affect several departments, monitor the development of the Riksbank's internal work on civil defence, follow up exercises and training within the Riksbank, etc. In 2023, the Committee met once or twice a month.

The Riksbank's assessment is that these measures have improved the possibilities of achieving coherent internal work on civil preparedness, which contributes to the Riksbank's ability to both prevent and have a good capacity

to maintain operations in peacetime crisis situations and states of heightened alert. By extension, the Riksbank will thus be better able to fulfil the requirements for planning and preparation as well as training and exercises.

### *Planning and preparing to maintain the Riksbank's operations*

In 2023, departments analysed their activities and mapped their dependencies, including staff, systems, premises and suppliers. These dependencies are necessary to be able to maintain the Riksbank's vital operations at a tolerable level regardless of the disruptions that occur. The departments have documented in continuity plans how each activity area should act in the event of incidents and crises, for example with the support of contingency routines, in order to safeguard activities. The departments shall review and update the plans at least annually and in the event of major changes. In 2023, the Riksbank initiated an annual review of the plans and followed up on departmental reviews and updates.

Departments should also test their continuity plans at least once a year. In 2022, each department inventoried and listed planned exercises, tests and training in civil preparedness for 2023. During 2023, the corresponding activities for 2024 were compiled. Over the year, the Riksbank participated in several external exercises and training programmes to increase its ability to manage both a peacetime crisis situation and a state of heightened alert.

In 2023, the departments also conducted a self-assessment of their ability to maintain their essential operations in peacetime crisis situations and states of heightened alert. The self-assessment was used to summarise and report on the status of civil preparedness work, but also to identify areas where additional and coordinated efforts are needed. The self-assessment was also used for the annual reporting by civil defence authorities to the Swedish Civil Contingencies Agency and the Swedish Armed Forces.

All activities carried out in 2023 contribute to the fulfilment of the objectives relating to the ability to maintain the Riksbank's operations. They make it possible to address shortcomings and identify areas for improvement, both for individual departments and for the Bank as a whole. The description of the status of the work also provides a basis for the Riksbank's management to focus, coordinate and prioritise initiatives.

### **Civil preparedness for payments**

The Riksbank has responsibilities, tasks and mandates that aim to gradually strengthen the overall ability to make payments work even in peacetime crisis situations and states of heightened alert. In practice, the responsibility means that the Riksbank has the role of requirement specifier, coordinator and supervisor.

The role as requirement specifier is regulated in an authorisation for the Riksbank to issue regulations on which companies are of particular importance

for the execution of payments and to specify the obligations of these companies under Chapter 5, Sections 3 and 4 of the Sveriges Riksbank Act).

The coordinating role is regulated in Chapter 5, Sections 2 and 3 of the Sveriges Riksbank Act and in the legislative comments on Section 2 and entails the following:

- The Riksbank shall plan and prepare to be able to continue its activities in peacetime crisis situations and states of heightened alert.
- The Riksbank shall take into account the requirements of total defence.

The Riksbank shall carry out joint training and exercises for its own staff and for employees and contract workers in companies that conduct operations that are of particular importance for the execution of payments.

In the event of disruptions in the execution of payments, the Riksbank shall immediately establish a management function for coordination and information and take the necessary measures to manage the consequences of peacetime crisis situations and states of heightened alert.

The details of the companies that conduct operations of particular importance for the execution of payments and the decisions that the Riksbank may take with regard to public service obligations for the execution of payments are regulated in Chapter 5, Section 4, paragraphs 1 to 3 and Chapter 5, Section 5 of the Sveriges Riksbank Act.

The supervising role means that the Riksbank shall oversee that a company fulfils its obligations (Chapter 5, Section 4, first paragraph of the Sveriges Riksbank Act).

### *Regulations and action plan for 2024*

In 2023, the Riksbank started introducing the new tasks. The Riksbank has developed, anchored and adopted regulations and general guidelines (RBFS 2023:3) on companies of particular importance for the execution of payments in peacetime crisis situations and states of heightened alert. The regulations entered into force on 1 February 2024.

The companies initially covered by the regulations are certain credit institutions, companies providing payment applications, electronic identification and signatures, companies providing payment infrastructure and companies storing, counting and transporting cash. In the first version of the regulations, the Riksbank has chosen to identify a small group of companies that are crucial to the functioning of payments. In this way, it will be possible to start work immediately on strengthening the ability of companies to deal with peacetime crisis situations and states of heightened alert, while developing and establishing forms of cooperation and work processes. The Riksbank then intends to gradually extend the regulations to more companies.

The purpose of the regulations is to contribute to achieving the overall objective of enabling the public to make payments even in peacetime crisis



situations and states of heightened alert. In the regulations, the Riksbank identifies which companies conduct business that is of particular importance for payments. These companies need to plan and prepare to maintain the payments part of their business in peacetime crisis situations and states of heightened alert. In addition, by participating in joint activities coordinated by the Riksbank, companies further contribute to the overall objective.

In 2023, the Riksbank prepared an action plan that describes how the Riksbank will work together with the companies affected by the regulations. The action plan also contains descriptions of planned joint activities in 2024 and overall descriptions of the continued work in 2025, including a new collaborative structure for joint work with companies. The cooperation structure, Civil Preparedness Payments, follows the three levels established for the civil preparedness sector 'Financial services': targeting, coordination and carrying out measures.

The Riksbank is responsible for the targeting and coordinating levels, which entails responsibility for ensuring that the work fulfils both the requirements imposed on the Riksbank through and the requirements imposed on companies through the Riksbank's regulations. At the level carrying out measures, there is a reference group that includes the Riksbank and the companies affected by the regulations. In addition to holding the chairmanship role, the Riksbank also participates in the work, in the same way as the companies, through its representatives from the operations responsible for the RIX system and cash handling respectively. The planned activities are carried out in three different areas: analysis and planning, training and exercises, and the coordination and information management function.

For several years there has been a voluntary cooperation forum, Crisis Cooperation in the Central Payment System, in which the Riksbank, the Swedish National Debt Office, banks and financial infrastructures participate. This forum can be activated in the event of a serious disruption or risk of serious disruption to the central payment system. The Riksbank has managed and organised the forum. As a result of the Riksbank's regulations, the forum will be reorganised and constitute a management function for coordination and information in the new collaborative structure Civil Preparedness Payments.

As the responsibility for public payments involves new tasks for the Riksbank, the Riksbank assesses that the requirements will be fulfilled gradually. In an initial stage, the focus has, for natural reasons, been on the Riksbank's role as requirement specifier and therefore the Riksbank has first and foremost established basic frameworks, such as regulations and business plans. The Riksbank has also held meetings with the companies affected by the regulations to inform and anchor the ongoing work and to create better conditions for the continued work. In 2024, the Riksbank intends to introduce the final part of the tasks, the Riksbank's supervising role.

### *Participation in the civil preparedness sector ‘Financial services’*

As of 1 October 2022, a new structure for the civil preparedness system applies, with sectoral authorities designated for ten civil preparedness sectors. As an authority under the Riksdag, the Riksbank is not included in the new civil preparedness system, but participates on a voluntary basis in the civil preparedness sector ‘Financial services’ together with Finansinspektionen and the Swedish National Debt Office.

Through the sectoral responsibility role and the Sveriges Riksbank Act, Finansinspektionen and the Riksbank have partly overlapping responsibilities, with the Riksbank having primary responsibility in the area of payments. In 2023, the Riksbank and Finansinspektionen therefore signed an agreement to cooperate on issues related to civil preparedness. The cooperation aims to avoid the overlapping responsibilities of the authorities creating ambiguity or inefficiency. The agreement also improves the Riksbank’s ability to fulfil the requirements of the Sveriges Riksbank Act.

During the year, the authorities worked together to develop a new cooperation structure for the civil preparedness sector ‘Financial services’. The structure consists of three levels, a management group that focuses the work, a coordination group and a level with groups that implement activities.

In 2023, the Riksbank participated in and coordinated a number of activities within the framework of the civil preparedness sector ‘Financial services’, including a managerial meeting on the sector’s work on civil preparedness and meetings for cooperation between authorities at the administrator level. In addition, the Riksbank participated in work on sector-wide measures to improve the sector’s ability to manage peacetime crisis situations and states of heightened alert.

### *Participation in the Financial Sector Private-Public Cooperation*

For many years, the Riksbank has participated in, and chaired, the voluntary cooperation forum Financial Sector Private-Public Cooperation (FSPOS), in which both public authorities and private actors in the sector participate. The Riksbank contributes to the FSPOS work to strengthen the financial sector’s ability to meet threats and manage crises. In 2023, activities included a sectoral exercise, seminars, training courses, and the preparation of methodological support and reports.

In 2023, FSPOS decided on a new strategic direction for 2024 and beyond. To ensure effective coordination between the activities of FSPOS and the work for which the authorities are responsible, from 2024 FSPOS will be included in the new cooperation structure for the civil preparedness sector ‘Financial services’.

Both the results of FSPOS activities and the changes resulting from the new strategic direction are expected to contribute to increased capability, clarity and efficiency. In this way, the Riksbank’s participation in FSPOS contributes to the fulfilment of the objectives of the Sveriges Riksbank Act to

maintain payments to the public during peacetime crisis situations and a state of heightened alert.

### *Participation in the civil preparedness system*

In 2023, the Riksbank also participated in the various meetings led by the Swedish Armed Forces and the Swedish Civil Contingencies Agency. As an authority under the Riksdag, the Riksbank is not formally part of the structure of the civil preparedness system, but has been invited to participate in all meetings, even if they are only aimed at sectoral authorities.

## International activities

According to Chapter 6, Sections 1 and 7, the Riksbank shall fulfil the following general provisions for its international operations:

- The Riksbank may act as a liaison body in relation to international financial bodies of which Sweden is a member.
  - The Riksbank may participate in international cooperation that
    1. is of importance to the bank's operations, or
    2. concern knowledge sharing with other central banks.
 In its international operations, the Riksbank shall be guided by the overall positions of the Government and the Riksdag in various policy areas.
- In its international operations, the Riksbank shall keep the Government informed of major issues.

*Sweden is a small open economy that is significantly affected by events in the global economy. Good international cooperation is therefore central to the Riksbank's ability to fulfil its objectives.*

*The Riksbank's international work aims to*

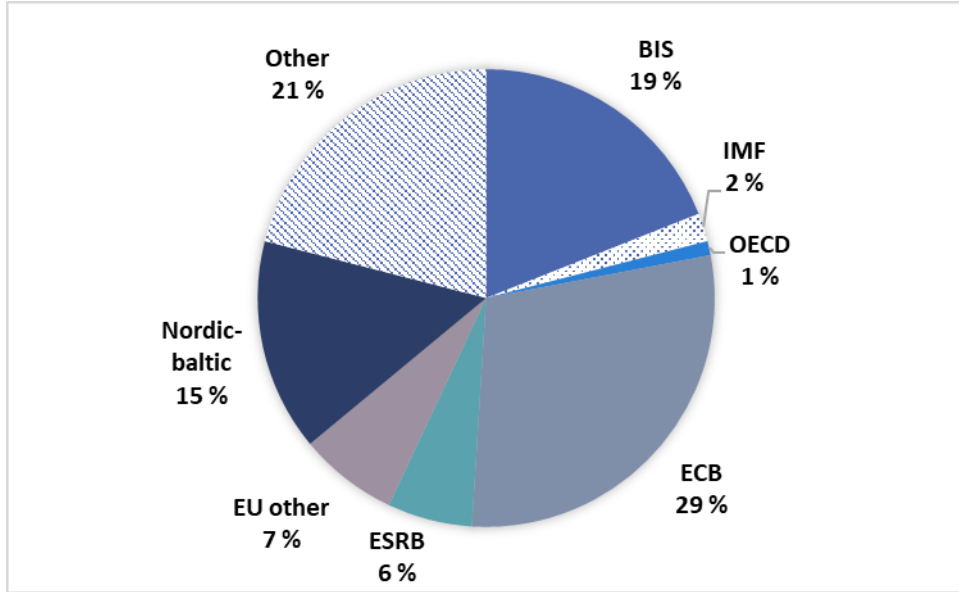
- *exchange information, for example with other central banks and international organisations*
- *learn from other actors, for example with regard to method and competence development*
- *influence other actors, which is particularly important with regard to global financial standards, European regulation of the financial system and international policy measures to reduce risks both in Sweden and abroad*
- *Create good contacts, which are particularly valuable to have in crisis situations.*

*The Riksbank, like most other central banks, has very broad international cooperation mainly within the framework of various international organisations. In total, the Riksbank participated in over 200 international groups during the year.*

*The Riksbank's assessment is that its broad participation in international cooperation bodies helped to achieve its objectives in various operational areas, and was of particular importance in achieving the objective of contributing to the stability and efficiency of the financial system.*

**Chart 21 The Riksbank's participation in international cooperation bodies**

*Distribution of total number of groups between different organisations/types of cooperation*



Source: The Riksbank.

*The Bank for International Settlements*

The Bank for International Settlements (BIS) is the main forum for global central bank cooperation and is owned by 63 central banks from around the world. The Riksbank participates in around 45 committees and working groups within the BIS cooperation. The key committees establish global norms and standards for various financial activities.

In strong competition with other major countries' central bank governors, the Riksbank Governor was elected to the BIS Board in January 2023, which means that the Riksbank is still represented at the highest level of the BIS. The board consists of the heads of 17 of the world's main central banks, of which only seven, including the ECB Governor, are from the EU. A seat on the board also gives access to the Economic Consultative Committee (ECC). The Committee, which is composed of the same limited number of people as the Board, discusses issues that are of utmost importance to central banks. This participation gives us a unique opportunity to learn from the experience and analyses of the world's leading central banks. Within the framework of bimonthly meetings, the Governor also participates in the Global Economy Meeting and the All Governors Meeting. Important topics for the central bank

governors' discussions during the year included monetary policy challenges due to high inflation and financial stability issues, not least in connection with the turbulent situation in the spring, particularly for US banks.

The Riksbank also participates in the work of the Committee on the Global Financial System (CGFS), which consists of 28 central banks and the BIS. This Committee monitors developments in global financial markets, with a focus on identifying, analysing and addressing potential sources of stress in financial markets and the global financial system. An important issue discussed during the year was the design of macroprudential measures in times of monetary policy tightening. The Riksbank, together with several other central banks, was also involved in a study on the effects of central bank purchases of financial assets during the pandemic. An important conclusion was that the asset purchases were generally successful in counteracting disruptions in monetary policy transmission and that they helped make monetary policy more expansionary, including by reducing long-term government bond yields, which has benefited households, companies and the public sector (see also the section 'Losses resulting from the Riksbank's securities holdings' in the chapter 'Sustainably low and stable inflation').

### **BIS Innovation Hub Nordic Centre in Stockholm**

During the year, four staff members from the Riksbank worked at the BIS Nordic Innovation Centre in Stockholm on innovative technologies regarding issues of importance to central banks. These included projects to use artificial intelligence, machine learning and privacy-preserving technologies to combat money laundering; ways to strengthen the technical security and robustness of central bank digital currencies and make them work in an offline mode; and how central bank digital currencies can work across national borders.

### *The International Monetary Fund*

The International Monetary Fund (IMF) works to promote international monetary cooperation, as well as macroeconomic and financial stability. The organisation has 190 member countries, with representatives from governments (usually finance ministries) and central banks. Sweden is part of a Nordic-Baltic constituency with a common representative on the IMF Executive Board, and there is therefore close coordination of IMF issues in this constituency. There is also cooperation between central banks and finance ministries on these issues within the EU (Economic and Financial Committee sub-committee on IMF issues) and within the G4 circle, i.e. Belgium, the Netherlands, Switzerland and Sweden.

During the year, the IMF continued to respond to economic challenges such as inflation and Russia's war against Ukraine by adapting its toolkit and offering financing to member countries facing balance of payments difficulties. For example, the IMF decided in March to temporarily increase the maximum levels at which countries can borrow and in June to extend a temporary

lending facility, designed in 2022, for another six months. Furthermore, in March the IMF approved a loan programme for Ukraine to address its urgent financing needs and restore macroeconomic balance and financial stability in the country.

Every five years, the IMF reviews the total size of its resources and member countries' shares (quotas). The 16th quota review was concluded in December after many lengthy discussions. During the board discussions, Sweden and the Nordic-Baltic constituency advocated that the IMF should maintain its role in the global financial safety net and that the quota review should lead to a stronger link between countries' economic weight, openness and integration into the world economy and their influence in the IMF (quota share). This would also ensure continued fair representation for the constituency.

The quota review led to a decision to increase member states' contributions by 50 per cent. At the same time, it was decided that the Bilateral Borrowing Agreements (BBA) would be phased out and borrowed resources comprising the New Arrangements to Borrow (NAB) would be reduced. Overall, the increase in the IMF's quota resources should be equivalent to the reduction in BBA and NAB loans, so that the IMF's total resources remain unchanged. It was also decided that the countries' quota shares will remain unchanged. Since the Riksbank's BBA and relevant NAB commitments together are larger than Sweden's share of the increase in the IMF's member states' contribution, Sweden's total IMF commitment will decrease. However, the reorganisation of IMF funding may take some time. The quota review is expected to be introduced in 2024. To secure its resources during the bridging period, the IMF asked in May for a one-year extension of the bilateral loan agreements until the end of 2024. The Riksbank approved this in September, in accordance with the mandate from the Riksdag.

At the turn of the year 2022/23, a new system for managing IMF transactions was introduced, whereby the Riksbank, as financial counterparty to the IMF, carries out the transactions, while all lending to the IMF takes place through borrowing from the Swedish National Debt Office. This arrangement is a consequence of the new provision in the Sveriges Riksbank Act that all new lending to the IMF shall be financed by borrowing from the Swedish National Debt Office (Chapter 6, Section 4 of the Sveriges Riksbank Act).

As part of its mandate to monitor the global economy, the IMF conducts annual assessments of its member countries, known as Article IV consultations. In the 2023 assessment of Sweden, published in March, the IMF noted that the Swedish economy recovered strongly after the pandemic, but was moving towards a potential recession. The IMF considered that the monetary policy tightening to deal with high inflationary pressures was well-founded. Furthermore, the IMF highlighted that structural challenges remained, such as weaknesses related to the labour and housing markets.

In March, the IMF also published the results of its Financial Sector Assessment Programme, which was conducted in 2022. The assessment found that the Swedish financial sector has managed to cope well with the effects of

the coronavirus pandemic, largely due to banks' strong capital and liquidity buffers and well-targeted monetary and fiscal policy measures. The structural vulnerabilities highlighted included high household indebtedness, the large banking sector and risks related to the commercial real estate sector. Furthermore, the IMF recommended that the Riksbank publish a policy framework that clarifies the Riksbank's ability to provide liquidity for crisis management purposes, including to institutions in resolution. The IMF also recommended the Riksbank to test the stability and resilience of CBDCs to shocks and to analyse the impact of CBDCs on payments and the financial system.

In September, the IMF also published recommendations on how the Nordic and Baltic countries can improve their anti-money laundering efforts. The background to this is that in 2021, the Riksbank took the initiative for the Nordic and Baltic countries to ask the IMF to conduct a regional analysis of money laundering risks. Such an analysis was deemed to provide valuable information and knowledge, given the close links between the region's financial systems and the banks' many cross-border networks and relationships.

In October, the Riksbank petitioned the Riksdag to request compensation including interest for its participation in a cancellation of Somalia's debt to the IMF in 2020. The government transferred SEK 21 million to the Riksbank in December 2023. The ECB considers that the Riksbank's participation in the debt cancellation in question is not compatible with the prohibition on monetary financing applicable to central banks. In its Annual Report for 2022, the ECB noted that a number of central banks, including the Riksbank, should instead be compensated by the government for their contributions to the debt cancellation, which was achieved through this transaction (see also note 34).

### *Financial Stability Board*

The Financial Stability Board (FSB) is an international organisation that monitors and makes recommendations about the global financial system. It consists of representatives from 24 countries and 13 international organisations and committees. The Riksbank, together with the Ministry of Finance and Finansinspektionen, is a member of the FSB's Regional Consultative Group for Europe (RCG-E). This gives the Riksbank information about what is on the FSB's agenda and the work carried out there. Throughout the year, the discussions at the meetings concerned country assessments of the most relevant risks at the global and regional level, as well as some specific factual issues such as the indebtedness of the non-bank sector, scenario analyses of climate change, risks associated with decentralised financial services and lessons learned from the resolution framework. Until June, Deputy Governor Henry Ohlsson was co-chair of the RCG-E.

### *Organisation for Economic Cooperation and Development*

The Organisation for Economic Cooperation and Development (OECD) is a cooperative body of, primarily, the governments of 38 industrialised countries

that discusses, among other things, macroeconomic development, structural and trade policies. The Riksbank is involved in a few committees and groups, which discuss economic policy and financial issues. The most important committee for the Riksbank's cooperation is Working Party 3. In 2023, it discussed, among other things, the impact of Russia's invasion of Ukraine, the causes of high inflation and appropriate economic policies to address various labour market challenges. The design of fiscal policy was also discussed, such as the lessons learnt from the various support measures during the pandemic, the role of fiscal policy in high inflation and the interaction between fiscal and monetary policy in times of high inflation.

### *Informal ECOFIN Council and Economic and Financial Committee*

EU finance ministers and central bank governors met twice for informal discussions on economic and financial issues. The topic of the informal spring ECOFIN Council meeting was how financial markets can play a role in financing future European growth. The Swedish Presidency in the spring chose to try to increase the pace of reform by focusing on the role of the financial markets, particularly in the financing of innovation companies, an area where Sweden has a relatively good track record. The autumn meeting focused on the interaction between fiscal and monetary policy. The discussion centred on the ongoing reform of the EU's economic policy coordination framework.

The Economic and Financial Committee (EFC), which prepares ECOFIN Council meetings, met 11 times during the year. The committee consists of representatives from central banks and finance ministries at the level of deputy governor and state secretary respectively. The Committee focused, among other things, on how to make sanctions against Russia more effective and the possibilities of using the proceeds of seized Russian assets to support Ukraine.

Financial stability issues were also high on the agenda, not least during the spring turbulence in banking markets. The EFC also discussed current Commission proposals and developed EU stances for the IMF and G20 meetings. Among other things, the Riksbank emphasised the importance of seeking to identify and analyse threats to financial stability and continuing to work actively on issues relating to the development of central bank digital currencies.

### *European System of Central Banks*

The European System of Central Banks (ESCB) consists of the ECB and all of the national central banks within the EU. The Riksbank took part in around 65 committees and working groups within this organisation. The General Council, which consists of the governors of the central banks of all EU Member States and the President and Vice-President of the ECB, addressed, among other things, the economic situation of EU Member States, the public finances of EU Member States, the largest imbalances and vulnerabilities in EU non-euro area Member States and compliance by EU central banks with the prohibition on monetary financing. Furthermore, there were discussions on



stress tests due to climate change, the implications of higher energy prices for EU competitiveness and the risks of relatively few climate-related disasters being covered by insurance.

The Riksbank participated in the committee work in a large number of areas, although in several cases only parts of the meetings were open to non-banking union countries. The work of the committees included monetary policy, financial stability, international relations, market operations, market infrastructure and payments, statistics, communication, banknotes, legal issues, IT, accounting, organisational development and internal audit. For example, the Riksbank was active in the work of the Statistics Committee to create a new harmonised reporting of statistical data for the EU.

### *European Systemic Risk Board*

The European Systemic Risk Board (ESRB) is the EU's joint macroprudential body, comprising mainly EU central banks and financial supervisory authorities. The ESRB works to identify, analyse and respond to financial systemic risks in the EU. The Riksbank is represented on the Executive Board, the Technical Advisory Committee and several working and expert groups. In total, the Riksbank participated in around 15 ESRB committees and groups in 2023.

In January, the ESRB issued a general recommendation to all relevant member institutions, including the Riksbank and Finansinspektionen, regarding risks related to vulnerabilities in commercial real estate markets. The Recommendation calls for improved monitoring of such risks and addressing identified vulnerabilities.

The Riksbank contributed, among other things, to the ESRB's ongoing risk and policy assessments, to the analysis of macroprudential issues related to central counterparties and securities clearing in the EU, and to the design of economic scenarios underlying stress tests of European banks and central counterparties and climate-related stress tests covering all sectors of the financial system. The Riksbank also contributed to the ESRB's work on risks associated with non-bank financial intermediaries, including the mutual fund and insurance sectors, risks associated with crypto assets, and climate and cyber-related risks.

### *Nordic and Nordic-Baltic cooperation*

The Riksbank participated in around 35 committees and groups for Nordic and Nordic-Baltic cooperation in a large number of different areas. The annual meeting of Nordic central bank governors included an exchange of experiences on the impact of higher interest rates on different economies and on household indebtedness. Nordic deputy governors also met on two occasions to discuss, among other things, payment issues. Furthermore, during the year the Riksbank participated in the Nordic Baltic Macroprudential Forum (NBMF), which includes heads of central banks and financial supervisory aut-

horities. The NBMF discussed, for instance, issues of reciprocity, i.e. the recognition of national macroprudential measures between countries. The aim is to ensure that the same rules apply to a certain type of financial activity in a country, regardless of whether the company carrying out the activity is national or domiciled in another country. It also discussed the principle of extending the target group for borrower-based measures, which in most countries is limited to loans to the residential sector, to include loans to the commercial real estate sector. The Riksbank also participated in the work of the Nordic Baltic Stability Group (NBSG). (See the section ‘Crisis preparedness’ in the chapter ‘A stable and efficient financial system’).

### *International cooperation on banks*

The Basel Committee on Banking Supervision involves central banks and supervisory authorities from 28 countries, as well as the ECB and the Single Supervisory Mechanism (SSM). The Basel Committee promotes global financial stability by developing minimum standards, guidelines and recommendations for the regulation and supervision of internationally active banks and by discussing various issues and practices related to banking supervision.

Much of the Basel Committee’s work this year focused on the implications of the rapid rise in market interest rates during the year and the lessons learnt from the banking turmoil in the United States and Switzerland in spring 2023. The work culminated in a report focusing on three areas: banks’ own risk management systems, sufficiently effective supervision and robust regulatory standards. One area where Riksbank staff were particularly active concerned the Basel Committee’s analyses of how climate-related risks can give rise to financial risks among banks (see also the section ‘International cooperation concerning climate’ in this chapter). Another area in which the Riksbank was particularly active was the review on how to improve global standards for banks’ exposures to crypto assets. In addition, an analysis of the risks arising from the issuance of crypto assets by banks was initiated.

Furthermore, in July the Basel Committee published a consultation paper on revised core principles for banking supervision. This is an important document because the IMF uses these principles when evaluating financial regulators in almost every country in the world.

The Basel Committee conducts regular assessments to ensure that different member countries have correctly implemented the Basel standards. During the year, staff at the Riksbank’s Financial Stability Department led the work on evaluating how Mexico has introduced the global banking standards for Net Stable Funding Ratio (NSFR) and large exposures.

At the European level, the Riksbank participated as an observer on the board of the European Banking Authority (EBA), whose members are the financial supervisory authorities in the EU. The Riksbank also participated in the Standing Committee on Regulation and Policy. The two main activities of

the EBA during the year were to implement the parts of the Basel III framework that have not yet been implemented in the EU and to conduct capital stress tests for European banks.

### *International cooperation on financial infrastructure*

The Committee on Payments and Financial Infrastructure (CPMI) of the BIS, comprising 28 central banks and the BIS, is the standard-setter in these areas. Its mandate includes developing global standards and policies for clearing, settlement and reporting for financial infrastructures and assessing compliance with the Principles for Financial Market Infrastructures (PFMI). The Riksbank also participated in the working group that investigated compliance with the principles for general business risk, where Nasdaq Clearing was part of the investigation.

At the European level, the Riksbank participated as an observer in the European Securities and Markets Authority (ESMA) Supervisory Committee, which is the supervisory authority for central counterparties. The Riksbank participated in its role as central bank of issue of the Swedish krona and contributed its views on risks related to central counterparties active in the Swedish market, with particular emphasis on non-EU central counterparties, such as London House Clearing Limited (LCH).

The Riksbank also participated in the international oversight of several foreign financial infrastructures relevant to financial stability in Sweden, including the Euroclear Group, the LCH Global College and the CLS Oversight Committee. Moreover, the Riksbank was a member of the supervisory colleges for Cboe Clear Europe and Nasdaq Clearing. The Riksbank also participated in the SWIFT Oversight Committee.

### *International cooperation on payments*

As in previous years, the Riksbank participated in the working group Future of payments under the BIS committee CPMI. This working group, which is part of a broader effort to improve cross-border payments, focused during the year on new payment infrastructures, central bank digital currencies and stablecoins as tools for faster and cheaper cross-border payments. An important issue discussed during the year was how cross-border payments with central bank digital currencies and tokenisation of financial assets can be integrated into central bank settlement systems.

Within the ECB, the Riksbank participated mainly in two forums: The Market Infrastructure and Payments Committee (MIPC), which deals with general payments policy issues, and the Market Infrastructure Board (MIB), a decision-making forum for issues related to the operation and development of the ECB's T2, T2S and TIPS settlement systems. Furthermore, the Riksbank and the ECB exchanged information on central bank digital currencies, including the ECB's work on a possible future digital euro.

During the year, the Riksbank also continued its cooperation with Banca d'Italia and the ECB in the Target Instant Payment Settlement Cross-Currency (TIPS CCY) project. The aim of the cooperation is to explore the possibility of making instant payments between different currencies on the ECB's TIPS settlement platform, which could be an effective solution for cross-currency payments. To begin with, it involves settlement between the Swedish krona and the euro. During the year, a pilot project was also prepared with interested banks from the euro area and Sweden to test the solution.

Furthermore, the Riksbank continued to participate in the work of the CBDC Coalition, which is a group consisting of seven central banks and the BIS that discusses various aspects of central bank digital currencies. In 2023, the focus was on technical and legal issues, and the Riksbank participated in various working groups, including presenting its technical pilot for the e-krona. In May, the CBDC Coalition published a summary of its work for 2022-2023.

The Riksbank participated in the Icebreaker project together with the central banks of Norway and Israel and BIS Innovation Hub Nordic. The project explored cross-border payments with central bank digital currencies via a centralised hub solution and provided important insights into the technology and policy choices of such a solution. One conclusion was that a centralised hub solution has few technical requirements, making it easier to integrate with national systems based on different technologies. The project published its final report in March.

### *International cooperation concerning climate*

Since 2018, the Riksbank has participated in the Network for Greening the Financial System (NGFS), a global network of central banks and supervisory authorities with a focus on climate aspects in the work of these authorities. The Riksbank contributed to the work of three of the NGFS working groups, which focussed among other things on issues surrounding the design and analysis of climate scenarios, the impact of climate change on monetary policy, and approaches for central banks to work on sustainable investment, climate-related reporting and sustainable central banking. The Riksbank also participated in the NGFS expert network for legal issues.

The Riksbank also participated in the Basel Committee's working group on climate-related financial risks. The group focuses on analysing how climate-related risks can give rise to financial risks and developing methodologies to assess climate-related risks (e.g. scenario analyses, stress tests and transition plans). The group is also exploring possible policy measures, including the creation of standards for the disclosure of climate-related risks as a way to address such risks at the global level. On this basis, the working group published a draft consultation on requiring banks to report and disclose climate-related information. A staff member from the Financial Stability Department actively contributed as co-chair of the regulatory subgroup.

Through the ESRB and ESCB joint project team, the Riksbank contributed to the work on designing economic scenarios that form the basis for European climate-related stress tests covering all sectors of the financial system.

Researchers from the Riksbank also participated in the ESCB research network and the Basel Committee's research group, both of which have climate as one of their focus areas.

### *International symposium on central bank independence*

In January, the Riksbank organised an international symposium on central bank independence to mark the departure of Stefan Ingves from the Riksbank after 17 years as Governor. The topic was approached from four angles: climate change, the transformation of the payments market and the development of central bank digital currencies (CBDCs), the central bank mandate and how central bank independence is affected by the need for global coordination of policy actions. The symposium had a strong international flavour. More than 25 central bank governors from four continents and leading international academics participated, along with many Swedish stakeholders.

### *International macroprudential conference*

In August 2023, the Riksbank organised an international macroprudential conference. This is an annual event organised together with the Dutch and German central banks. Hosting rotates between the three central banks. Each year, six world-leading academics are invited to write a paper and this year the papers concerned

- a) the crash of the Terra/Luna crypto asset
- b) how blockchain technology interacts with traditional financial contracts
- c) how to best rig economic sanctions
- d) lessons from the Irish financial crisis
- e) the impact of different types of mortgage contract on financial risks
- f) the international frictions arising from the investment of pension capital.

### *The Riksbank's technical assistance*

Since 2000, the Riksbank has provided technical assistance (TA) to central banks in countries classified as aid recipients by the OECD's Development Assistance Committee (DAC).

The purpose of the Riksbank's TA is to transfer knowledge and expertise in key central bank-related areas, such as payments, financial stability, communication and monetary policy. These activities are financed by Sida under a specific agreement. The Riksbank intends to conclude a new agreement with Sida at the end of 2024 based on the current provisions for the Riksbank's international activities.

Over the year, the Riksbank's TA cooperation with the central banks in Rwanda and Ukraine and the Palestinian Monetary Authority (PMA) returned

to a more normal scope with both digital meetings and physical visits. Following the Hamas attack on Israel in October, cooperation with the PMA is on hold. The knowledge exchange with the National Bank of Ukraine continued to be characterised by the ongoing war and therefore focused largely on financial issues and payment systems in the event of crisis and war. In December, Governor Erik Thedéen visited the National Bank of Ukraine in Kiev as the first central bank governor since the start of the war. A staff member from the Monetary Policy Department spent two extended periods at the Central Bank of Rwanda in 2023. The cooperation concerned monetary policy and focused on developing a model for the impact of climate change on the agricultural sector. During the IMF's annual meeting in Marrakesh, the Riksbank signed an agreement with the Ethiopian central bank on TA cooperation in monetary policy, payments, financial infrastructure, digital solutions and communication. An earlier cooperation with the Central Bank of Namibia was formally concluded in December 2023. In June, the Riksbank hosted the annual meeting of the ECB's Working Group on Central Bank Cooperation (WG CBC).

The Riksbank's assessment is that TA cooperation is beneficial for both the receiving and the contributing central bank.

### *Information to the Government*

Over the year, the Riksbank informed the Government (Ministry of Finance) about various issues relating to the Riksbank's international cooperation, including within the framework of the activities of the Financial Stability Council. In addition, in December 2023 the Riksbank submitted an overall report to the Government Offices on a number of important issues in the Riksbank's international cooperation.

## Bank-wide areas

### **Statistics and the supply of information**

The supply of information and collection of statistics are fundamental tasks in the Riksbank's day-to-day work pursuant to Chapter 1, Section 11 of the Sveriges Riksbank Act. The statistics are produced and published by Statistics Sweden (SCB) on behalf of the Riksbank. The Riksbank is ultimately responsible for the quality, content and development of the statistics. When developing the statistics, the Riksbank works together with several international institutions, such as the European System of Central Banks (ESCB), the International Monetary Fund (IMF) and the Bank for International Settlements (BIS). The Riksbank compiles and publishes daily trading statistics on the fixed-income and foreign exchange markets and daily values for the reference rate SWESTR. In 2023, the Riksbank also started collecting and publishing international banking statistics.

#### *New source for the Riksbank's publication of exchange rates*

The Riksbank decided in 2023 to start publishing exchange rates determined by the ECB instead of those determined by Nasdaq. The Riksbank considers it better to use the ECB's exchange rates to maintain continuity and quality in calculations and publication.

#### *Business Survey - mixed views on economic activity*

The Riksbank conducted three rounds of company interviews in 2023. The purpose of the interviews is to obtain an up-to-date assessment of the economic situation and the development of the economy.

A common theme in the interviews was the dichotomy in the view of economic activity between companies in different sectors, a dichotomy that was mainly due to the weakened purchasing power of households and the weak krona. During the year, retail trade and residential construction companies saw demand weaken, while the manufacturing sector continued to face strong demand, particularly globally. At the beginning of the year, manufacturing companies were surprised that the economy held up as well as it did. The dichotomy was also reflected in companies' pricing plans, with the strong demand giving manufacturing companies more scope to increase sales prices. Companies' views on the main determinants of their price changes also shifted during the year - from an almost exclusive focus on cost developments to an increased focus on other factors, such as competitors' prices.

#### *A new indicator of economic activity – an early gauge of activity*

During the year, the Statistics Division published an Economic Commentary on a new indicator of economic activity based on the Riksbank's Business Survey. The indicator summarises companies' responses to some of the core questions of the survey and is primarily intended to serve as a measure of the

overall performance of the survey. In the Commentary, the author examined the usefulness of the indicator for estimating actual economic activity by analysing how it relates to GDP growth. Both the first and the most recently published GDP outcome were used to examine whether revisions matter for the indicator's relationship to GDP growth.

The results showed that the indicator provides valuable insights into growth regardless of revisions, and is slightly more accurate than unrevised GDP data. The Commentary also highlighted how the indicator was highly correlated with other available survey-based indicators of economic activity. The Riksbank's Business Survey is aimed at only a few sector-dominant companies, and the fact that the indicator of economic activity correlates with other indicators – which are based on much larger samples – thus strengthens the reliability of the survey. All in all, the information summarised in the indicator was judged to provide early and reliable signals of economic developments in Sweden.

#### *The Riksbank published banking statistics with an international focus*

During the year, the Riksbank published a new statistical product, international banking statistics, containing data on the Swedish banking sector's foreign-related activities. Before publication, the content of the statistics was adapted to new requirements from the BIS. The data are published quarterly.

### **Research provides a scientific basis for policy decisions**

The Riksbank may conduct and contribute financially to research that is relevant to the authority's activities (Chapter 1, Section 10 of the Sveriges Riksbank Act). Research at the Riksbank is primarily focused on areas of direct relevance to the bank's operations with the aim of providing a sound basis for the Riksbank's policy decisions.

Results of the research are published in the Riksbank's Working Paper Series, in international scientific journals and in the Riksbank's publications Economic Review, Staff Memos and Economic Commentaries. The results are also communicated through presentations at other central banks, at universities and at international conferences.

The Research Division is also tasked with being a link between the Riksbank and the academic world. Researchers often give seminars at universities in Sweden and abroad, teach courses and supervise doctoral students at various universities. The Research Division also has a formal collaboration with the Centre for Monetary Policy and Financial Stability (CeMoF) at Stockholm University. During the year, a workshop for doctoral students was organised at the Riksbank in cooperation with CeMoF, in which doctoral students from the universities of Oxford, Princeton and New York participated.

Researchers who are specialised in financial stability study Swedish households and companies with the aim of understanding their economic behaviour. Among other things, they use large amounts of data that make it



possible to investigate the risk of corporate bankruptcies and to see how low interest rates affect the banks' profitability. The researchers who focus on monetary policy and macroeconomics analyse the manner in which monetary policy measures affect economic activity and inflation, the way the labour market functions and the interplay between monetary policy and fiscal policy, among other things. In this area too, the possibility of using microdata has increased in recent years, since the Riksbank has both created and purchased databases containing information on financial variables and companies' prices. Research projects use these data to study both how the effects of monetary policy differ across households and what macroeconomic conclusions can be drawn from companies' pricing behaviour.

Researchers at the Riksbank also write articles with the aim of disseminating research findings to a wider audience and thereby promoting discussion of issues relevant to current policy. For example, one project has analysed how changes in producer prices affect consumer prices.

The Riksbank organised several scientific conferences during the year. At one of the conferences, held in early May, researchers discussed the challenges and opportunities that climate change presents for central banks. This conference was organised together with researchers from the Sustainable Finance Lab. Staff at the Research Division also organised the *WE\_ARE\_IN* Macroeconomics and Finance conference together with the Centre for Economic Policy Research (CEPR), the Bank for International Settlements (BIS) and the European Central Bank (ECB). At the conference, women researchers presented papers in macroeconomic research and financial economics research. Finally, researchers at the division organised a conference on central bank digital currencies together with the Payments Department and researchers at the Bank of Canada.

## Communication

The Riksbank's external communication is regulated in Chapter 11, Section 3 of the Sveriges Riksbank Act, which states that the Riksbank shall inform the public about:

- the price stability objective, consideration given to the real economy and the Bank's monetary policy strategy
- monetary policy decisions, the grounds for them and any dissenting opinions within the Executive Board
- the Bank's assessment of future price developments, conditions affecting the conduct of monetary policy
- circumstances affecting the conditions for attaining the price stability objective and for giving consideration to the real economy
- other activities by the Riksbank.

During 2023, the Riksbank was one of Sweden's most visible and widely publicised authorities in the media. As the Riksbank has limited direct contact with

the public, the media play an important role in reaching the public with the decisions the Riksbank makes and the reasons for them. Kantar Public continuously monitors the Riksbank's presence in Sweden's largest media, and in 2023 the number of mentions of the Riksbank increased by almost four per cent, compared with the previous year. Members of the Executive Board were involved in just over 25 per cent of the publicity, largely due to the fact that they often give speeches followed by media interviews. During the year, Board members visited Arboga, Falkenberg, Gothenburg, Linköping, Luleå, Lund, Malmö, Nyköping, Västerås, Åre and Östersund. In November, the monetary policy meeting was held at the Riksbank's local office in Jönköping, followed by a press conference. The Riksbank also invited the public to its premises in Stockholm for three evenings to listen to discussions with members of the Executive Board and to ask questions of the Riksbank's experts. Media impact for the messages in the Monetary Policy Reports reached the target level over the year.

It should be easy to scrutinise what the Riksbank does and the Riksbank's external website riksbank.se therefore plays an important role in external communication. This describes the Riksbank's various operational areas and objectives. It also publishes the Riksbank's decisions, reports and analyses in the various fields of activity, press releases and speeches, as well as the minutes of the meetings of the Executive Board and the General Council. To strengthen communication and draw the public's attention to current decisions, motives and analyses, the Riksbank also has official accounts on social media such as LinkedIn, X and Facebook, where posts and videos are published and questions are answered.

Inflation and policy rate rises continued to dominate the Riksbank's communication work in 2023. In monetary policy communication, the focus was on explaining monetary policy decisions and the value of low and stable inflation. Overall, communication on financial stability focused on increased risks in the financial system. In particular, the risks of high inflation and rising interest rates and the pressure this puts on property companies and households were highlighted. News coverage of the Riksbank was dominated by inflation, interest rates, the housing market and the krona exchange rate. An unusually large proportion of the reporting consisted of private finance aspects of economic developments, and Kantar Public's surveys show that an increasing proportion of the general public perceived the Riksbank's publicity as negative.

Within the framework of the Riksbank's crisis preparedness work, the FSPOS network for heads of communication was also led by the Riksbank, which was thus responsible for two training courses and for the autumn's major sectoral exercise focusing on crisis communication in grey zone problems (see also the section 'Development of civil preparedness' in the chapter 'Civil preparedness').

### *Communication challenges with higher inflation and interest rates*

To monitor how confidence in the Riksbank is developing among various target groups and the general public, the Riksbank uses regular external surveys. Kantar Public measures confidence every four months through questions to an online panel representative of the general public. They also make an annual survey of the reputations of Swedish public authorities. Other annual surveys include MedieAkademin's trust barometer and the SOM Institute's survey, which compares public trust in a number of different institutions and organisations in Sweden.

In 2022, Kantar Public's four-monthly surveys showed that trust had fallen. This trend continued in 2023, although trust increased in the last survey of the year. The average percentage of respondents who replied that they had very or fairly high trust in the Riksbank's way of conducting its work decreased from 52 per cent in 2022 to 38 per cent. Those who said they had low trust in the Riksbank justified it mainly by referring to the rapid interest rate increases and high inflation, which limit them financially. The decline in public trust in the Riksbank was confirmed by the outcome of Kantar Public's reputation index.

### **IT and digitalisation**

During the year, intensive work continued on increasing digitalisation at the Riksbank through new IT support and innovation. IT operations were expanded during the year with new expertise in key areas, including a focus on cyber security, IT architecture and data analytics.

Changes in the payment market, increasing cyber threats and the development of analytical capacity have been important themes in the work, which takes place in close collaboration between operations and IT. In parallel, work continued on providing the Riksbank's employees with a better digital workplace and on preparing for new needs in the new HK Klara office.

The annual survey shows that 76 per cent of the Riksbank's employees think that the work of driving forward the Riksbank's digital development and delivering a robust and secure administration of high quality is progressing very well. Employees are slightly less satisfied with the IT support and services they use in their daily work than last year. The result of the survey is 70 per cent, which is somewhat lower than the target of 75 per cent.

New payment services, such as instant payments, have meant that IT operations have had to adapt to meet the demands of 24/7 IT operations. This has required, among other things, new technology, but also increased staffing and processes adapted to deal with potential errors and problems.

Strengthening the Riksbank's cyber protection and capabilities in cyber security and preparedness was given priority over the year. In 2023, the Riksbank, together with other actors from the financial sector and the electronic communications sector, participated in the world's largest cyber security exercise, the NATO-wide exercise 'Locked Shields'. In this exercise, 33 nations,

both NATO members and partner countries like Sweden, jointly practised their skills in dealing with cyber threats and a large-scale realistic cyber security incident. The phases of the exercise were designed in such a way that they could have taken place in the participants' everyday life. Sweden, teamed with Iceland, performed best and won the exercise. Participation in the exercise was another way for the Riksbank to train and further develop its ability to detect and manage cyber threats and intrusions.

#### *Host for meeting of ESCB IT managers*

In June, the Riksbank hosted the spring Information Technology Committee meeting for all IT managers in the ESCB. They are responsible for the joint IT environment of the ESCB and drive developments together. They are supported by four working groups that prepare the basis for decisions. Key points of the meeting were different aspects of cloud solutions, IT security, shared data management and a digital euro.

#### *Analysis programme*

During 2023, the Riksbank continued to improve its ability to make quick and accurate analyses based on large amounts of data. A new technical solution for managing information and conducting analyses is gradually being constructed. The new solutions and agile working methods have made it easier to quickly adapt to new needs for analyses and perspectives. The Riksbank is also less dependent on suppliers of IT services and IT development, which enables the Riksbank's analysts to conduct their analyses more independently and faster. Competence development is continuously carried out to increase knowledge of how the new solution is managed and how it can support the analysis work.

### **Sustainability and the environment**

In recent years, the Riksbank's work on promoting long-term sustainability has become an increasingly integrated part of its policy work. In particular, climate change has been in focus. The Riksbank has explained in earlier annual reports and other publications what it does in this area at a general level and why. The Riksbank actively participates in several international forums where the work on recognising, managing and counteracting climate-related financial risks has been intensified (see also the chapter 'International operations').

In 2023, the Riksbank hosted several climate-related conferences (see also the chapter 'International operations'). In addition, staff at the Riksbank wrote several Working Papers and Economic Commentaries on the theme of sustainability and work was carried out on climate-related stress tests (see also the chapter 'A stable and efficient financial system').

The Riksbank has had a sustainability strategy since 2020. In 2023, a new edition of the Riksbank's Climate Report was published that describes the Riksbank's role in the work to counteract climate-related risks.

An environmental coordinator has been employed to prepare proposals for an environmental management system and to contribute to more systematic environmental work at the Riksbank.

In the same way that policy work is gradually evolving to take account of climate change, sustainability reporting is changing as data becomes available and methods are developed.

For several years, the Riksbank has published various measures relating to internal environmental work, see Table 11. Since 2021, the Riksbank measures and publishes the carbon footprint of the Riksbank's portfolio of corporate bonds (see also the chapter 'Asset management').

**Table 11 Metrics for monitoring environmental sustainable development**

	2021	2022	2023
Carbon dioxide emissions from official travel (tonnes), total per employee	0.08	1.15	1.73
Total energy consumption (MWh)	5,785	5,549	5,754
Total energy consumption per employee (MWh per square metre)	14.6 (0.22)	13.1 (0.21)	12.6 (0.22)

Note: 'Employee' refers here to the average number of full-time employees. Since the second half of 2021, carbon dioxide emissions from business travel also include emissions from rail travel. Energy consumption refers only to the Riksbank building.

Source: The Riksbank.

## Workplace and employees

For the second year in a row, the Riksbank was awarded the Nyckeltalsinstitutet's prize for the best health index and placed first among employers based on the actual working conditions of more than 700,000 employees. We have very good values for all key health indicators and continue to be an attractive employer with good working conditions and healthy employees. The Riksbank implemented several preventive health initiatives during the year, such as health-inspiring breakfast options and lectures to motivate people to exercise. In addition, the fitness activities allowance was increased to SEK 5,000. Other activities, such as races and physical competitions as well as cultural events engaged many employees during the year through the associations at the Riksbank. Sickness absence remained low in 2023 at 1.21 per cent, a decrease compared to the previous year.

The employee survey showed that employees are generally satisfied with their work situation, although the overall index fell slightly from 75 to 73. Areas for improvement include prioritising tasks and getting more time for recovery. The Riksbank wants to maintain an open work culture where new ideas and suggestions are taken advantage of in the organisation and where employees feel included and important.

The Riksbank introduced permanent opportunities for teleworking for part of the working week when operations permit.

Preparations for the extensive renovation of the Riksbank building and the completion of the replacement premises were intensive during the year. Preparations for the changes next year also included a review of working arrangements, regulations, benefits and so on.

### *Recruitment and skills supply*

The Riksbank continued to recruit new staff and employed 536 staff (457 FTEs) at the end of 2023. Women accounted for 46 per cent and men for 54 per cent. Around 49 per cent of managers are women and 51 per cent are men.

Staff turnover was 11 per cent, of which six were natural retirements. A total of 52 employees chose to leave the Riksbank and 106 recruitments were made, of which two were new heads of department.

The purpose of the new recruitments was primarily to meet the demands placed on the organisation and to be able to continue investing in areas such as crisis preparedness. An increase of 17 recruitments was made during the year, compared to 2022.

Part of this year's skills analysis showed that the Riksbank needs to enhance its skills in data analysis and increase its general data maturity. To develop leadership skills among its managers, the Riksbank has established a cooperation with the Swedish Tax Agency, which offers a mentoring programme within the public sector.

# BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

## Summary

### **Balance sheet**

In 2023, the Riksbank's balance sheet total decreased by SEK 244,263 million. The decrease is mainly due to the Riksbank's securities holdings in Swedish kronor decreasing by SEK 193,817 million as a result of sales and maturities.

The foreign currency reserves decreased by SEK 63,421 million, mainly due to the repayment of the foreign currency debt to the Swedish National Debt Office, which was already pre-deposited at the end of 2022.

The table below summarises the Riksbank's balance sheet and how it has changed compared with the previous year. To avoid discrepancies in comparison with the balance sheet items presented in the section 'Asset management', accrued interest has been allocated to the relevant asset and liability item.

**The Riksbank's assets and liabilities***SEK million*

	<b>2023</b>	<b>2022</b>	<b>Change</b>
<b>Assets</b>			
Gold	83,928	76,488	7,440
Receivables from the IMF	116,078	116,053	25
Foreign currency reserves <sup>1</sup>	418,915	482,336	-63,421
Lending facility	213	-	213
Securities denominated in Swedish kronor	629,927	823,744	-193,817
Other assets	6,637	1,340	5,297
<b>Total assets</b>	<b>1,255,698</b>	<b>1,499,961</b>	<b>-244,263</b>
<b>Liabilities</b>			
Banknotes and coins in circulation	58,462	64,956	-6,494
Deposit facility	246,516	574,293	-327,777
Debt certificates issued	740,653	583,848	156,805
Liabilities to the Debt Office in foreign currency <sup>2</sup>	2,606	76,140	-73,534
Deposit repos in foreign currency	3,374	-	3,374
Counterpart for Special Drawing Rights	88,231	90,833	-2,602
Other liabilities	6,017	11,087	-5,070
Provisions	426	423	3
Revaluation accounts	111,404	116,563	-5,159
Equity	-18,182	62,552	-80,734
Reported result	16,191	-80,734	96,925
<b>Total liabilities</b>	<b>1,255,698</b>	<b>1,499,961</b>	<b>-244,263</b>

<sup>1</sup> The item 'Foreign currency reserves' consists of balances with banks, loans and security investments, which are reported in the balance sheet under the heading 'Claims on residents outside Sweden denominated in foreign currency'.

<sup>2</sup> The liability to the Swedish National Debt Office is reported in the balance sheet under the item 'Liabilities to residents of Sweden denominated in foreign currency'.

**Profit and loss account**

The Riksbank's result, according to the profit and loss account for 2023, amounted to SEK 16,191 million, which is SEK 96,925 million better than the previous year. The total result, which also includes unrealised changes in value, amounted to SEK 11,032 million, which is SEK 63,910 million higher than the corresponding period last year. The improved result is mainly explained by the fact that bond yields did not rise as much in 2023 as they did in 2022, resulting in lower unrealised losses due to changes in interest rates. In addition, interest income has increased due to the reversal of part of the previous year's write-down of the bond holdings.



As a result of the higher policy rate, interest expenses for the liability items 'Deposit facility' and 'Debt certificates issued' have increased by SEK 30,510 million compared with the same period last year.

Realised result due to changes in the exchange rate amounted to SEK 16,449 million, of which SEK 10,291 million is explained by the Executive Board's decision to hedge parts of the foreign currency reserves.

Administrative costs amounted to SEK -1,386 million, which is 93 per cent of the annual budget.

The table below shows the Riksbank's result broken down by the Riksbank's main asset classes, i.e. Gold, Foreign currency reserves and Securities denominated in Swedish kronor. The result for each asset class includes unrealised gains and losses reported in the revaluation account in the balance sheet. After reversal of this unrealised result, the result of the table corresponds to that reported in the Riksbank's profit and loss account.

### The Riksbank's result

SEK million

	2023	2022	Change
<b>Gold</b>	<b>7,440</b>	<b>9,808</b>	<b>-2,368</b>
<i>Unrealised result due to change in gold price</i>	7,440	9,808	-2,368
<b>Foreign currency reserves<sup>3</sup></b>	<b>15,248</b>	<b>13,631</b>	<b>1,617</b>
Net interest income	17,065	6,292	10,773
<i>Realised result due to change in interest rates</i>	397	-16,226	16,623
<i>Unrealised result due to change in interest rates</i>	3,361	-3,300	6,661
<i>Write-down due to change in interest rates</i>	-970	-20,522	19,552
<i>Realised result due to change in exchange rate</i>	16,282	9,594	6,688
<i>Unrealised result due to change in exchange rate</i>	-20,858	37,821	-58,679
<i>Fees</i>	-29	-28	-1
<b>Securities denominated in Swedish kronor</b>	<b>29,014</b>	<b>-60,975</b>	<b>89,989</b>
Net interest income	23,131	3,581	19,550
<i>Realised result due to change in interest rates</i>	-477	247	-724
<i>Unrealised result due to change in interest rates</i>	6,766	-5,697	12,463
<i>Write-down due to change in interest rates</i>	-406	-59,106	58,700
<b>Claims on banks in Swedish kronor<sup>4</sup></b>	<b>0</b>	<b>3</b>	<b>-3</b>
<i>Interest income</i>	0	3	-3
<b>Liabilities to banks in Swedish kronor<sup>5</sup></b>	<b>-38,668</b>	<b>-8,158</b>	<b>-30,510</b>
<i>Interest expenses</i>	-38,668	-8,158	-30,510
<b>Liabilities to the Debt Office in foreign currency</b>	<b>-1,198</b>	<b>-14,111</b>	<b>12,913</b>

	2023	2022	Change
<i>Interest expenses</i>	-171	-989	818
<i>Unrealised result due to change in exchange rate</i>	-1,027	-13,122	12,095
<b>IMF assets and liabilities</b>	<b>324</b>	<b>2,833</b>	<b>-2,509</b>
<i>Net interest income</i>	998	435	563
<i>Realised result due to change in exchange rate</i>	167	52	115
<i>Unrealised result due to change in exchange rate</i>	-841	2,346	-3,187
<b>Total return, asset management</b>	<b>12,160</b>	<b>-56,969</b>	<b>69,129</b>
<b>Change in risk provision</b>	<b>0</b>	<b>5,000</b>	<b>-5,000</b>
<b>Net interest earnings on administration and income from administration</b>	<b>258</b>	<b>232</b>	<b>26</b>
<b>Cost of administration</b>	<b>-1,386</b>	<b>-1,141</b>	<b>-245</b>
<b>Total result</b>	<b>11,032</b>	<b>-52,878</b>	<b>63,910</b>
<b>Reversal of unrealised result above<sup>6</sup></b>	<b>5,159</b>	<b>-27,856</b>	<b>33,015</b>
<b>Result recorded in the profit and loss account</b>	<b>16,191</b>	<b>-80,734</b>	<b>96,925</b>

<sup>3</sup> The foreign currency reserves result includes the return from deposit repos in foreign currency.

<sup>4</sup> 'Claims on banks in Swedish kronor' refer to net interest income for the balance sheet items 'Structural operations' and 'Marginal lending facility'.

<sup>5</sup> 'Liabilities to banks in Swedish kronor' refer to net interest income for the balance sheet items 'Deposit facility' and 'Debt certificates issued'.

<sup>6</sup> The reversal corresponds to the change in the revaluation account. 'Unrealised result' refers to existing holdings and also reversal of unrealised gains with respect to holdings sold during the year.

## Accounting policies

The balance sheet and the profit and loss account for the Riksbank have been prepared in accordance with the Sveriges Riksbank Act and in accordance with the Rules for Bookkeeping and Annual Accounts at Sveriges Riksbank, last updated by the Executive Board on 7 June 2023 (Ref. no. 2023-00661) and entering into force on the same day. The update mainly clarified that the decision on the valuation principle for securities held for monetary policy purposes is taken by the Executive Board in connection with the decision on the acquisition of these securities.

The rules for current recording of transactions refer to the Bookkeeping Ordinance (2000:606), and the rules for annual accounting refer to the Accounting Guideline of the European System of Central Banks (ESCB), (EU) 2016/2249 (ECB/2016/34) as amended by (EU) 2019/2217 (ECB/2019/34) and (EU) 2021/2041 (ECB/2021/51).

Under Chapter 8, Section 2 of the Sveriges Riksbank Act, the Riksbank shall apply the ESCB's accounting guideline where relevant.

The ESCB Accounting Guideline is adopted by the Governing Council of the ECB and the Accounting and Monetary Income Committee (AMICO) reports to the Governing Council on the development, application and implementation of this guideline. When interpreting the accounting guideline, the preparatory work for the guideline, general accounting policies and good accounting practice shall be taken into account.

The Riksbank deviates from the ESCB Accounting Guideline in the following respects:

- In the presentation format for the balance sheet, the terms “euro” and “euro area” have been replaced by “Swedish kronor” and “Sweden” respectively, as Sweden has not introduced the euro as a means of payment.
- The depreciation rate for buildings is 50 years instead of 25 years as 50 years is considered to better reflect the actual lifespan of the Riksbank's buildings. There are also minor deviations exist for other fixed assets.
- The Riksbank's threshold for capitalising fixed assets is SEK 20,000 instead of EUR 10,000, justified by the fact that a lower capitalisation threshold is deemed to provide better control over the Riksbank's fixed assets.
- Discounts on discount securities with a maturity of more than one year at the time of acquisition are amortised on a straight-line basis rather than using the internal rate of return method. The deviation is justified because it is deemed to provide a more transparent reporting of the amortisations, and also means that amortisations for all securities are reported in the same way.

The deviations from the ESCB Accounting Guideline are set out in the Rules for Bookkeeping and Annual Accounts at Sveriges Riksbank.

The cash flow statement is presented as part of the Annual Report, which is not a requirement of the ESCB Accounting Guideline. The analysis has been prepared with the guidance of International Accounting Standard (IAS) 7. The deviation is justified by the fact that the cash flow statement provides valuable information, in particular on the result and the change in cash and cash equivalents.

### **Changes in accounting policies**

There was no change in accounting policies in 2023.

### **Fundamental accounting policies**

The following fundamental accounting principles have been applied:

- The accounting shall reflect financial reality and be characterised by transparency.
- The valuation of assets and liabilities and for income recognition shall be carried out prudently.
- Deviations from the accounting policies may only occur if such deviations can reasonably be considered immaterial on the whole in the light of the Riksbank's year-end accounts.
- The criteria for measuring balance sheet items and for income recognition shall be applied consistently.
- Assessment of assets and liabilities shall be made on the assumption of a going concern.
- Income and expenditure shall be recognised as revenue and expenditure during the accounting period they were earned or arose, regardless of when payment is made.
- Assets and liabilities shall be adjusted to take into account events that occur between the end of the financial year and the date the annual accounts are adopted by the Executive Board, provided that these events have affected the value of the assets or liabilities on the closing date.

### **Recognition of assets and liabilities**

Assets and liabilities are only reported in the balance sheet if it is probable that any future financial results connected to the asset or liability will comprise a flow to or from the Riksbank and if essentially all risks and rights related to the asset or liability have been transferred to or from the Riksbank.

### **Trade date accounting**

Foreign exchange and securities transactions are recognised in the balance sheet on the settlement date. Realised gains and losses from net sales are registered on the trade date.

## Provision for financial risks

A provision for market, liquidity and credit risk may be made on the basis of a justified estimation of the risk exposure.

## Balance sheet valuation rules

Gold and securities are valued at the market exchange rates and market prices prevailing on the closing date. According to the accounting rules, it is possible, based on monetary policy considerations, to value securities held for monetary policy purposes at amortised cost subject to impairment. The Riksbank has not chosen to apply this valuation method. The exchange rates below were used for revaluation at year-end. In the table below, the exchange rates have been rounded off to four decimal places.

### Exchange rates

	31/12/2023	31/12/2022
EUR/SEK	11.1185	11.1450
USD/SEK	10.0511	10.4177
GBP/SEK	12.8080	12.5817
AUD/SEK	6.8615	7.0897
CAD/SEK	7.6134	7.6985
SDR/SEK	13.4894	13.9212
NOK/SEK	0.9929	1.0589
JPY/SEK	0.0713	0.0790
DKK/SEK	1.4913	1.4989

Source: Bloomberg.

Receivables, balances and liabilities are valued at nominal value. Amounts in foreign currencies are translated at the closing rate, except for receivables and liabilities reported under the items 'Other assets' and 'Other liabilities'. These are valued at the exchange rate on the trade date.

Shares and participations are valued at cost of acquisition.

Tangible and intangible fixed assets are valued at cost of acquisition and depreciated according to plan. Buildings are depreciated over a period of 50 years, other fixed assets over 5-25 years. Machinery and equipment are depreciated over 3-7 years. Land and art are not depreciated. For IT systems developed in-house at the Riksbank, payroll expenses for certain IT staff are included in the acquisition value of the asset.

## Reversed transactions

Repurchase agreements are reported as loan transactions and therefore do not affect the holdings of securities and gold. A repurchase or repo agreement is

an agreement to sell assets, such as securities or gold, whereby the seller simultaneously undertakes to repurchase the assets at a specified price on a specific date in the future.

Assets pledged by the Riksbank as collateral for deposit repos continue to be reported in the balance sheet and are valued in accordance with the applicable rules for the Riksbank's other holdings of securities and gold. An amount equivalent to the received purchase sum is reported as a liability, while the transferred assets are reported as memorandum items.

Assets obtained by the Riksbank under reverse repos are not reported in the balance sheet because they constitute loan collateral. An amount corresponding to the purchase sum is reported as a receivable. The difference between the repo's two payments (spot and forward) is allocated over the term of the repo.

Transactions carried out within the framework of agreements on automatic repos are only reported in the balance sheet if the collateral is pledged in the form of cash paid into an account at the Riksbank.

### **Banknotes and coins**

The balance sheet item "Banknotes and coins in circulation" is equivalent to the nominal value and calculated by deducting, from the value of the banknotes and coins received by the Riksbank from the manufacturers, both the value of the banknotes and coins in the Riksbank's depots, and the value of the banknotes and coins the Riksbank has destroyed and cancelled. Banknotes and coins in circulation that are no longer legal tender are recognised in the profit and loss account at the latest when they are no longer redeemed by the Riksbank. However, they shall be recognised in the profit and loss account earlier if only a small amount is expected to remain to be redeemed and the Riksbank makes a provision for this amount at the same time. Commemorative coins and banknotes in circulation shall be recognised in the profit and loss account when the issue has been in circulation for more than 10 years.

### **Income recognition**

Realised gains and losses are transferred to the profit and loss account.

Unrealised gains are transferred to a revaluation account in the balance sheet.

Unrealised losses are transferred to the profit and loss account if they exceed unrealised gains that may have been previously posted in the corresponding revaluation account. Unrealised losses recognised in the profit and loss account may not be reversed to offset new unrealised gains in later years. Unrealised losses in a particular security, a particular currency or gold are not netted against unrealised gains in other securities, currencies or gold.

Premiums and discounts on securities purchased are calculated and reported as part of interest income and are written off during the securities' remaining time to maturity. Write-downs shall adjust the recorded premium or discount amounts of the securities downwards and will therefore be reversed as interest income over the securities' remaining time to maturity.

Valuation adjustments of the IMF's holdings in Swedish kronor are offset against the exchange-rate revaluations attributable to the Riksbank's quota in the IMF. The account balance in Swedish kronor have been hedged by the IMF against SDR, which causes exchange-rate conversion. This principle means that the balance of the krona account is valued as if it were in SDR instead of Swedish kronor.

### **Transaction costs**

With regard to gold, instruments in foreign currencies and securities, the average method is used daily to establish the acquisition cost of items sold when calculating effects of exchange rates and prices. When acquisitions of currency and gold are netted, the average acquisition cost for the day's acquisition of each individual currency and gold is added to the previous day's holdings to obtain a new weighted average of the exchange rate and the gold price, respectively. To calculate net sales, the realised result is calculated on the basis of the average acquisition cost on the previous day for the holding in question.

### **Derivative instruments**

Derivative instruments are valued contract by contract within each group of derivative instruments. Groups with a positive value are recorded as an asset and groups with a negative value as a liability.

FX forwards are recorded at a value equal to the contract's forward amount multiplied by the difference between closing-day rates and trade-day rates (spot). The difference between the trade-date exchange rate (spot) and the contracted forward exchange rate is allocated as interest over the term of the contract. On the trade date, currency sold, multiplied by the difference between the trade-date exchange rate (spot rate) and the average acquisition rate, is booked as realised gains or losses.

The spot leg of FX swaps is booked on the settlement date at the trade-date exchange rate (spot). The forward leg of FX swaps is booked in the same way as FX forwards, i.e. at a value equal to the contract's forward amount multiplied by the difference between the closing-day rate and the trade-date rate (spot). The difference between the trade-date exchange rate (spot) and the contracted forward exchange rate is allocated as interest over the term of the contract. Unlike FX forwards, no realised foreign exchange-rate gains or losses arise when recording FX swaps.

Futures contracts are booked daily as realised gains/losses at an amount equal to the value calculated in the daily settlement.

## Balance sheet

*SEK million*

Assets		31/12/2023	31/12/2022
<b>Gold</b>	Note 1	83,928	76,488
<b>Claims on residents outside</b>			
<b>Sweden denominated in foreign currency</b>			
Receivables from the IMF	Note 2	115,273	115,530
Balances with banks, loans and security investments	Note 3	416,301	480,274
		531,574	595,804
<b>Lending to credit institutions</b>			
<b>in Sweden related to monetary policy operations denominated in Swedish kronor</b>			
Structural operations	Note 4	–	–
Lending facility	Note 5	213	–
		213	–
<b>Securities issued by residents</b>			
<b>in Sweden denominated in Swedish kronor</b>			
	Note 6	626,688	819,664
<b>Other assets</b>			
Tangible and intangible fixed assets	Note 7	605	600
Financial assets	Note 8	554	554
Derivative instruments	Note 9	5,299	–
Prepaid expenses and accrued income	Note 10	6,684	6,721
Other assets	Note 11	153	130
		13,295	8,005
<b>Total assets</b>		<b>1,255,698</b>	<b>1,499,961</b>



<b>Liabilities and equity</b>		<b>31/12/2023</b>	<b>31/12/2022</b>
<b>Banknotes and coins in circulation</b>			
Banknotes	Note 12	55,314	61,798
Coins	Note 13	3,148	3,158
		58,462	64,956
<b>Liabilities to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor</b>			
Deposit facility	Note 14	246,516	574,293
<b>Other liabilities to credit institutions in Sweden denominated in Swedish kronor</b>			
	Note 15	251	268
<b>Debt certificates issued</b>			
	Note 16	739,749	583,726
<b>Liabilities to other residents in Sweden denominated in Swedish kronor</b>			
	Note 17	4,820	2,436
<b>Liabilities to residents outside Sweden denominated in Swedish kronor</b>			
	Note 18	587	8,230
<b>Liabilities to residents in Sweden denominated in foreign currency</b>			
	Note 19	2,614	75,586
<b>Liabilities to residents outside Sweden denominated in foreign currency</b>			
	Note 20	3,371	–
<b>Counterpart for Special Drawing Rights allocated by the IMF</b>			
	Note 21	87,613	90,417
<b>Other liabilities</b>			
Accrued expenses and prepaid income	Note 22	1,797	1,174
Other liabilities	Note 23	79	71
		1,876	1,245
<b>Provisions</b>			
	Note 24	426	423
<b>Revaluation accounts</b>			
	Note 25	111,404	116,563
<b>Equity</b>			
Primary capital fund	Note 26	–	1,000
Reserves	Note 27	–18,182	61,552
		–18,182	62,552
<b>Result for the year</b>		16,191	–80,734
<b>Total liabilities and equity</b>		<b>1,255,698</b>	<b>1,499,961</b>

## Profit and loss account

<i>SEK million</i>		<b>2023</b>	<b>2022</b>
Interest income	Note 28	45,106	11,661
Interest expenses	Note 29	-42,792	-10,503
Net result of financial transactions, write-downs and risk provisions	Note 30	14,993	-80,961
Fees and commission income	Note 31	170	143
Fees and commission expenses	Note 32	-29	-28
Dividends received	Note 33	71	64
Other income	Note 34	58	31
<b>Total net income</b>		<b>17,577</b>	<b>-79,593</b>
Staff costs	Note 35	-671	-589
Administrative expenses	Note 36	-531	-471
Depreciation of tangible and intangible fixed assets	Note 37	-71	-66
Banknote and coin expenses	Note 38	-113	-15
<b>Total expenses</b>		<b>-1,386</b>	<b>-1,141</b>
<b>Result for the year</b>		<b>16,191</b>	<b>-80,734</b>

## Cash flow statement

SEK million

	31/12/2023	31/12/2022
<b>OPERATING ACTIVITIES</b>		
<i>Cash flow from operating activities, profit and loss</i>		
Interest received	16,163	11,816
Interest paid	-42,122	-10,179
Net received from financial transactions	16,369	-6,333
Fees and commissions received	170	143
Fees and commissions paid	-29	-28
Other income	58	31
Management costs paid	-1,264	-1,116
	-10,655	-5,666
<i>Cash flow from operating activities, assets</i>		
Receivables from the IMF	-4,744	1,571
Securities denominated in foreign currency	4,998	-82,877
Structural operations	-	19,000
Securities denominated in Swedish kronor	212,239	82,129
Other asset items	16	-102
	212,509	19,721
<i>Cash flow from operating activities, liabilities</i>		
Banknotes and coins in circulation	-6,494	3,494
Liabilities to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor	-327,777	-13,775
Debt certificates issued	156,023	48,719
Liabilities to residents outside Sweden denominated in Swedish kronor	-7,643	-133
Liabilities to residents in Sweden denominated in foreign currency	-73,427	-65,398
Liabilities to residents outside Sweden denominated in foreign currency	3,371	-
Other liability items	2,803	-32,387
	-253,144	-59,480
<b>Cash flow from operating activities</b>	-51,290	-45,425
<b>INVESTMENT ACTIVITIES</b>		
Acquisition and disposal of tangible and intangible fixed assets	-76	-90
Acquisition and disposal of financial assets	-	-
Dividends received	71	64
<b>Cash flow from investment activities</b>	-5	-26

The table continues on the next page.

	31/12/2023	31/12/2022
<b>FINANCING ACTIVITIES</b>		
Transfer to the Treasury	–	–3,900
<b>Cash flow from financing activities</b>	–	–3,900
<b>Cash flow for the period</b>	–51,295	–49,351
<b>Cash and cash equivalents at the beginning of the period</b>	<b>57,812</b>	<b>96,478</b>
Cash flow from operating activities	–51,290	–45,425
Cash flow from investment activities	–5	–26
Cash flow from financing activities	–	–3,900
Exchange rate difference on cash and cash equivalents	–1,019	10,685
<b>Cash and cash equivalents at the end of the period</b>	<b>5,498</b>	<b>57,812</b>
<b>Specification of cash and cash equivalents</b>		
	<b>31/12/2023</b>	<b>31/12/2022</b>
Bank accounts, bank lending and reverse repos denominated in foreign currency, see Note 3	5,285	57,812
Lending facility	213	–
<b>Total cash and cash equivalents</b>	<b>5,498</b>	<b>57,812</b>

The cash flow statement shows cash inflows and outflows during the period and cash and cash equivalents at the beginning and end of the period. The analysis is divided into payments from operating, investing and financing activities.

In theory, the Riksbank can create an unlimited amount of liquidity in the national currency. In practice, this capacity is limited by the amount of assets the Riksbank accepts as collateral in its lending and the amount of assets the Riksbank can purchase or invest in.

### Operating activities

Cash flows attributable to operating activities come from the Riksbank's core operations. Cash flow from operating activities, profit and loss, is based on the Riksbank's recorded result. Adjustments are made for items that do not affect cash flow or do not belong to operating activities. In addition, changes are included that affect cash flow from balance sheet items that are part of operating activities.

In the cash flow statement, interest income has been adjusted downwards by the portion relating to the reversal of previous years' write-downs of bond holdings. The adjustment has been made because the reversal of write-downs has no cash flow impact and has been calculated by applying the 2022 percentage interest yield for 2023.

**Investment activities**

Investing activities consist of acquisitions and disposals of tangible and intangible fixed assets and the shares and participations reported under the item 'Financial assets'. It also includes dividends from share and participation holdings.

**Financing activities**

Financing activities consist of changes in equity that usually occur through dividends, also known as transfer to the Treasury.

## Notes

SEK million

Figures in brackets refer to 2022.

### Note 1 Gold

	31/12/2023	31/12/2022
Quantity		
Troy ounces (million)	4.0421	4.0421
Price		
US dollar/troy ounce	2,065.8152	1,816.4217
SEK/USD	10.0511	10.4177
<b>Book value</b>	<b>83,928</b>	<b>76,488</b>

As of 31 December 2023, the Riksbank holds 4 million troy ounces (troy/oz.) of gold (4), which is equivalent to 125.7 tonnes. No gold was sold in 2023.

### Note 2 Receivables from the IMF

	31/12/2023	31/12/2022
Special Drawing Rights	92,149	93,273
Reserve position in the IMF		
Capital contribution (quota)	59,758	61,671
IMF krona account	-42,824	-43,785
	16,934	17,886
PRGT (Poverty Reduction and Growth Trust)	6,128	4,070
NAB (New Arrangements to Borrow)	62	301
<b>Total</b>	<b>115,273</b>	<b>115,530</b>

The Riksbank's holdings of Special Drawing Rights amounts to SDR 6,831 million (6,700). An amount equivalent to the total SDR allocated by the IMF is reported as a liability (see Note 21). At the end of 2023, the SDR holding was 336 million higher than the allocation, which equals SEK 4,536 million.

Under the item 'Reserve position in the IMF', the Riksbank's capital contribution (quota) in the IMF of SDR 4,430 million is booked net of the IMF's account for Swedish kronor. The IMF's account in Swedish kronor is a liabilities account that shows the proportion of the capital contribution that the Riksbank has paid into the IMF in Swedish kronor. The net reporting of these items means that only the part of the capital contribution used by the IMF for lending to member countries is reported as a receivable from the IMF. The account balance in Swedish kronor has been hedged by the IMF against SDR, which causes exchange rate conversion.

At the close of 2023, the Riksbank's PRGT lending was SDR 454 million (292) and NAB lending SDR 5 million (22).

In 2020, the Riksbank participated in a cancellation of Somalia's debt to the IMF, including by repaying funds accumulated as a result of the IMF making deductions from interest payments relating to the Riksbank's reserve position in the IMF. The ECB considers this form of participation in debt cancellation by national central banks to be incompatible with the ban on monetary financing. In its 2022 Annual Report, the ECB noted that a number of central banks, including the Riksbank, should instead be compensated by governments for their contributions to debt cancellation. The Riksbank therefore petitioned the Riksdag in October 2023 to request compensation including interest for its participation in the debt cancellation for Somalia, whereupon the government transferred SEK 21 million to the Riksbank in December 2023 as compensation for the Riksbank's contribution to the debt cancellation. This remuneration is reported under the item 'Other income'.

### Note 3 Balances with banks, loans and security investments

	31/12/2023	31/12/2022
Bank accounts	1,914	2,350
Bank lending	–	55,462
Reverse repos	3,371	–
Bonds	411,016	422,462
Short-term securities	–	–
<b>Total</b>	<b>416,301</b>	<b>480,274</b>

Bank deposits and securities are issued in Euro, US dollars, Pounds sterling, Australian dollars, Canadian dollars, Norwegian kroner, Danish kroner and Japanese yen. The distribution is shown in the table below. The securities have been recorded at quoted prices.

### Currency breakdown, balances with banks, loans and security investments

	31/12/2023	31/12/2022
Euro	86,507	100,844
US dollars	259,021	303,855
Pounds sterling	21,976	25,283
Australian dollars	22,049	20,552
Canadian dollars	10,638	12,088
Norwegian kroner	11,109	11,937
Danish kroner	5,001	5,714
Japanese yen	0	0
<b>Total</b>	<b>416,301</b>	<b>480,274</b>

The distribution of balances with banks, loans and security investments by maturity is shown in the table below.

**Maturity, balances with banks, loans and security investments**

<b>Maturity</b>	<b>Bal. w. banks and loans</b>	<b>Securities</b>
Up to 1 month	5,285	1,588
Over 1 month, up to 3 months	–	8,199
Over 3 months, up to 1 years	–	46,628
Over 1 year, up to 5 years	–	219,915
More than 5 years	–	134,686
<b>Total</b>	<b>5,285</b>	<b>411,016</b>

The Riksbank did not participate in any automatic securities lending programmes in 2023.

**Note 4 Structural operations**

Under this item, the Riksbank's lending to banks as a result of the Covid-19 pandemic was reported.

**Note 5 Lending facility**

This item is used to report overnight loans to banks on their RIX accounts at the Riksbank. Loans are provided against collateral, and the interest rate on the lending facility equals the Riksbank's policy rate plus 0.10 percentage points.

**Note 6 Securities of residents in Sweden denominated in Swedish kronor**

In 2012, the Riksbank began acquiring SEK-denominated securities in order to be able to purchase Swedish securities at short notice, either to ensure financial stability or to contribute to a better-functioning transmission mechanism in the event of a crisis in the financial system.

From 2015, the Riksbank increased the securities holding to make monetary policy more expansionary. In 2020-2021, the Riksbank continued to purchase securities to mitigate the economic impact of the pandemic. In early 2022, the Riksbank focused the purchases on compensating for maturing securities, and in June 2022 the Executive Board decided that the purchases in the second half of the year would be designed to reduce the holding. In November 2022, the Executive Board signalled that the securities holding will decrease as it matures after the turn of the year. In February 2023 the Executive Board decided to start selling the monetary policy government bond holding with effect from 4 April.

The securities have been recorded at quoted prices.



**Breakdown of SEK-denominated securities**

	31/12/2023	31/12/2022
Treasury bills	–	2,490
Government bonds	260,266	339,747
Covered bonds (mortgage bonds)	269,808	348,205
Municipal bonds	89,891	118,641
Corporate bonds	6,723	10,581
Commercial paper	–	–
<b>Total</b>	<b>626,688</b>	<b>819,664</b>

The breakdown of SEK-denominated securities by time to maturity is shown in the table below.

**Maturity for SEK-denominated securities**

<b>Maturity</b>	<b>Securities</b>
Up to 1 month	292
Over 1 month, up to 3 months	20,460
Over 3 months, up to 1 years	112,921
Over 1 year, up to 5 years	387,003
More than 5 years	106,012
<b>Total</b>	<b>626,688</b>

**Note 7 Tangible and intangible fixed assets**

	31/12/2023	31/12/2022
<b>Land and buildings</b>		
Cost of acquisition, 1 January	640	618
Acquisitions during the year	5	22
Divestments during the year	–	–
Cost of acquisition, 31 December	645	640
Acc. depreciation, 1 January	–342	–323
Depreciation for the year	–21	–19
Divestments during the year	–	–
Acc. depreciation, 31 December	–363	–342
Book value	282	298
<b>Machinery and equipment</b>		
Cost of acquisition, 1 January	832	773
Acquisitions during the year	71	68
Divestments during the year	–14	–9
Cost of acquisition, 31 December	889	832

*The table continues on the next page.*

	31/12/2023	31/12/2022
Acc. depreciation, 1 January	-530	-492
Depreciation for the year	-50	-47
Divestments during the year	14	9
Write-down for the year	-	-
Acc. depreciation, 31 December	-566	-530
Book value	323	302
<b>Total book value</b>	<b>605</b>	<b>600</b>
<b>Tax assessment value</b>		
Buildings	-	7
Land	-	2

The item 'Land and buildings' includes three properties, the headquarters in Stockholm and the cash provision offices in Sigtuna municipality (Broby) and Falun. The headquarters and the offices in Broby and Falun are classified as special units and are therefore not taxable.

Acquisitions in 2023 include IT investments to a value of SEK 47 million (16).

The item 'Book value machinery and equipment' includes intangible fixed assets in the form of application systems worth SEK 149 million (SEK 127 million).

#### Note 8 Financial assets

	31/12/2023	31/12/2022
<b>Shares and participations</b>		
Bank for International Settlements 17,244 shares at a par value of SDR 5,000, of which 25% are paid up	441	441
European Central Bank Value of participation EUR 12,092,886.02	110	110
Swift 43 shares (43)	3	3
<b>Total</b>	<b>554</b>	<b>554</b>

Non-euro area central banks of the European System of Central Banks (ESCB) are obliged to pay in 3.75 per cent of their capital subscription to the ECB. On 31 December 2023 the Riksbank's capital subscription was 2.9790 per cent and the ECB's total subscribed capital was EUR 10,825,007,069.61. The capital subscription is based on each country's GDP and population and is calculated every five years. The subscription paid is to cover some administration costs of participation in the ESCB. Non-Eurosystem central banks in the ESCB are not entitled to any allocation of profit from the ECB and have no obligation to cover any losses incurred by the ECB. As of 1 January 2024, the percentage capital subscriptions were updated, in accordance with the five-year rule above, so that the Riksbank's capital subscription thereafter amounts to 2.9441 per cent and the paid-in subscription amount to EUR 11,951,213.74.

**Note 9 Derivative instruments**

	31/12/2023	31/12/2022
FX forwards, AUD	-3	-
FX forwards, CAD	-2	-
FX forwards, DKK	0	-
FX forwards, EUR	-3	-
FX forwards, GBP	-1	-
FX forwards, NOK	-5	-
FX forwards, USD	20	-
	<b>6</b>	-
FX swaps, EUR	368	-
FX swaps, USD	4,925	-
	<b>5,293</b>	-
<b>Total</b>	<b>5,299</b>	-

Derivative instrument groups with a positive value are reported under this item. The table above shows the valuation of the Riksbank's derivative instruments broken down by instrument group and currency. Outstanding FX swaps have been made in accordance with the Executive Board's decision in September 2023 to hedge part of the foreign currency reserves. The hedging involves the Riksbank selling foreign currency against Swedish kronor and then entering into FX swaps with the same amount in the FX market. The interest cost of the FX swaps amounted to SEK 163 million for 2023. Outstanding FX forwards have been entered into in order to maintain the different currencies' share of the total foreign currency reserves measured in Swedish kronor.

**Nominal amounts of derivative contracts, converted into Swedish krona**

	31/12/2023	31/12/2022
FX forwards, AUD	501	-
FX forwards, CAD	228	-
FX forwards, DKK	39	-
FX forwards, EUR	534	-
FX forwards, GBP	89	-
FX forwards, NOK	410	-
FX forwards, USD	1,698	-
	<b>3,499</b>	-
FX swaps, EUR	13,480	-
FX swaps, USD	66,237	-
	<b>79,717</b>	-
<b>Total</b>	<b>83,216</b>	-

**Note 10 Prepaid expenses and accrued income**

	<b>31/12/2023</b>	<b>31/12/2022</b>
Receivables from the IMF	805	523
Bonds in foreign currency	2,611	2,062
Reverse repos	3	–
Derivative instruments	–	0
Government bonds denominated in Swedish kronor	1,746	2,080
Covered bonds denominated in Swedish kronor	1,074	1,468
Municipal bonds denominated in Swedish kronor	382	488
Corporate bonds denominated in Swedish kronor	37	44
Other	26	56
<b>Total</b>	<b>6,684</b>	<b>6,721</b>

**Note 11 Other assets**

	<b>31/12/2023</b>	<b>31/12/2022</b>
Staff loans	80	96
Accounts receivable	2	0
VAT recoverable	13	11
Balances with banks	58	23
Other	0	0
<b>Total</b>	<b>153</b>	<b>130</b>

**Note 12 Banknotes**

	<b>31/12/2023</b>	<b>31/12/2022</b>
1,000 krona	1,653	2,048
500 krona	40,387	45,548
200 krona	3,848	4,444
100 krona	2,520	2,706
50 krona	794	834
20 krona	955	986
Invalid banknotes	5,157	5,232
<b>Total</b>	<b>55,314</b>	<b>61,798</b>

Banknotes in circulation are distributed among the above denominations. The item 'Invalid banknotes' contains banknotes in circulation that ceased to be legal tender at the end of 2013, in June 2016 and in June 2017. Banknotes that have been invalid for more than ten years are normally written off from the liability for banknotes in circulation. At the same time, a provision is then made for the outstanding amount expected to be redeemed, and the remainder is recognised as income. The Riksbank may redeem invalid banknotes if there are particular grounds. At the end of 2023, the value of the banknotes received

by the Riksbank but still awaiting a redemption decision was SEK 11 million (24).

**Note 13 Coins**

	31/12/2023	31/12/2022
10 krona	2,011	2,045
5 krona	518	511
2 krona	402	390
1 krona	217	212
Commemorative coins	–	–
<b>Total</b>	<b>3,148</b>	<b>3,158</b>

The coins in circulation are distributed among the above denominations.

**Note 14 Deposit facility**

Overnight deposits from the Riksbank's monetary policy counterparties in their RIX accounts at the Riksbank are reported here. The interest rate on the deposit facility during the year corresponded to the Riksbank's policy rate minus 0.10 percentage points. This liability decreased during the year mainly as a result of the sale and maturity of the monetary policy securities holdings and the expiry of the limit on the volume of debt certificates issued on 14 February 2023.

**Note 15 Other liabilities to credit institutions in Sweden denominated in Swedish kronor**

This item is used to report overnight deposits in RIX accounts from credit institutions that have their headquarters or a branch in Sweden but are not monetary policy counterparties. The interest rate on these deposits during the year corresponded to the Riksbank's policy rate minus 0.10 percentage points.

**Note 16 Debt certificates issued**

This item is used to report the Riksbank's issuance of debt certificates, done to absorb liquidity from the financial system at a longer maturity and higher interest rate than the deposit facility. The interest rate on these deposits corresponds to the policy rate, normally with a maturity of one week. The volume of outstanding Riksbank Certificates is determined by banks' demand for them. For most of 2020, the Riksbank chose to limit the volume of Riksbank Certificates to SEK 380,000 million, to allow the deposit facility reserves in the payment system to grow in line with the Riksbank's lending and securities purchases in Swedish kronor. On 4 May 2021, the issuance volume was limited to half of the outstanding liquidity surplus in RIX, to ensure that there was ample extra daily liquidity in RIX during the pandemic crisis while the market's overnight rates could be kept close to the Riksbank's policy rate. The limit on the issuance volume was removed on 14 February 2023, which meant that the item 'Debt certificates issued' increased during the year, even though the liquidity surplus in the banking system, i.e. the Riksbank's debt to the banks, decreased overall.

**Note 17 Liabilities to other residents in Sweden denominated in Swedish kronor**

This item is used to report overnight deposits in RIX accounts from central counterparties or clearing institutions that have their headquarters or a branch in Sweden but are not monetary policy counterparties and credit institutions. During the year, the deposit rate corresponded to the Riksbank's policy rate minus 0.10 percentage points.

**Note 18 Liabilities to residents outside Sweden denominated in Swedish kronor**

Accounts in Swedish kronor that the Riksbank holds on behalf of other central banks and international organisations are reported here. In addition, RIX account balances of SEK 172 (120) million are reported for participants with headquarters or a branch outside Sweden who are not monetary policy counterparties.

**Note 19 Liabilities to residents in Sweden denominated in foreign currency**

Since June 2009, foreign currency deposits from the National Debt Office have been reported under this item. The deposits were initially made to reinforce the foreign currency reserve. The Riksbank decided in January 2021 to replace foreign currency deposits from the Debt Office with deposits in Swedish kronor from banks, which are reported under the items 'Deposit facility' and 'Debt certificates issued'. The changeover was carried out gradually by purchasing an even distribution of currency over the period February 2021 to 31 December 2022. In 2023, the last two loans totalling USD 3,000 million and EUR 4,000 million (nominal) matured. The loan amount at the end of 2023, of SEK 2,589 million, refers to deposits from the Debt Office for lending to the IMF in accordance with the new Sveriges Riksbank Act. In connection with deposits from the Debt Office, the Riksbank receives US dollars or euro, which are recorded as a liability in SDR.

**Deposits of foreign currency**

	31/12/2023	31/12/2022
Euro from the Swedish National Debt Office	–	44,482
USD from Swedish National Debt Office	–	31,099
Deposits from the Debt Office for lending to the IMF	2,589	–
Account deposits from authorities	25	5
<b>Total</b>	<b>2,614</b>	<b>75,586</b>

**Note 20 Liabilities to residents outside Sweden denominated in foreign currency**

This item is used to report amounts corresponding to purchase sums received in foreign currency for deposit repos.

**Currency breakdown for deposit repos**

	31/12/2023	31/12/2022
Australian dollars	1,192	–
Euro	2,179	–
<b>Total</b>	<b>3,371</b>	<b>–</b>

**Note 21 Counterpart of Special Drawing Rights allocated by the IMF**

The Riksbank's liability corresponding to the Special Drawing Rights (SDR) allocated by the IMF is reported here. The total allocation is SDR 6,495 (6,495). The current holding of SDR amounts to SDR 6,831 million (6,700) and is reported under the item 'Receivables from the IMF' (see Note 2). At the end of 2023, the SDR allocation was 336 million lower than the holding, corresponding to SEK 4,536 million.

**Note 22 Accrued expenses and prepaid income**

	31/12/2023	31/12/2022
Deposit repos	3	–
Derivative instruments	164	–
Deposits, National Debt Office	–	559
Deposits, National Debt Office, IMF	17	–
Debt certificates issued	904	122
Counterpart for Special Drawing Rights	618	416
Other	91	77
<b>Total</b>	<b>1,797</b>	<b>1,174</b>

**Note 23 Other liabilities**

	31/12/2023	31/12/2022
Accounts payable - trade	55	49
Other	24	22
<b>Total</b>	<b>79</b>	<b>71</b>

**Note 24 Provisions**

	31/12/2023	31/12/2022
Pension provision	51	53
Banknotes and commemorative coins written off	359	364
Job Security Foundation	7	6
Other provisions	9	–
Financial risk provision	–	–
<b>Total</b>	<b>426</b>	<b>423</b>

The pension provision has been calculated by the National Government Employee Pensions Board (SPV). Out of the pension provision, including special payroll tax, SEK 50 million (52) refers to PA-91 pensioners with a date of retirement prior to 2003, and SEK 1 million (1) refers to persons who have



been granted a partial pension since 2003 or pension compensation prior to the age of 65. On 31 December 2002, the Riksbank redeemed its pension provision for those persons who on that date were employed by or entitled to an annuity from the Riksbank. The effect of the technical revaluations is reported as an increase in the pension provision. The effect of technical revaluations for 2023 was SEK 0.1 million and is reported as an increase in the pension provision (-0.1).

The item 'Banknotes and commemorative coins' refers to the estimated future cost of banknotes and commemorative coins written off that the Riksbank may still redeem.

The item 'Job Security Foundation' refers to provisions for professional development and competence exchange in accordance with an agreement with the Job Security Foundation. The item 'Other provisions' refers to the Executive Board's qualifying period salaries.

### Note 25 Revaluation accounts

	31/12/2023	31/12/2022
Price effect	13,578	3,451
Exchange rate effect	25,695	48,421
Gold value effect	72,131	64,691
<b>Total</b>	<b>111,404</b>	<b>116,563</b>

In special revaluation accounts, since 2004 unrealised gains and losses have been reported that consist of the difference between the cost of acquisition and the market values. At the transition to 2004, it was decided that the cost of acquisition should correspond to the market values as at 31 December 2003. If the unrealised losses exceed the unrealised gains at the end of the year, the difference is reported in the profit and loss account. This calculation is made security by security and currency by currency.

The price effect consists of unrealised gains on securities.

### Price effect

	31/12/2023	31/12/2022
Foreign securities	3,418	57
Treasury bills denominated in Swedish kronor	–	0
Government bonds denominated in Swedish kronor	6,894	3,394
Covered bonds denominated in Swedish kronor	2,345	0
Municipal bonds denominated in Swedish kronor	839	0
Corporate bonds denominated in Swedish kronor	82	0
<b>Total</b>	<b>13,578</b>	<b>3,451</b>

**Exchange rate effect**

	<b>31/12/2023</b>	<b>31/12/2022</b>
US dollars	15,363	33,042
Euro	2,093	3,667
Pounds sterling	1,615	1,811
Japanese yen	0	–
Australian dollars	1,145	2,252
Canadian dollars	998	1,451
Special Drawing Rights	4,079	4,920
Norwegian kroner	37	783
Danish kroner	365	495
<b>Total</b>	<b>25,695</b>	<b>48,421</b>

**Note 26 Primary capital fund**

According to the new Sveriges Riksbank Act, the Riksbank's primary capital fund shall amount to SEK 40,000 million on 1 January 2023, but the entire fund has been utilised in 2023 in accordance with the allocation of the 2022 result.

**Note 27 Reserves**

	<b>31/12/2023</b>	<b>31/12/2022</b>
Reserve fund	–	500
Retained profits (formerly Contingency fund)	–18,182	41,638
Balancing fund	–	19,414
<b>Total</b>	<b>–18,182</b>	<b>61,552</b>

The new Sveriges Riksbank Act states that the Riksbank shall no longer have a balancing fund and the Contingency fund shall be renamed 'Retained profits'. It also states that the Reserve fund shall remain in place but no funds shall be assigned as of 1 January 2023. This means that 'Retained profits' amounted to SEK 22,552 million on 1 January 2023, see the table below, which shows the repostings made between the Riksbank's equity items as of 1 January 2023 in accordance with the new Sveriges Riksbank Act.

**Change in the Riksbank's equity items in accordance with the new Sveriges Riksbank Act**

	<b>Primary capital fund</b>	<b>Reserve fund</b>	<b>Retained pro- fits</b>	<b>Balancing fund</b>
Balance, 31 December 2022	1,000	500	41,638	19,414
Reposting within equity	39,000	–500	–19,086	–19,414
<b>Balance, 01 January 2023</b>	<b>40,000</b>	<b>–</b>	<b>22,552</b>	<b>–</b>

The change in the Riksbank's equity after the allocation of the 2022 result is explained in the table below.

**Change in the Riksbank's equity after allocation of the 2022 result**

	Primary capi- tal fund	Reserve fund	Retained profits
Balance, 01 January 2023	40,000	–	22,552
Allocation of the 2022 result	–40,000	–	–40,734
<b>Balance, 31 December 2023</b>	–	–	<b>–18,182</b>

On 31 December 2023, the target level for the Riksbank's equity under the Riksbank Act's provision on profit distribution amounts to SEK 62,600 million on 31 December 2023. As the equity is less than one third of the target level, the Riksbank will, in accordance with the Riksbank Act's requirement, petition the Riksdag to restore equity.

**Note 28 Interest income**

	2023	2022
<i>From foreign assets:</i>		
SDR	3,652	1,125
Reserve position in the IMF	654	357
PRGT (Poverty Reduction and Growth Trust)	196	40
NAB (New Arrangements to Borrow)	7	4
Bank accounts	511	52
Bank lending	590	137
Reverse repos	242	17
Bonds	16,121	6,100
Derivative instruments	1	0
	21,974	7,832
<i>From domestic assets and liabilities:</i>		
Structural operations	–	3
Treasury bills	10	–
Government bonds denominated in Swedish kronor	8,096	1,416
Covered bonds denominated in Swedish kronor	11,016	1,508
Municipal bonds denominated in Swedish kronor	3,550	561
Corporate bonds denominated in Swedish kronor	459	133
Negative interest deposit facility	–	206
Staff loans	1	1
Correspondent accounts (Loro)	0	1
	23,132	3,829
<b>Total</b>	<b>45,106</b>	<b>11,661</b>

Interest income increased in 2023 by SEK 33,445 million, which is mainly explained by the reversal of parts of previous years' securities write-downs as interest income of SEK 8,809 million for the foreign holding and SEK 20,104

million for the domestic holding. These reversals have not been reported separately in the accounts, but have been calculated by assuming that the interest yield for 2023, excluding the reversal of write-downs, corresponds to the percentage interest yield of 2022, i.e. the year before the large write-downs were made.

### Note 29 Interest expenses

	2023	2022
<i>From foreign liabilities and assets:</i>		
Deposits, National Debt Office	-120	-989
Deposits, National Debt Office, IMF	-51	-
Deposit repos	-237	-14
Counterpart for Special Drawing Rights	-3,511	-1,091
Derivative instruments	-163	0
Other	0	0
	-4,082	-2,094
<i>From domestic assets:</i>		
Treasury bills	-	-37
Debt certificates issued	-31,903	-4,386
Deposit facility (RIX)	-6,765	-3,978
Cash depots	-42	-8
	-38,710	-8,409
<b>Total</b>	<b>-42,792</b>	<b>-10,503</b>

Interest expenses increased by SEK 32 289 million, which is mainly explained by the fact that the higher policy rate led to higher interest expenses for the Riksbank's liabilities to banks in the form of debt certificates issued and deposit facility.

### Note 30 Net result of financial transactions, write-downs and risk provisions

	2023	2022
<i>Price effect:</i>		
Realised result from foreign securities	397	-16,226
Write-down of foreign securities prices	-970	-20,522
Realised result from domestic securities	-477	247
Write-down of domestic securities prices	-406	-59,106
	-1,456	-95,607
<i>Exchange rate effect</i>		
Realised exchange rate effects	16,449	9,646
Write-down of currencies	-	-
	16,449	9,646
<i>Gold value effect:</i>		
Realised gold value effects	-	-

	2023	2022
<i>The table continues on the next page.</i>		
Write-down of gold	–	–
	–	–
<i>Financial risk provision:</i>		
Financial risk provision	–	5,000
	–	5,000
<b>Total</b>	<b>14,993</b>	<b>–80,961</b>

At the end of the year, price write-downs were made of the bond holdings with a market price at the end of the year that was lower than the acquisition price. At the turn of the year, there was no write-down requirement as regards the Riksbank's gold and currency holdings.

Of the realised exchange rate gain of SEK 16,449 million, SEK 10,291 million corresponds to currency hedging transactions decided by the Executive Board in September 2023.

The Executive Board decided on 10 January 2024 that no financial risk provision shall be made for the 2023 profit.

The exchange rate effect broken down by currency is shown in the table below.

#### **Exchange rate effect by currency**

	31/12/2023	31/12/2022
<i>Realised exchange rate effects:</i>		
US dollars	12,847	5,730
Euro	1,629	1,422
Pounds sterling	637	343
Japanese yen	–	–
Australian dollars	623	562
Canadian dollars	329	1,308
Special Drawing Rights	167	52
Norwegian kroner	120	151
Danish kroner	97	78
	16,449	9,646
<b>Total</b>	<b>16,449</b>	<b>9,646</b>

#### **Note 31 Fees and commission income**

The item includes annual and transaction fees for the RIX system of SEK 170 million (143).

#### **Note 32 Fees and commission expenses**

The item mainly comprises custody and transaction costs for management of the foreign currency reserves.

**Note 33 Dividends received**

In 2023, the Riksbank received a dividend from the BIS of SEK 71 million (64).

**Note 34 Other income**

	<b>2023</b>	<b>2022</b>
Reimbursement for the redemption of invalid banknotes	3	4
Unredeemed cash received	27	21
Reimbursement for discoloured banknotes, etc.	0	0
Sold for scrap	–	0
Sida	3	2
Compensation from the sale of machinery and equipment	–	–
Other	25	4
<b>Total</b>	<b>58</b>	<b>31</b>

The income from Sida relates to remuneration for technical assistance to central banks in some developing countries (see the box ‘International commitments’). Under the item ‘Other’, SEK 21 million refers to remuneration for the Riksbank’s participation in the IMF’s debt cancellation initiative for Somalia.

**Note 35 Staff costs**

	<b>2023</b>	<b>2022</b>
Salaries and benefits	–386	–342
Social security contributions	–120	–106
	–506	–448
Pension premiums	–115	–100
Pension payments	–6	–6
Change in pension provision	2	6
Special payroll tax	–29	–26
	–148	–126
Training	–4	–3
Staff representation	–1	–1
Other	–12	–11
	–17	–15
<b>Total</b>	<b>–671</b>	<b>–589</b>

Pension premiums were paid in accordance with the pension agreement for central government employees and others (PA 16).

The item ‘Pension payments’ refers to payments to pensioners retiring before 2003, and to persons who have been granted partial pension or pension compensation before the age of 65 since 2003.

Salaries and benefits to the members of the Executive Board amounted to SEK 15.5 million (14.9) in 2023, broken down as follows.

### Salaries and benefits to Executive Board members

	2023	2022
Erik Thedéen	3.3	–
Martin Flodén	2.7	2.6
Per Jansson	2.7	2.6
Henry Ohlsson	1.3	2.6
Anna Breman	2.9	2.6
Aino Bunge	2.6	0.2
Cecilia Skingsley	–	1.9
Stefan Ingves	–	2.2
Qualification period salaries	8.4	1.1
<b>Total</b>	<b>23.9</b>	<b>15.8</b>

The item “Qualification period salaries” refers to all Executive Board members employed during 2023. The General Council decided on 28 October 2011 that, during the statutory qualification period after the end of employment, members of the Board shall receive a full salary for a maximum of six months, minus any income from other employment during this period. According to the Sveriges Riksbank Act (2022:1568), since 1 January 2023 the Governor and a Deputy Governor may be reappointed once. As a consequence of this change, a provision for qualification period salaries has been made for all members of the Executive Board.

The General Council has decided that the Ordinance on Severance Benefits for Certain Employees employed as Senior Government Officials (2003:55) shall apply to all present members of the Executive Board with the exception of Anna Breman and Aino Bunge. For Anna Breman and Aino Bunge, the General Council has decided that the new Ordinance on Occupational Pension, Income Guarantee and Severance Pay for Heads of Government Agencies (2016:411) shall apply.

### Note 36 Administrative expenses

	2023	2022
Information, external representation	–7	–4
Transport, travel	–15	–10
Consulting assignments	–98	–87
Other external services	–137	–120
IT operations	–180	–163
Economics prize	–24	–20
Office and property maintenance	–53	–54
Other	–17	–13
<b>Total</b>	<b>–531</b>	<b>–471</b>

Information expenses include costs for the Riksbank's regular publications, including the Monetary Policy Reports, the Financial Stability Reports and the Annual Report.

Costs for representation amounted to SEK 1.7 million (0.9).

The item 'Transport, travel' includes the cost of the Riksbank's transport of banknotes and coins as well as travel costs.

Consulting costs amounted to SEK 97 million (86). This amount includes costs for IT consultants, including for the e-krona project, of SEK 75 million (65).

Within 'Other external services', the cost of statistics deliveries of SEK 82 million (81) is the single largest item. It refers mainly to remuneration to Statistics Sweden for preparing e.g. balance of payments and financial market statistics. It also includes an audit fee of SEK 2 million (2) to the Swedish National Audit Office and the General Council's auditors.

The item 'IT operations' includes licence costs of SEK 74 million (66) and costs for IT services of SEK 100 million (92).

The 'Economics prize' item includes the prize sum of SEK 11 million (10) and administration costs for the prize of SEK 13 million (10).

The largest items in the cost group 'Office and property maintenance' consist of refurbishment and maintenance of the Riksbank's premises of SEK 12 million (16) and rents of SEK 13 million (8).

#### **Note 37. Depreciation of tangible and intangible fixed assets**

This item is used to report scheduled depreciation of tangible and intangible fixed assets.

#### **Note 38 Banknote and coin expenses**

Total purchases of banknotes and coins in 2023 amounted to SEK 113 million (15). Banknotes were purchased for SEK 113 million (15). No coins were purchased in 2023 (-). No commemorative coins were purchased in 2023 (-).

#### **Note 39 Pledged assets and contingent liabilities, etc.**

##### **Pledged assets**

At the end of 2023, securities with a market value of SEK 3,345 million were pledged in connection with foreign securities repos (-).

##### **Contingent liabilities**

- At the end of 2023 there were no outstanding compensation claims (-).
- The Riksbank has a commitment to provide the Nobel Foundation with funds annually equalling the sum awarded for the prize in economic sciences in memory of Alfred Nobel and also to bear the administration costs for this prize. This undertaking amounted to SEK 23 million in 2023 (20).



- The Riksbank has committed to pay KPA Pensionsförsäkring AB supplementary compensation if so required as a result of index-linking the pension benefits to which the insured is entitled. This undertaking refers to personnel transferred from the Riksbank to AB Tumba Bruk (now Crane AB) in 1971. On 12 January 2024, this commitment was terminated as no significant claims have arisen in the last ten years and are not expected to arise in the future.

### Lending and exchange commitments to the IMF

At the end of 2023, the Riksbank's remaining lending and exchange commitments amounted to SEK 326,696 million (338,497), see the table and description below.

#### Remaining lending and exchange commitments to the IMF

	31/12/2023	31/12/2022
<i>Special Drawing Rights</i>		
Contractual commitment (2* allocation)	175,225	180,834
SDR allocation (see Note 21)	87,613	90,417
SDR holdings (see Note 2)	-92,149	-93,273
Remaining	170,689	177,978
<i>Capital contribution (quota)</i>		
Contractual commitment (Capital contribution, see Note 2)	59,758	61,671
Reserve position (see Note 2)	-16,934	-17,886
Remaining	42,824	43,785
<i>PRGT agreement</i>		
Contractual commitment	15,513	13,921
PRGT lending (see Note 2)	-6,128	-4,070
Remaining	9,385	9,851
<i>NAB</i>		
Contractual commitment	60,856	62,803
NAB lending (see Note 2)	-62	-301
Remaining	60,794	62,502
<i>Credit agreements</i>	43,004	44,381
<b>Total remaining commitment</b>	<b>326,696</b>	<b>338,497</b>

### *Special Drawing Rights*

The commitment regarding special drawing rights (SDR) means that the Riksbank, according to the IMF Articles of Agreement, may be obliged to buy SDR in exchange for foreign currency to such an amount that the Riksbank's total

SDR holding is a maximum of 300 per cent of the ordinary allocation, i.e. an allocated amount of SEK 87,613 million (90.417) plus twice the allocated amount of SEK 175,225 million (180,834). This commitment also includes the Riksbank's standing arrangement to, at the request of the IMF, buy or sell SDR in exchange for payment in US dollars or euro within an interval of 50 to 150 per cent of the Riksbank's total net allocation of SDR. As the Riksbank's holding of SDR amounts to SEK 92,149 million (93,273), see Note 2, the remaining commitment amounts to SEK 170,689 million (177,978).

### *Capital contribution*

The Riksbank's maximum commitment with regard to capital contribution amounts to the total capital contribution of SDR 4,430 million (4,430), which equals SEK 59,758 million (61,671). Since the share of the total contribution capital paid in foreign currency, i.e. the reserve position, amounted to SEK 16,934 million (17,886) at the end of 2023, the remaining commitment amounts to SEK 42,824 million (43,785), which corresponds to the balance on the IMF's krona account.

### *PRGT agreement*

In November 2016, July 2020 and December 2022, the Riksbank concluded agreements on lending to the IMF totalling SDR 1,150 billion, corresponding to SEK 15,513 million (13,921), under a programme called the Poverty Reduction and Growth Trust (PRGT). As the Riksbank's PRGT lending at year-end amounted to SEK 6,128 million (4,070), see Note 2, the remaining commitment amounts to SEK 9,385 million (9,851). The funds lent by the Riksbank in the programme may be used by the IMF for on-lending to low-income countries.

### *NAB*

The commitment regarding the Riksbank's NAB agreement (New Arrangements to Borrow) with the IMF means that the Riksbank is obliged to lend the IMF an amount not exceeding SDR 4,511 million (4,511), which corresponds to SEK 60,856 million (62,803). As the Riksbank's NAB lending at year-end amounted to SEK 62 million (301), see Note 2, the remaining commitment amounts to SEK 60,794 million (62,502).

This agreement is activated only in exceptional circumstances and aims to temporarily strengthen the IMF's lending capacity beyond the funds available under the item "Capital contribution". On 1 January 2021, with the consent of the Riksdag, the Riksbank's commitment under NAB was extended for a further five-year period.

### *Credit agreements*

In April 2017 the Riksbank, with the consent of the Riksdag, concluded an agreement to provide credit to the IMF in the amount of SDR 7,400 million. In order for the IMF to use the new agreement, the IMF's remaining funds for lending must be below a minimum threshold of SDR 100,000 million. In addition, the lenders, who together hold 85 per cent of the pledged loan resources, are also required to approve the activation of the agreements. Since 1 January 2021, a new bilateral agreement with the IMF has been in force, with the consent of the Riksdag. The new agreement covers an amount of SDR 3,188 million, corresponding to SEK 43,004 million (44,381).

### **Payment agreements**

- The Riksbank has committed to pay the BIS, three months after any demand, the remaining 75 per cent of the nominal value of the Riksbank's shareholding in the BIS. This commitment amounted to SDR 65 million (65) at the end of 2023, the equivalent of SEK 877 million (905).
- In 2020, the Riksbank signed a swap agreement with Norges Bank, whereby Norges Bank may, by special arrangement, borrow Swedish kronor in exchange for Norwegian kronor.

### **Contingent assets**

At the end of 2023 there were no outstanding compensation claims (–).

### **Deposit agreements**

- The BIS has issued a 'non-binding credit commitment', under which the BIS, at the request of the Riksbank and by special agreement, may lend foreign currency to the Riksbank. This credit commitment was extended in 2023 and is valid until 25 April 2024.
- The Riksbank has an agreement with the BIS whereby the Riksbank, by special arrangement, can make repo transactions with the BIS in securities denominated in US dollars, euro and pounds sterling. This agreement was extended in 2023 and expires on 15 April 2024.
- The Riksbank has a swap agreement with the ECB whereby the Riksbank may, by special arrangement, borrow euro in exchange for Swedish kronor.
- In 2020, the Riksbank signed a swap agreement with Norges Bank, whereby the Riksbank may, by special arrangement, borrow Norwegian kronor in exchange for Swedish kronor.
- The Riksbank has an agreement with the Federal Reserve concerning the US dollar repo facility (FIMA). Under the agreement, the Riksbank may repo its US government securities holdings to the Federal Reserve and obtain liquidity in dollars.
- The Riksbank has an agreement with the Swedish National Debt Office on borrowing to finance Sweden's IMF lending. Since 1 January 2023, the

Sveriges Riksbank Act requires the Riksbank to borrow from the Swedish National Debt Office to finance Sweden's lending to the IMF.

## Profit and loss account and balance sheet by function

The table below shows the Riksbank's net income and expenses by function. Amounts in SEK million.

Function	2023			2022		
	Net income	Ex-penses	Result	Net income	Ex-penses	Result
Monetary policy	1	-212	-211	2	-196	-194
Financial stability	74	-191	-117	68	-175	-107
Payments	158	-588	-430	160	-404	-244
Of which						
<i>Payment system</i>	170	-194	-24	143	-139	-4
<i>Cash provision</i>	-12	-291	-303	17	-164	-147
<i>Dev. and analysis</i>	0	-103	-103	0	-101	-101
Asset management	17,319	-228	17,091	-84,825	-208	-85,033
Statistics	0	-139	-139	0	-135	-135
Economics Prize and General Council, etc.	25	-28	-3	5,002	-23	4,979
<b>Total</b>	<b>17,577</b>	<b>-1,386</b>	<b>16,191</b>	<b>-79,593</b>	<b>-1,141</b>	<b>-80,734</b>

The breakdown shall reflect as closely as possible the actual use of resources for each function. The principle is that expenses and income shall, as far as possible, be allocated directly to each function without the use of an allocation key.

Payment system expenses shall be financed by fees from participants. Asset management shall generate the highest possible long-term return in relation to the task and the risk taken. For other functions, there is no cost coverage requirement.

The allocation model is based on the format of the balance sheet and profit and loss account, where the Riksbank's result for 2023 amounts to SEK 16,191 million (-80,734) and the Riksbank's assets and liabilities to SEK 1,255,698 million (1,499,961) on 31 December 2023.

### Allocation of expenses

#### *Staff costs, excluding IT personnel*

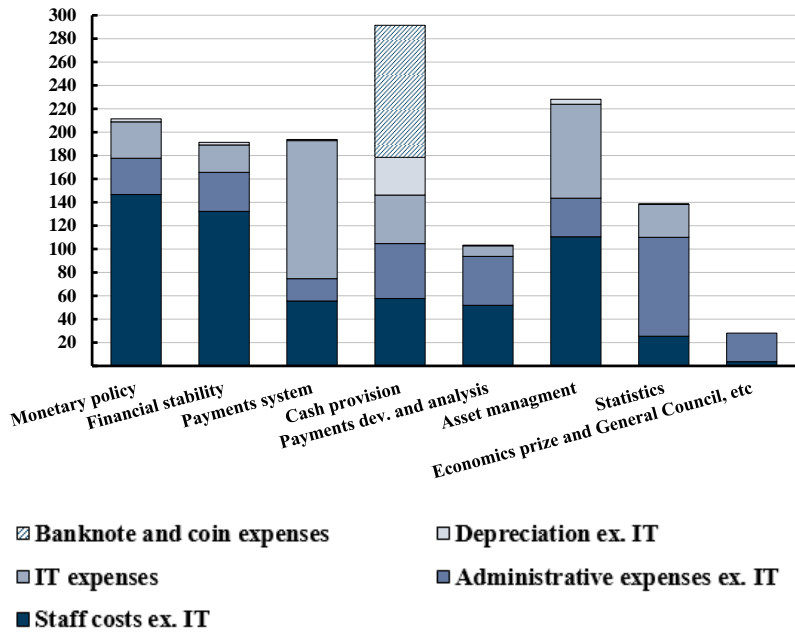
Staff costs for the employees directly involved in a function have been allocated based on the actual payroll expense. Payroll expenses for the employees included in the support functions have been allocated with the aid of an allocation key. The most commonly used key is the number of directly involved employees in relation to the total number of directly involved employees in all functions. In total, around 282 employees, or 60 per cent of the total of 471, are directly involved in one of the functions. The remaining 189 employees are in support functions, mainly IT, communication and internal services.

### *Administrative expenses, excluding IT expenses*

The Riksbank's process accounting means that the administrative expenses are directly allocated by function when invoices are registered.

However, a large part of the Riksbank's costs are common expenses, such as costs for premises, property maintenance, security and surveillance. These cannot be allocated directly but have been allocated using predefined keys, which usually consist of the number of employees directly involved per function in relation to the total number of directly involved employees in all functions.

**Chart 23 Allocation by nature of expense by function, 2023, SEK million**



Source: The Riksbank.

### *Depreciation, excluding IT-related investments*

Depreciation is directly allocated to the function supported by each facility or allocated using predefined keys.

### *Banknote and coin expenses*

The cost of purchasing banknotes and coins totalled SEK 113 million in 2023 (15). The costs are charged entirely to the Cash provision function.

*IT expenses*

IT expenses refer to the costs of IT operations. The IT cost allocation model is essentially based on the following principles: The expenses for workstations and basic systems are allocated on the basis of the number of directly involved employees per function in relation to the total number of directly involved employees in all functions. The expenses for application operation of business systems and other IT expenses (staff, consultants, licences, etc.) are allocated on the basis of the business system's fixed expenses for application operation divided by the total fixed expense for application operation for all business systems. Depreciation for business systems belonging to one or more functions is allocated directly to each system.

*Allocation of net income*

Income has been allocated to the function responsible for it. For example, the fact that seigniorage derives from cash provision has not therefore been taken into account. Instead, seigniorage income has been allocated to asset management. Seigniorage for 2023 amounted to SEK 1 112 million (50), which is SEK 80 million lower than the Riksbank's administrative expenses excluding the fee-financed costs for the payment system.

Net income in the Financial stability function consists mainly of the dividend from the Riksbank's holding of BIS shares.

Net income from asset management reported in the profit and loss account amounted to SEK 17,319 million (–84,825). Total return from the Riksbank's asset management for 2023 was SEK 12,160 million (–56,969).

**Allocation of assets and liabilities**

The table below shows the Riksbank's assets and liabilities by function in SEK million.

<b>Function</b>	<b>31/12/2023</b>		<b>31/12/2022</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Financial stability	441	–	441	–
Cash provision	–	58,821	–	65,320
Asset management	1,254,360	1,081,380	1,498,621	1,325,114
Unallocated	897	115,497	899	109,527
<b>Total</b>	<b>1,255,698</b>	<b>1,255,698</b>	<b>1,499,961</b>	<b>1,499,961</b>

The assets in the Financial stability function consist of the shareholding in the BIS.

The item 'Unallocated assets' mainly includes the items 'Tangible and intangible fixed assets' and 'Other assets'.

The item 'Unallocated liabilities' mainly includes equity, revaluation accounts and result for the year.

## Five-year overview

The five-year overview presents the balance sheet and profit and loss account restated according to current accounting policies.

### Balance sheet

<i>SEK million</i>	<b>31/12/2023</b>	<b>31/12/2022</b>	<b>31/12/2021</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
<b>ASSETS</b>					
<b>Gold</b>	83,928	76,488	66,680	62,897	57,488
<b>Claims on residents outside Sweden denominated in foreign currency</b>					
Receivables from the IMF	115,273	115,530	102,794	43,102	40,150
Balances with banks, loans and security investments	416,301	480,274	392,994	373,084	420,460
	531,574	595,804	495,788	416,186	460,610
<b>Lending to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor</b>					
Structural operations	–	–	19,000	167,500	–
Lending facility	213	–	68	–	–
	213	–	19,068	167,500	–
<b>Securities of residents in Sweden denominated in Swedish kronor</b>					
	626,688	819,664	974,712	640,836	375,534
<b>Other assets</b>					
Tangible and intangible fixed assets	605	600	576	596	633
Financial assets	554	554	554	552	532
Derivative instruments	5,299	–	–	–	42
Pre-paid expenses and accrued income	6,684	6,721	6,725	5,271	4,968
Other assets	153	130	146	148	158
	13,295	8,005	8,001	6,567	6,333
<b>Total assets</b>	<b>1,255,698</b>	<b>1,499,961</b>	<b>1,564,249</b>	<b>1,293,986</b>	<b>899,965</b>

*The table continues on the next page.*



	31/12/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019
<b>LIABILITIES AND EQUITY</b>					
<b>Banknotes and coins in circulation</b>					
Banknotes	55,314	61,798	58,315	59,717	60,383
Coins	3,148	3,158	3,147	3,136	3,105
	58,462	64,956	61,462	62,853	63,488
<b>Liabilities to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor</b>					
Deposit facility	246,516	574,293	588,068	494,574	117,666
<b>Other liabilities to credit institutions in Sweden denominated in Swedish kronor</b>					
	251	268	108	194	184
<b>Debt certificates issued</b>	739,749	583,726	535,007	380,002	314,944
<b>Liabilities to other residents in Sweden denominated in Swedish kronor</b>					
	4,820	2,436	806	349	303
<b>Liabilities to residents outside Sweden denominated in Swedish kronor</b>					
	587	8,230	8,363	1,648	3,740
<b>Liabilities to residents in Sweden denominated in foreign currency</b>					
	2,614	75,586	126,651	173,791	192,934
<b>Liabilities to residents outside Sweden denominated in foreign currency</b>					
	3,371	–	–	–	10,575
<b>Counterpart of SDR allocated by the IMF</b>					
	87,613	90,417	82,280	26,592	29,166
<b>Other liabilities</b>					
Accrued expenses and prepaid income	1,797	1,174	845	1,138	1,488
Other liabilities	79	71	65	47	37
	1,876	1,245	910	1,185	1,525

	31/12/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019
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The table continues on the next page.

<b>Provisions</b>	426	423	5,435	5,449	460
<b>Revaluation accounts</b>	111,404	116,563	88,707	74,061	82,119
<b>Equity</b>					
Primary capital fund	–	1,000	1,000	1,000	1,000
Reserves	–18,182	61,552	65,488	76,561	56,210
	–18,182	62,552	66,488	77,561	57,210
<b>Result for the year</b>	16,191	–80,734	–36	–4,273	25,651
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,255,698</b>	<b>1,499,961</b>	<b>1,564,249</b>	<b>1,293,986</b>	<b>899,965</b>

### Profit and loss account

<i>SEK million</i>	2023	2022	2021	2020	2019
Interest income	45,106	11,661	4,557	6,478	11,369
Interest expenses	–42,792	–10,503	–1,645	–2,840	–4,455
Net result of financial transactions, write-downs and risk provisions	14,993	–80,961	–2,165	–7,042	19,522
Fee and commission income	170	143	129	104	98
Fee and commission expenses	–29	–28	–23	–19	–18
Dividends received	71	64	110	–	55
Other income	58	31	59	48	56
<b>Total net income</b>	<b>17,577</b>	<b>–79,593</b>	<b>1,022</b>	<b>–3,271</b>	<b>26,627</b>
Staff costs	–671	–589	–546	–497	–442
Administrative expenses	–531	–471	–441	–431	–431
Depreciation of tangible and intangible fixed assets	–71	–66	–65	–71	–78
Banknote and coin expenses	–113	–15	–6	–3	–25
<b>Total expenses</b>	<b>–1,386</b>	<b>–1,141</b>	<b>–1,058</b>	<b>–1,002</b>	<b>–976</b>
<b>Result for the year</b>	<b>16,191</b>	<b>–80,734</b>	<b>–36</b>	<b>–4,273</b>	<b>25,651</b>

# ASSESSMENT OF INTERNAL CONTROL

The Executive Board is responsible for the Riksbank's operations and shall ensure that they are conducted in accordance with the Sveriges Riksbank Act. This is regulated in Chapter 7, Section 8 of the Sveriges Riksbank Act. The Executive Board shall ensure that the Riksbank has a process for internal governance and control that functions satisfactorily. This process shall include risk analysis, control measures, follow-up and documentation. In the Annual Report, the Executive Board shall provide its assessment of whether internal control has been satisfactory during the period covered by the Annual Report. This is regulated in Chapter 8, Section 3 of the Sveriges Riksbank Act.

## The Executive Board's assessment of the Riksbank's internal governance and control

The Executive Board has assessed whether the Riksbank's internal control in 2023 has met the requirements in the Sveriges Riksbank Act and concludes that it has been satisfactory for the period covered by the Annual Report.

Stockholm, 14 February 2024

Erik Thedéen  
Governor

Anna Breman  
First Deputy Governor

Per Jansson  
Deputy Governor

Martin Flodén  
Deputy Governor

Aino Bunge  
Deputy Governor

ANNEX 1

## The departments of the Riksbank and their tasks

### Payments Department

*Head of Department: Christina Wejshammar*

The Payments Department is responsible for the Riksbank's cash provision operations and the RIX payment system for large-value payments in Swedish kronor. The department is also tasked with monitoring developments in the payment market and coordinating the analysis of payment issues, including issues related to the e-krona.

### Financial Stability Department

*Head of Department: Olof Sandstedt*

The Financial Stability Department is responsible for the analysis of the stability and efficiency of the financial system and provides the basis for the Executive Board's decisions to promote a safe and efficient payment system. The department regularly analyses the risks and threats to the stability of the Swedish financial system. In addition, it coordinates the Riksbank's international work.

### Markets Department

*Head of Department: Heidi Elmér. Anders Gånge acting Head of Department from 8 May 2023 to 30 September 2023.*

The Markets Department manages the Riksbank's gold and foreign currency assets. It administers and settles transactions in the management of the Riksbank's financial assets, and regularly evaluates and measures the results and risks in this management. The department conducts monetary and foreign exchange policy operations in accordance with the monetary policy decisions. In addition, the department is responsible for the ongoing monitoring of the markets and SWESTR, the transaction-based reference rate.

### Monetary Policy Department

*Head of Department: Jesper Hansson until 5 March 2023. Mattias Erlandsson acting Head of Department from 6 March 2023 to 31 July 2023. Åsa Olli Se-gendorf Head of Department since 1 August 2023.*

The Monetary Policy Department is responsible for the economic analysis that forms a basis for the decisions made to meet the price stability target. The

department monitors and analyses economic and price developments, and is responsible for financial market and balance of payments statistics. This department also contains the Riksbank's Research Division.

## Internal Control and Operational Support Department

*Head of Department: Robert Sirkka*

The Corporate Services Department was renamed the Internal Control and Operational Support Department in order to clarify its mission. The department is responsible for the Riksbank's work on staff development and recruitment, procurement support, information management, office and property services, transport, security, budget documentation, and bookkeeping and payroll administration. The department is also responsible for coordinating crisis preparedness in the central payment system, information security and management of operational and financial risks.

## IT and Digitalisation Department

*Head of Department: Ulrika Pilestål*

The IT and Digitalisation Department is responsible for the Riksbank's digital development. The department is also responsible for the robust and secure operation, management and further development of the Riksbank's IT support. This also includes IT architecture, IT security and international IT cooperation. The department shall drive forward and support operational development and advise on how operations can be developed.

## General Secretariat

*Head of Department: Pernilla Meyersson acting Head of Department until 5 November 2023. Susanna Grufman Head of Department since 6 November 2023.*

The General Secretariat coordinates day-to-day operations and supports the Executive Board's governance and control, as well as strategic development of the Bank's activities. The department also provides secretariat services for the General Council, the Executive Board and the Management Group. The department includes functions for crisis preparedness, operational planning, legal support, data protection and business continuity coordination. The General Secretariat also coordinates the Riksbank's communication work and support for central banks in emerging market economies in the form of technical assistance.

## Internal Audit Department

*Head of Department: Simon Rörborn*

The Internal Audit Department reviews parts of internal governance and control selected by the Executive Board and supports other operations in these matters.

ANNEX 2

## The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2023

*The 2023 Alfred Nobel Memorial Prize in Economic Sciences was awarded to Claudia Goldin for improving the understanding of women's labour market outcomes.*

Claudia Goldin was born in 1946 in New York, USA and is a professor at Harvard University.

The Sveriges Riksbank Prize in Economic Sciences was established in connection with the Riksbank's 300th anniversary in 1968. By making a donation, the Riksbank committed itself to giving the Nobel Foundation each year in perpetuity the prize money and an amount equal to 65 per cent of the prize money to cover the Foundation's costs for administration and awarding the prize. The Riksdag decided in 2018 that the Riksbank may make an annual supplementary contribution to the Nobel Foundation to cover the increased costs of administering the economic prize. The Government has established the statutes for the prize. The prize is awarded every year to a person or persons who have produced work of outstanding importance in the field of economic sciences. The Royal Swedish Academy of Sciences selects the prize-winner(s) according to the same principles as for the Nobel Prizes. The prize amount is also the same. In 2023, the prize money amounted to SEK 11 million. This money is paid by the Riksbank.

In order to mark the year's Economics prize, the Riksbank hosted Nobel Calling, an online seminar for the general public in cooperation with the Nobel Prize Museum, on 9 October 2023. Participants were able to listen to discussions on the significance of the Nobel Prize and find out more about the year's Economics Nobel laureate. Deputy Governor Aino Bunge participated on behalf of the Riksbank.

The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel has been awarded every year since 1969. All previous laureates are listed on the Riksbank's website riksbank.se.

ANNEX 3

# Glossary

**Activation of fixed assets**

Recording of expenses for a **fixed asset** as an asset in the balance sheet, instead of as an expense in the profit and loss account. The fixed asset is then written off over its economic life (see also **depreciation**). All tangible fixed assets with a value exceeding SEK 20,000 are activated.

**Balance of payments**

Statistical report of a country's economic transactions with the rest of the world.

**Banknotes and coins in circulation**

Banknotes and coins circulating in society outside the Riksbank. A reduction of the amount of banknotes and coins in circulation means that the banks have returned banknotes and coins to the Riksbank and been paid for this via deposits in their accounts in the Riksbank's payment system **RIX**. The liabilities item 'Banknotes and coins' thereby decreases at the same time as the liability in Swedish kronor to the Riksbank's counterparties increases to a corresponding extent.

**Basel III**

International regulatory framework for banks that mainly regulates their capital adequacy, i.e. how much capital a bank must hold in relation to the risk it takes, and the way they manage **liquidity**. Basel III has been developed by the **Basel Committee**.

**Basel Committee**

Committee within the **Bank for International Settlements (BIS)** for international cooperation on issues relating to banking supervision and financial stability. The Basel Committee is made up of representatives of supervisory authorities and central banks from 28 different countries. It formulates standards and guidelines and issues recommendations.

**BIS, Bank for International Settlements**

Coordinating body for central banks with its headquarters in Basel.

**Bond**

Security issued by a government, municipality or company and that functions as a kind of loan. In practice, the buyer of a bond lends a sum of money to the issuer and receives interest on the money. A bond normally has a fixed maturity of one year or more. At maturity, the issuer repays the bond's **nominal amount**. There are also what are known as zero-coupon bonds, for which no periodic interest is paid. Instead, they are sold at a **discounted value**.



**By circulation**

Decisions taken without a meeting of the Executive Board. When a decision is taken by circulation, the Governor of the Riksbank presents a draft decision orally or in writing to the individual members of the Executive Board, after which the members' positions are collected and recorded in the minutes.

**CCP, central counterparty**

Financial company that acts as an intermediary between buyer and seller in a securities transaction. In this way, the parties have no risk exposure to each other, but to the central counterparty.

**Central bank digital currencies (CBDC)**

Digital money created by central banks. Retail CBDC is intended for the public, while wholesale CBDC is intended for financial institutions.

**Civil defence**

Preparations by civilian actors to ensure an overall capability in a **heightened state of alert**.

**Civil preparedness**

An umbrella term for the work that society as a whole carries out together to ensure the ability to withstand and manage both **peacetime crisis situations** and **heightened state of alert**.

**Contingent asset**

Asset that may fall to the Riksbank, depending on possible future events beyond the Riksbank's control. Due to this uncertainty, the asset is not reported in the balance sheet, but is mentioned in the annual report.

**Continuity management**

Process that ensures the organisation can run critical operations at a tolerable level regardless of any disruptions that have occurred. This means that the organisation reduces its vulnerability and increases its resilience to various incidents that could affect its critical operations.

**Covered bond**

**Bond** in which the holder has higher collateral if the issuer should enter bankruptcy. This collateral consists of the issuer holding certain assets (primarily mortgage loans) separate from its other assets so that they can be used in the event of a bankruptcy to repay money to the holder of the covered bond.

**CPI, Consumer Price Index**

Statistical measure of the price level. Calculated every month by **Statistics Sweden**.

**CPIF, the CPI with a fixed mortgage rate**

A statistical measure of the price level that is the Riksbank's target variable for the inflation target. Unlike the **CPI**, the CPIF is not directly affected by

changes in mortgage rates. The CPIF is calculated every month by **Statistics Sweden**.

**CPMI, Committee on Payments and Market Infrastructures**

Committee within the **Bank for International Settlements (BIS)** that promotes safe and efficient payments, clearing and **settlement**. Previously known as the Committee on Payment and Settlement Systems (CPSS).

**Crisis management**

A process that includes all the actions that the organisation needs to take to respond to a crisis, i.e. a situation where the organisation's resources, routines or systems are not adequate and where specific measures are required to resolve the situation. Crisis management can be divided into the phases before, during and after a crisis.

**Crisis preparedness**

Preparations by civilian actors to ensure an overall capability during peacetime crisis situations.

**Deposit facility**

Account in which the monetary policy counterparties deposit money at the Riksbank overnight. See also **Standing facilities**.

**Depreciation**

Allocation of the acquisition cost of an asset over the number of years the asset is calculated to be in use. The asset's value in the balance sheet is reduced by a corresponding amount each year.

**Derivative instruments**

Financial instruments that are linked to an underlying asset, for example shares or a currency, and that entail an agreement between two parties on a purchase or exchange at a specific future point or period in time. The value of the derivative instrument depends on the development of the value of the underlying asset. Trading in derivative instruments involves speculating in how the value of the underlying asset will change over the agreed period of time. Derivative instruments are often used to spread and minimise risks. The most common derivative instruments are options, futures and swaps (**swap agreements**).

**Discounted value**

The present value of a future payment, taking into account the interest during the period until payment. Depending on the purpose of calculating the discounted value, **inflation** may also be taken in to account.

**EBA, European Banking Authority**

Authority that establishes joint regulatory and supervisory standards in the EU and conducts **stress tests** of European banks.

**ECB, European Central Bank**

Joint central bank for the EU Member States that have adopted the euro, with its head office in Frankfurt. The Bank's duties are stipulated in a statute that is part of the EU Treaty.

**ECB General Council**

Consultative body within the European System of Central Banks (**ECBS**) consisting of the governors of all the EU central banks as well as the President and Vice President of the **ECB**.

**Ecofin Council**

Group within the Council of the European Union (Council of Ministers) that consists of the economic and finance ministers of the European Union. The Ecofin Council is responsible for economic policy, financial markets, movement of capital and economic links with countries outside the EU.

**EFC, EU Economic and Financial Committee**

Advisory body to the **ECOFIN Council** and the European Commission, monitoring economic and financial developments in the EU and the euro area. The EFC consists of senior officials from national authorities and central banks, as well as from the **European Central Bank** and the European Commission.

**E-krona**

A central bank digital currency that may be issued by the Riksbank and that would be available to the public (known as a retail CBDC). The Riksbank has not taken any decision on issuing an e-krona. See also **central bank digital currency**.

**ESCB, the European System of Central Banks**

Forum for cooperation between the **ECB** and the national central banks of all EU Member States, both those that have adopted the euro and those that have not. See also **Eurosystem**.

**ESRB, European Systemic Risk Board**

Independent EU body responsible for the macroprudential policy of the financial system within the EU.

**Eurosystem**

Cooperation organisation that takes care of **monetary policy** in the euro area. Consists of the **European Central Bank** and the national central banks in the euro area.

**Financial markets**

Markets where financial assets are bought and sold. The four most important markets are the foreign exchange market, the fixed income market, the stock market and the derivatives market.

**Financial Stability Council**

Discussion forum for matters of financial stability. The Council includes representatives of the Government, **Finansinspektionen**, the Swedish National Debt Office and the Riksbank.

**Finansinspektionen (Swedish financial supervisory authority)**

Central government agency with the task of monitoring the activities of banks, credit market companies, securities companies, securities brokers, fund management companies, stock exchanges, authorised marketplaces, clearing organisations, insurance companies and insurance brokers.

**Fixed assets**

Assets that are intended for permanent use or possession. Examples of such assets are buildings and equipment. The opposite of fixed assets are current assets.

**Foreign exchange swap (FX swap)**

**Derivative instrument** entailing an agreement between two parties on the respective purchase and sale of a currency at the daily rate, after which they will respectively sell or purchase it back at a later date at a rate determined in advance. FX swaps are often used to obtain **liquidity** in another currency, but there may also be other reasons. For example, central banks can use FX swaps to temporarily create a larger surplus or deficit of their own currency in the banking system.

**GDP, Gross Domestic Product**

The value of all goods and services produced in a country during a period, usually one year or one quarter. GDP can be calculated in several different ways. One common way is to total the value of everything consumed, invested in and exported, and then deduct the value of everything imported.

**GDP per capita**

GDP divided by the number of inhabitants in the country.

**Heightened state of alert**

Either high alert or highest alert. The government decides on a heightened state of alert if Sweden is in danger of war, there are extraordinary circumstances due to war outside Sweden or Sweden has been at war or in danger of war. Highest alert applies if Sweden is at war. A heightened state of alert means that total defence is activated and is a way for society to quickly adapt so that it can function while under threat of war and, ultimately, while at war.

**IMF, International Monetary Fund**

International organisation that works to ensure the stability of the global financial system and to prevent international financial crises. The IMF monitors and analyses developments in its 190 member countries. The organisation also provides technical assistance and lends money to countries implementing economic adjustment programmes. The IMF Board of Directors is composed of

representatives of the IMF's 24 constituencies, with each constituency comprising one country or group of countries.

**Inflation**

Increase in the general price level, which at the same time means that the value of money decreases. Inflation is usually measured as the change in **CPI** or **CPIF**.

**Interest rate swap**

**Derivative instrument** entailing an agreement between two parties on a mutual exchange of interest flows, for example fixed-rate against variable-rate interest and vice versa.

**Liquid funds**

Assets that can rapidly be used for payments, such as cash or account balances.

**Liquidity**

Short-term solvency, i.e. the ability to obtain **liquid funds** quickly. The term can be applied to individual companies and organisations or to the financial system as a whole. It can also be used as a synonym for liquid funds. Finally, it is possible to discuss the liquidity of securities. In this case, the word refers to the ability to convert securities into money, rapidly and at a low transaction cost.

**Marginal lending facility**

Account from which the monetary policy counterparties can borrow money from the Riksbank overnight. See also **Standing facilities**.

**Medieakademin**

Non-profit organisation founded by Göteborgs-Posten, the University of Gothenburg, Forsman & Bodenfors and NFO Infratest (now Kantar Sifo) that, among other things, publishes the confidence barometer, a survey of confidence in social institutions, individual companies and the mass media.

**Modified duration**

Measure of how sensitive the value of a debt security is to changes in the interest rate. Expressed as a percentage change in the price of the security if the interest rate falls or rises by 1 percentage point.

**Monetary policy**

Measures by a central bank to maintain low and stable inflation (**price stability**). The Riksbank's main tool for this is the **policy rate**. Monetary policy shall also contribute to a balanced development in production and employment without disregarding the price stability target.

**Monetary policy operations**

The Riksbank conducts various monetary policy operations to conduct monetary policy in practice. The Riksbank primarily does this with the assistance of

market operations and standing deposit and lending facilities. In addition, the Riksbank can take other measures if necessary.

**Net interest income**

Interest income from lending less interest expenditure for funding and deposits.

**Nominal amount**

Amount at which a security is issued. For an interest-bearing security, it is the amount that the holder receives back at maturity. For banknotes and coins, it is the amount specified on the banknote or coin.

**Non-financial companies**

Non-financial companies refer to independent legal entities that are market producers and whose main activity is the production of goods and non-financial services. This includes companies in industry, construction, property and trade. Tenant-owner housing associations and publicly owned companies that fulfil the criteria are also included. Sole proprietorships are not included in non-financial companies but belong to the household sector.

**Peacetime crisis situations**

Situations that deviate from the norm and are difficult to foresee, affect large numbers of people and large sections of society, threaten fundamental values, involve a serious disruption or imminent risk of serious disruption to essential societal functions, cannot be dealt with individually by the ordinary organisation and require coordinated and urgent action by several actors.

**Policy rate**

Interest rate set by a central bank for monetary policy purposes.

**Policy-rate path**

The Riksbank's forecast for the policy rate.

**Price stability**

Condition where the prices of goods and services increase only moderately or not at all. Inflation is then low and stable. The price stability target is defined by the Riksbank as **inflation**, measured as the increase in **CPIF**, being 2 per cent.

**Provision**

Amount that is reserved in the accounts for future costs.

**Reference rate**

Common benchmark for the pricing of financial contracts reflecting general interest rate developments. Used, for example, for interest-bearing securities with variable coupons, derivative instruments or variable-rate loans. A reference rate shall not be controlled by any of the contracting parties.

**Resolution**

Orderly reconstruction or winding-up of a failing bank. Resolution is used by the government as an alternative to bankruptcy for banks that are deemed to be systemically important (**too-big-to-fail**). The aim of this is to avoid a financial crisis and ensure that the taxpayer does not have to bear the costs of the bank's collapse. Under the EU crisis management directive, each EU country must designate a specialised resolution authority responsible for dealing with failing banks. Sweden's resolution authority is the Swedish National Debt Office.

**Retail Payments Council**

Forum for dialogue aimed at promoting the functioning of the Swedish market for payment services. The Retail Payments Council brings together 14 authorities and private operators with important roles in the payment market.

**Riksbank Certificates**

Security with a maturity of one week, as a rule, that is issued by the Riksbank and that can be purchased by the Riksbank's monetary policy counterparties. Riksbank Certificates work as a type of deposit. The interest received by the counterparty when it places money in Riksbank Certificates is the **policy rate**. In the balance sheet, Riksbank Certificates are reported under 'Debt certificates issued'.

**Riksdag Committee on Finance**

Parliamentary committee that prepares matters concerning economic issues, including the activities of the Riksbank and the central government budget.

**RIX**

The Riksbank's payment system for large real-time payments. Participants in RIX are banks, clearing organisations, the Swedish National Debt Office and the Riksbank.

**Security protection**

Security protection is about protecting information and operations that are important for Sweden's security against espionage, sabotage, terrorist offences and certain other threats.

**Settlement**

Final regulation of liabilities and claims between two banks, when money or securities are transferred between them. Settlement is executed on a daily basis.

**SOM Institute**

Independent survey research organisation at the University of Gothenburg that investigates the habits and attitudes of the people of Sweden. SOM stands for Society, Opinion and Mass Media.

**Special Drawing Rights (SDR)**

An international reserve asset created by the IMF. An SDR involves a potential claim on the foreign exchange reserves of IMF member countries but it is not a currency in itself and can only be used by countries and international organisations. The value of an SDR is determined by a weighted currency basket consisting of US dollars, pounds sterling, euro, Japanese yen and Chinese renminbi.

**Stablecoin**

A form of cryptoasset whose value is tied to the value of other assets, such as one or more national currencies or other financial assets. Stablecoins have mainly been used as a bridge between national currencies and investments in other cryptocurrencies.

**Standing facilities**

Overnight deposit and lending accounts that can be used by the Riksbank's monetary policy counterparties. Standing facilities allow counterparties to manage their **liquidity** and at the same time act as a monetary policy instrument. By setting the deposit rate just below the **policy rate**, and the lending rate just above it, the banks are given an incentive to set their own overnight rates in between. This allows the Riksbank to steer overnight rates and, by extension, other short-term market rates against the policy rate. (In recent years, when the banking system has had a surplus of liquidity, the lending rate has become less important. However, the deposit rate still acts as a lower bound for overnight rates).

**Statistics Sweden**

Central administrative agency for official statistics and other statistics produced by government agencies in Sweden.

**STIBOR**

Traditional bid-based reference rate (interbank rate) in Swedish kronor. Available at several maturities from tomorrow-next to six months. Abbreviation stands for Stockholm Interbank Offered Rate.

**Stress test**

Analysis of different scenarios to test the resilience of e.g. banks to unexpected and negative events.

**Swap agreement**

**Derivative instrument** entailing an agreement between two parties to swap interest rate streams (see **interest rate swap**) or currencies (see **foreign exchange swap**) with each other over a period of time.

**SWESTR**

A transaction-based reference rate with a maturity of one day (overnight) provided by the Riksbank. The abbreviation stands for Swedish krona Short Term Rate.



**Swift, Society for Worldwide Interbank Financial Telecommunication**

Belgian member-owned company that provides a global network for the secure transfer of financial messages, such as payment instructions, between financial entities worldwide. The company also promotes the standardisation of financial messages. SWIFT has over 11,000 participants in over 200 countries.

**TIBER-SE**

The Swedish adaptation of the European Central Bank's TIBER-EU framework. The framework enables the standardised testing of resilience to cyber risks among critical participants in the financial system.

**Tokenisation**

Tokenisation of financial assets involves converting the ownership of one or more assets into a token that can be traded on a distributed ledger technology (DLT), such as a blockchain.

**Total defence**

Consists of military defence and civil defence. Total defence means all activities needed to prepare Sweden for war. During the highest state of alert, total defence is all societal functions that must be maintained at that time.

**Transmission mechanism**

The process through which **monetary policy** affects **inflation** and the economy in general. This occurs both by affecting market interest rates and the banks' propensity to lend and by the appreciation or depreciation of the krona.

**Undervalue**

The difference between the amount paid and the **nominal amount** of a financial instrument if the nominal amount is larger.

**Vital societal functions**

Activities, services or infrastructure that maintain or ensure the provision of societal functions essential to the basic needs, values or safety of society. Vital societal functions must be maintained during peacetime crisis situations.