

Submission to the Riksdag 2021/22:RB1

Annual Report for Sveriges Riksbank 2021

To the Riksdag

Sveriges Riksbank hereby submits the Riksbank's Annual Report for 2021 to the Riksdag. In accordance with Chapter 10, Article 3 of the Sveriges Riksbank Act (1988:1385), the Annual Report includes an administration report, a balance sheet, a profit and loss account and an assessment of the Riksbank's internal controls.

In the administration report, the Riksbank describes how the Bank has conducted monetary policy, promoted a safe and effective payment mechanism and carried out other tasks during the financial year.

The Executive Board proposes

that the Riksdag adopt the Riksbank's profit and loss account and balance sheet for the financial year 2021 as proposed in the Annual Report.

Stockholm, 14 February 2022

On behalf of the Executive Board

STEFAN INGVES

/Heléne Jutenäs

Stefan Ingves, Cecilia Skingsley, Anna Breman, Martin Flodén, Per Jansson and Henry Ohlsson took part in this decision.

The Reporting Clerk was Amanda Johansson.

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Statement by the Governor

2021 was another pandemic year, but the world economy recovered and crisis measures began to be phased out. In Sweden, we returned to about the same growth path that prevailed before the pandemic, and therefore we have now risen above the level of economic activity that we had at that time. Our assessment is that the Riksbank's crisis measures 2020–2021 have been important for stabilising the economy through the pandemic, which, at time of writing, has surprised us again with the omicron mutation. The measures have also been necessary to enable us to meet the inflation target in the slightly longer term. Another important task has been to continue work on adapting our part of the payment infrastructure so that payments can be made quickly and across national borders in a safe and stable manner. Together with the BIS, we also inaugurated the Innovation Hub Nordic Centre in Stockholm, which will focus on payments and cybersecurity.

Monetary policy has contributed to a strong recovery – but perseverance is needed

At the beginning of the year, the situation was quite uncertain. Vaccination had just begun, and it was difficult to predict how the situation would develop. Over the first half of the year, the Riksbank continued the crisis programme that had been launched in 2020 but, toward the middle of the year, vaccination programmes in the western world and many emerging markets were rolled out with good results. There were hopes that these countries would open up as vaccination progressed and growth forecasts were therefore optimistic.

During the autumn, it became increasingly clear to us that the recovery would not be as smooth as had been hoped. We see this in Sweden, with continued high unemployment in some sectors, while there is a shortage of labour in others. In several parts of the world, different types of bottleneck are being reported where the production or transport of goods cannot keep up with consumer demand. Global energy prices have also risen sharply. Inflation has risen in many areas and, in the latter part of the year, the central banking world has increasingly focused on the risk that this will affect inflation expectations and mean that excessively high inflation will gain a longer-term hold. However, we do not see any clear signs of this in Sweden. Rather, our assessment is that an expansionary monetary policy will be needed for some time yet. It is necessary to keep interest rates low in order to get out of recent years' situation, where the problem has been that inflation has been too low. There is also, of course, the risk of further setbacks in the pandemic, where, not least, large differences in vaccination rates between countries are creating uncertainty over future developments.

However, although the recovery is not progressing entirely smoothly, the picture remains that we are coming out of this crisis much faster than from previous serious economic crises. Even so, monetary policy needs to persevere in order for us to achieve our inflation target. At the year's last monetary policy meeting, we announced that we expect interest rates to remain at 0 per cent in the coming years before being raised in the latter part of 2024.

Crisis measures are being phased out – but there will be long-term effects on the Riksbank's balance sheet

To the question of when the crisis measures should be brought to an end, I have always replied, "When it does not risk damaging the economy". As the situation in the economy stabilised, demand for our crisis measures also declined. That is why, in September, we phased out our special programme for corporate lending via banks, the Swedish krona loan programmes for longer maturities and the special dollar loans. We continued to buy various securities but gradually slowed down the pace of our purchases over the year.

But even with a lower purchasing rate, the holding increased. At the end of the year, this amounted to just over SEK 920 billion, which corresponds to just under 20 per cent of GDP. Our forecast is that it will stay around this level in 2022 and then gradually decrease. This places great demands on our asset management, where we have had a tighter focus on risk management. The Riksbank has also taken advantage of the possibility of redistributing profits and dividends over time through risk provisions. In this way, we have strengthened the buffer needed to absorb any losses.

Stability risks have increased – need for measures for better future equilibrium

For many years, the Riksbank has been pointing out the risks associated with high household indebtedness linked to high and rising housing prices. Household debt has been rising for a long time due to a poorly functioning housing market and the tax system not being particularly well designed from a financial stability perspective. However, this is also due to the fall in interest rates, primarily as a result of an increasingly lower level of global real interest rates.

Something that has been discussed over the year is whether the central banks' crisis measures have fuelled the already high housing prices. The Riksbank's purchases of mortgage bonds have played a role in that the mortgage bond market has continued to function, thus allowing housing investments to be financed. In my view, it was absolutely essential to ensure that this happened. The mortgage bond market is dominant in the Swedish financial system. Problems there also risk spreading rapidly to many other markets, with higher interest rates in general and poorer access to necessary international markets. This does not mean that we are taking the stability risks linked to the housing market any less seriously. Over the year and in several

contexts, we repeated our assessment that broad reforms in housing and tax policy are urgently needed. In the absence of such reforms, new macroprudential policy measures may be needed to improve equilibrium in the future.

In addition to addressing the current threats to stability, the Riksbank strengthened its analysis of issues related to sustainability and climate risks. Among other initiatives, the Riksbank presented a new climate report with a comprehensive description of work in this area.

The BIS Innovation Hub Nordic Centre was also inaugurated during the year and this will also promote the Riksbank's analysis of financial stability risks in the area of cybersecurity, for example.

Intensive process of change within the financial infrastructure

In addition to the economic situation and interest rate policy, the Riksbank is probably most associated with banknotes and coins, at least by the slightly older part of the population. Among younger people, it is not as obvious. However, the Riksbank considers it important to be able to offer a safe means of payment to the public in the future as well. In today's world, this means that a digital alternative to paper banknotes needs to be available. Ultimately, this is a matter for the Riksdag but, for there to be a real choice, we need to make preparations. The work of preparing for the development of a functioning electronic krona – the e-krona – continued during the year.

Out of the spotlight, an almost revolutionary development is taking place in European financial infrastructure systems. It may sound abstract, but this concerns changes in IT platforms and procedures for transferring data that enables companies and individuals to send payments and make other financial transactions. These are changes that fundamentally affect the Swedish financial system. We would like to see Swedish payments as a national issue, but that is no longer the case. Swedish systems are interlinked to those of foreign players. When changes occur in the world around us, we need to monitor what is happening and adapt, for example in terms of legal issues.

The Riksbank intends to work with full force for a positive development toward an efficient and secure payment market. We need to be alert and innovative in order to grasp the opportunities presented by this development. During the year, the Riksbank concluded an agreement with the Eurosystem that allows us to use their platform for instant payments. We also took a strategic decision on the use of the Eurosystem platforms for the settlement of large-value payments and securities transactions. Our work during the year has thus taken us a little closer to the Riksbank's vision that Sweden's people should be able to make payments quickly, safely and at low costs, within the country and across borders, 24 hours a day, all year round – with central bank money.

Organisation and working methods – toward the new normal

The competence and commitment of our employees have been absolutely crucial to our ability to implement the crisis programme and, at the same time, conduct intensive development work. This is no less impressive, since working conditions have been unfamiliar and possibilities for meeting sometimes very limited.

At the same time, the workforce has grown during the year, with improvements in areas such as IT, payments, financial market issues, crisis preparedness and operational support in the form of legal competence. I am particularly impressed that all our new employees have taken up their duties so well in this particular situation.

We now know that today's technology makes it entirely possible to perform many tasks remotely, and, some way into the pandemic, we could make out the outlines of a world in which travel – both daily commuting and longer journeys – is reduced. Being able to work at home from time to time can help achieve a good life-work balance, and this is an opportunity that many of the Riksbank's employees are requesting.

But it has also become very clear that we are social beings and that development work and good long-term cooperation also require physical meetings. We need, so to speak, to combine the possibilities of technology with people's need to meet and find an appropriate balance between the two. Over the year, the Riksbank has carried out a project on sustainable working arrangements to achieve precisely this. In December, we introduced the opportunity to sign contracts for teleworking on a more regular basis. This will run for a year on a test basis and it will be interesting to see how we can combine teleworking with working in the office in a beneficial way.

In conclusion, it has been a year of busy activity and many exciting issues for the Riksbank, and it is with pride that I present this year's work. I would like to thank all the staff for their very hard work.

The Riksbank's financial statements show a result of SEK –36 million for the 2021 financial year. Besides the financial accounts, this annual report contains an overall description of the Riksbank's activities in the Bank's main areas. For more detailed descriptions, references are provided to publications and reports published during the year, as well as references to the Riksbank's website. The glossary in Annex 4 explains important words and terms, making the report easier to read.

ADMINISTRATION REPORT

Operations and strategies

Sveriges Riksbank's vision is to be an innovative central bank with a high level of preparedness that performs its task of promoting a strong and secure economy. In 2021, the emphasis was on work to support the Swedish economy and the economic recovery after the pandemic.

The mission, tasks and role of the Riksbank

The Riksbank is Sweden's central bank and a public authority under the Riksdag (the Swedish parliament). The Riksbank is responsible for conducting Swedish monetary policy, with the objective of maintaining price stability. The Riksbank also has the task of promoting a safe and efficient payment system.

Maintaining the value of money – price stability

Under the Sveriges Riksbank Act, the Riksbank shall maintain price stability, which means that inflation should be low and stable. The Riksbank has specified an inflation target, according to which the annual change in the consumer price index with a fixed interest rate (CPIF) is to be 2 per cent.

The Riksbank's monetary policy is aimed at attaining the inflation target and, at the same time, supporting the objectives of general economic policy, whose aim is to achieve sustainable growth and high employment. In addition to stabilising inflation around the inflation target, the Riksbank therefore also endeavours to stabilise production and employment around paths that are sustainable in the long-term. The inflation target, however, takes precedence.

The Riksbank determines the level of its policy rate, the repo rate, to influence inflation and economic developments. In addition, after each monetary policy meeting, the Riksbank publishes its forecast for the repo rate, known as the 'repo rate path'. The repo rate and the repo rate path affect other interest rates in the economy and thereby economic activity and inflation. The Riksbank can also affect interest rates in other ways, for example, by purchasing various securities.

A safe and efficient payment mechanism – financial stability

The Sveriges Riksbank Act states that the Riksbank shall also promote a safe and efficient payment system. The Riksbank can do this by contributing to the stability of the financial system in various ways and by ensuring that payments

can be made safely and efficiently. According to the Sveriges Riksbank Act, the Riksbank may supply a central payment system that banks and other agents can use to make payments. The accounts provided by the Riksbank are also used to implement monetary policy and, in crisis situations, to supply extra liquidity to stabilise markets and financial institutions. The Riksbank's ability to act as 'the banks' bank' is a precondition both for fulfilling the objective of price stability and for promoting financial stability.

Safe and efficient cash provision

The Riksbank has the exclusive right to issue banknotes and coins in Sweden and is responsible for the provision of cash. This means that the Riksbank supplies banknotes and coins, destroys banknotes and coins that can no longer be used and redeems banknotes that are no longer legal tender. The objectives are to ensure that banknotes and coins are of a high quality and that the Riksbank's provision of cash is safe and efficient. The general public and companies that handle cash must have great confidence in banknotes and coins and in cash provision. The Riksbank also follows developments on the payment markets and analyses the use of cash and alternative means of payment in the economy in order to stand prepared to adapt its operations to changes in society if needed.

Secure and efficient financial transfers

The Riksbank owns and runs the central payment system RIX, which makes it possible for the market participants to make mutual financial transfers without credit or liquidity risks. Most transactions in Swedish kronor that are not made internally within an individual bank are handled in the RIX system in some form. RIX is thereby of decisive importance to the efficient functioning of the Swedish financial system and the Riksbank has consequently set high targets for its availability and functioning.

RIX is also of great significance to the monetary policy operational framework. This is because the interest rates on the participants' accounts in the Riksbank are directly linked to the repo rate. These interest rates influence short-term interest rates on the financial markets. The Riksbank itself also carries out various operations via RIX, such as monetary policy operations of various types, and provides credits for extraordinary situations when this is justified.

Preventive work and crisis management

One precondition for the stability of the financial system, and thus the economic system as a whole, is that cash supply and the payment system function well in a more general sense. In line with international practice, the Riksbank defines financial stability as meaning that the financial system can maintain its basic functions and also has resilience to disruptions that threaten these functions. It is important that both the Riksbank and the central banks of other

countries, together with other relevant authorities, work to reduce the risk of financial crises and ensure their ability to manage serious shocks that could arise in the financial system.

The Riksbank works to prevent threats to financial stability by regularly analysing developments in the financial system and in the economy in other respects, as well as informing of risks that are building up. The analysis focuses mainly on the major banks in Sweden (SEB, Swedbank, Handelsbanken, Nordea, and Danske Bank) and on the markets and infrastructure that are important for their funding and risk management. Infrastructure systems included in the Riksbank's oversight are the Riksbank's payment system RIX, Euroclear Sweden AB's settlement system for securities (the VPC system), Nasdaq Clearing AB's central counterparty system for financial derivatives, commodity derivatives and repos, and Bankgirocentralen BGC AB's payment system for clearing retail payments.

The Riksbank makes recommendations to not only banks and other participants in the financial markets but also to legislators and other authorities with the aim of getting them to understand and rectify the risks identified.

The Riksbank is in a position to influence the framing of laws and regulations that relate to supervision and crisis management by actively participating in the work of a number of international organisations.

Several authorities in Sweden are responsible for promoting financial stability. Cooperation between the authorities takes place within the Financial Stability Council and elsewhere. The Council is a forum for discussion and not a decision-making body. This means that the authorities represented can communicate their opinions on what they consider should be addressed, but decisions on which measures should be adopted are taken independently by the authorities within their respective area of responsibility. If a financial crisis occurs, the Riksbank, Finansinspektionen, the Ministry of Finance and the Swedish National Debt Office share the responsibility for dealing with the crisis so as to minimise the economic costs.

The Riksbank can help to manage a financial crisis in different ways: through normal monetary policy measures, by supplying extra liquidity to the financial system, by support to an individual bank in the form of lending against collateral, by communicating the Riksbank's assessments and by cooperating with other authorities and organisations in Sweden and abroad.

The Riksbank's independence

The Riksbank is a public authority under the Riksdag. The Riksdag appoints the members of the Riksbank's General Council, and the General Council, in turn, appoints the members of the Riksbank's Executive Board. The General Council also supervises and scrutinises the work of the Executive Board.

The Executive Board of the Riksbank takes monetary policy decisions without seeking or taking instructions from any other party. By delegating the task of maintaining price stability to the Riksbank, the Riksdag has ensured

that monetary policy is based on a long-term perspective and has created the conditions for the credibility of the inflation target.

The Riksbank's independent status is also reflected in its financial independence, guaranteed, among other things, through the Riksbank having sufficient equity and the right to manage financial assets. The aim of asset management is to ensure that it can fulfil its statutory objective and perform its tasks, for example by implementing monetary policy, being prepared to intervene in the foreign exchange market and being able to provide temporary liquidity assistance to banks. The asset composition must be such that the Riksbank always has the preparedness and ability to perform its tasks.

Openness and communication

The Riksbank attaches great importance to being open and clear about its activities. A wide range of external parties must be able to understand what the Riksbank does and why. By being open and clear about what forms the basis for the monetary policy decisions, the Riksbank increases confidence in the inflation target. Openness also creates confidence in how the Riksbank assesses and manages the conditions on the financial markets. The Riksbank's explanations of its assessments also help market participants to form an understanding of economic developments and the risks in the financial system.

At the same time, the independent status of the Riksbank places great demands on communications and the transparency of the Riksbank's activities so that these can be examined and evaluated by the general public and the Riksdag. The Riksbank's website therefore publishes regular interest rate forecasts, press releases, speeches and articles, the minutes of the Executive Board and the General Council, and reports on the Riksbank's activities and analysis work.

A review of the Sveriges Riksbank Act

In December 2016, the Government decided to appoint a cross-party parliamentary committee with the task of performing a review of the monetary policy framework and the Sveriges Riksbank Act. On 29 November 2019, the committee presented its final report, A new Sveriges Riksbank Act (SOU 2019:46), to the Government. In April 2020, the General Council of the Riksbank and the Executive Board of the Riksbank presented their consultation responses to the final report. In March 2021, the Riksbank supplemented its consultation response with a judicial inquiry into the proposal for a new Sveriges Riksbank Act and its compatibility with the Swedish constitution and EU law. This noted that the Riksbank's Committee's final report proposes a comprehensive reform of the regulatory framework that currently governs the Riksbank and that this involves a completely new approach to the Riksbank's status and independence. The assessment in the judicial inquiry was that the Riksbank Committee's proposal implies a narrower definition of monetary

policy and ESCB-related tasks and a restriction of the Riksbank’s independence in contravention of the requirements of EU law.

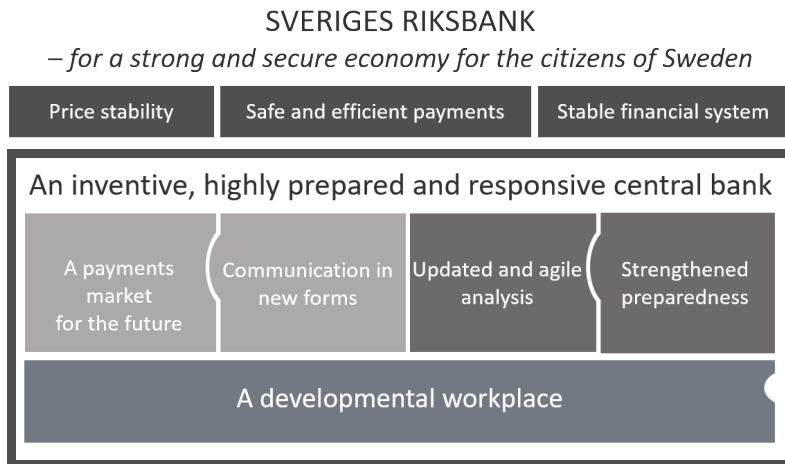
In May 2021, the Riksbank received the Government’s proposal to the Council on Legislation with a shortened consultation period. The Riksbank noted in its response to this that only a few of the views expressed by the Riksbank in its consultation response had gained a hearing. The Riksbank emphasised that the comments from the consultation response still stand and also suggested a number of amendments to the proposal to improve and clarify the new law.

On 28 October 2021, the Government submitted the proposition A New Sveriges Riksbank Act. In a memorandum to the Riksdag Committee on Finance, the Riksbank proposed limited adjustments to the Government’s proposal, which, within the framework of the Government’s proposed legislative approach, would facilitate and streamline the Riksbank’s work.

Operational management, vision and strategy

The Riksbank’s objectives, tasks and organisation are specified by the Sveriges Riksbank Act, the Riksbank’s Rules of Procedure and the Riksbank’s Instructions. The work of the Riksbank is governed by a strategic plan, an annual business plan and internal regulations in the form of policies, rules and procedures.

Figure 1 The Riksbank’s objectives 2019–2023



In December 2018, the Executive Board decided upon a new strategic plan for the years 2019–2022. The plan was based on three overall objectives and tasks for operations: Price stability, Safe and efficient payments and a Stable financial system. To be able to achieve the goals even when the conditions for work change, the Riksbank needs to be “an inventive, highly prepared and responsive central bank”, as it was put in the vision for 2022.

The strategic plan contains five prioritised development areas on which the annual operational planning is based: A payments market for the future, Communication in new forms, Updated and agile analysis, Strengthened preparedness, and a Developmental workplace.

The Riksbank's targets for daily operations are monitored using indicators. Every four months, the Executive Board receives follow-up reports summarising the status of daily operations, development work, budget, and operational and financial risks. In conjunction with the follow-up, there will be a discussion of whether the results justify new measures or reprioritisation.

Reprioritisation due to the coronavirus pandemic

The pandemic reinforced the arguments underlying the strategic plan. Some areas, such as digital communication, digital forms of work, developed crisis preparedness, new types of market operation and the development of IT support, were accelerated. Together with the prioritised efforts in the payment area, this also contributed to the Riksbank having to employ more staff than predicted in earlier decisions on the strategic plan.

Other development areas suffered delays as the Riksbank focused on crisis measures and because the transition to a new IT supplier was delayed. In addition, some projects were delayed because the work required physical meetings. Since the strategic plan is still relevant, the Executive Board decided over the year to extend the strategic plan by one year, until 2023.

Internal crisis management during the coronavirus pandemic

Crisis management related to the coronavirus pandemic continued throughout 2021. Measures were taken on a regular basis over the year to adapt work to current restrictions and recommendations. During the first half of the year, teleworking dominated, but those who needed to be in the Riksbank's premises to conduct the Riksbank's critical operations had the opportunity to do so.

Since the government presented its plan to reopen society, the Riksbank has adapted its operations and allowed more and more people to work from the office. During the autumn, there was a gradual return to the office as main workplace. However, the pandemic is not yet over and the Riksbank continues to maintain a high level of preparedness to adapt its operations and working methods rapidly to the prevailing circumstances.

The Riksbank conducted regular follow-ups of its staff's working situations, via both their line managers and regular surveys. Members of staff regularly received information on the Riksbank's guidelines for working arrangements during the pandemic via their managers, through the intranet and at digital meetings with the Riksbank's management.

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. Climate change in particular has been in focus and there are several reasons for this.

Firstly, climate change and the measures taken to counteract it are likely to have an impact on economic development. The changeover to a less fossil-based economy may lead to major changes in the economy and in individual prices. Monetary policy does not aim to influence prices of individual goods such as energy. However, if energy prices rise and this leads to expectations of a general rise in prices and thus inflation, monetary policy may need to consider this. Monetary policy forecast and analysis work therefore needs to be developed to take account of climate change. This is described in more detail in the section on price stability.

Secondly, climate change can create financial risk. The Riksbank needs to consider this in its asset management and, in 2018, it was decided that sustainability should be a factor in the management of the foreign currency reserves. Likewise, it needs to be considered in the acquisition of assets carried out as part of monetary policy. See the section Asset management.

Thirdly, the Riksbank's work on financial stability includes analysing and monitoring risks and vulnerabilities in the financial system. As climate-related risks are now becoming increasingly clear, it is natural that they should also be included in this analysis.

The Riksbank actively participates in several international forums in which the work of highlighting, managing and counteracting climate-related financial risks is intensifying. For example, the Riksbank is involved in leading a working group within the Basel Committee's Task Force on Climate-related Financial Risks. Over the year, the Riksbank has also participated actively in work within the Network for Greening the Financial System (NGFS) dealing with climate considerations in the implementation of monetary policy and with guidelines for central bank disclosure of climate-related risks. International cooperation is of particular importance, as global action is needed to respond effectively to the threat of climate change. The Riksbank's work in this area is described in more detail in the section on international cooperation under Bank-wide areas.

Since 2020, the Riksbank has had a sustainability strategy. In 2021, a Climate Report was published, describing the Riksbank's role in combating climate-related risks.

In the same way as policy work is gradually developed to take account of climate change, sustainability reporting changes as data is made available and methods are developed. For several years, the Riksbank has published various measures concerning internal environmental work (see Table 1). An innovation for 2021 is that the Riksbank measures and publishes the carbon footprint of its corporate bonds portfolio (see section Asset management).

Table 1 Measures used to monitor environmentally sustainable development

	2019	2020	2021
Carbon dioxide emissions from official travel (tonnes), total per employee	1.31	0.23	0.08
Energy usage, total (MWh)	5,580	5,408	5,785
Energy usage, total per employee (MWh per square metre)	16.7 (0.21)	15.0 (0.21)	14.6 (0.22)

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

Source: The Riksbank.

Organisation and management

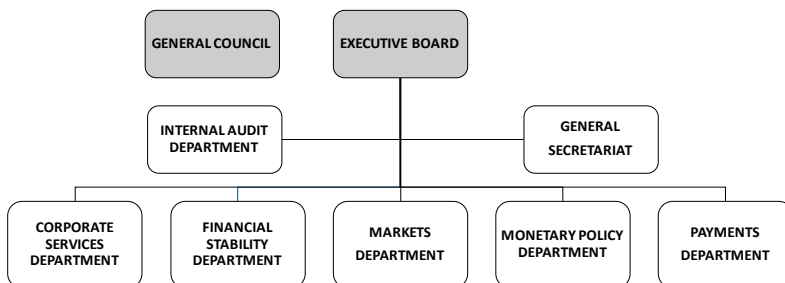
The Riksbank's operations are led by six Executive Board members, who are appointed by the General Council of the Riksbank. The General Council consists of representatives appointed by the Riksdag. The Riksbank is organised into seven departments, which, in turn, consist of various divisions. The Riksbank's Management Group consists of six Heads of Department and the Head of the Communication Division. A review of the Riksbank's IT organisation was carried out during the year, which led to the establishment of a new Department for IT and Digitalisation on 1 January 2022.

Management and organisation

The Riksbank is led by an Executive Board appointed by the General Council of the Riksbank. The Executive Board is responsible for the bank's operations, while the General Council appoints the members of the Executive Board and adopts the Riksbank's Rules of Procedure.

In 2021, the Riksbank consisted of seven departments (see Figure 2 and Annex 1). Since 1 January 2022, the Riksbank has been organised into eight departments, after the Executive Board decided in December 2021 that IT and digitalisation should be set up as a separate department instead of being part of the Corporate Services Department. A Management Group, consisting of the heads of all departments with the exception of the Internal Audit Department, has the task of coordinating and following up activities. The Head of the Communications Division is also a part of the Management Group, which is chaired by the Head of the General Secretariat.

Figure 2 The Riksbank's organisational structure in 2021



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 present General Council was appointed after the election in 2018. The General Council selects a Chairperson and a Vice Chairperson from among its members.

In 2021, the General Council consisted of the following members: Susanne Eberstein (Chairperson), Michael Lundholm (Vice Chairperson), Hans Hoff, Hans Birger Ekström, Bo Broman, Marie Granlund, Peter Helander, Ali Esbati, Chris Heister, Mikael Eskilandersson and Caroline Helmersson Olsson. Deputy members over the year were Agneta Gille, Jonas Jacobsson Gjørtler, Thomas Strand, Sofia Fölster (until 23 February 2021), Malin Löfsjögård (from 19 March 2021), Josef Fransson, Mathias Tegnér, Roger Tiefensee, ClasGöran Carlsson, Maria Plass, Sammy Almedal and Agneta Börjesson.

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 also adopts the Riksbank's Rules of Procedure that specify the Riksbank's overall organisation and regulation of certain managerial and decision-making matters. The General Council also determines the design of banknotes and coins.

The General Council submits proposals to the Riksdag concerning the allocation of the Riksbank's profits and makes a recommendation to the Riksdag with regard to the discharge from liability of the members of the Executive Board.

According to the preparatory works to amendments to the Sveriges Riksbank Act (1988:1385), the General Council also has the task of monitoring and controlling how the Riksbank conducts its activities and how the members of the Executive Board manage its business. 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 also has an audit function whose work is carried out by external consultants.

The Executive Board consults with the General Council on reports and formal communications with proposals to the Riksdag and the Government regarding amendments to statutes or other central government measures. In addition, the General Council submits consultation responses within its field of competence.

The Chairperson and Vice Chairperson submit, usually twice a year, a report on the General Council's work to the Riksdag Committee on Finance.

In 2021, the General Council held ten meetings.

An account of the General Council's activities is presented in the General Council's submission to the Riksdag 2021/22:RB2 The General Council of the Riksbank's proposal for the allocation of profit 2021 and so forth.

The Executive Board of the Riksbank

The Executive Board of the Riksbank consists of six members with terms of office of five or six years. 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 Executive Board's tasks

The Executive Board has a joint responsibility for the focus, development and efficiency of the operations. The Executive Board establishes the Riksbank's organisation in more detail in the Instructions for Sveriges Riksbank. 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, business plan and budget. The Governor of the Riksbank has a mandate to follow up activities in relation to adopted plans and approved budget. The Governor of the Riksbank also has managerial responsibility for the heads of department.

The Executive Board makes decisions jointly at its meetings. In 2021, the Board held a total of 23 meetings, five of which were monetary policy meetings. In addition, the Executive Board took 18 decisions by circulation.

At least twice a year, the Executive Board is required to present a written report on monetary policy to the Riksdag Committee on Finance. In 2021, members of the Executive Board participated at the Riksdag in two open hearings on monetary policy, one open hearing on financial stability and one open hearing on the Riksbank's report to the Riksdag: Account of monetary policy 2020.

Members of the Executive Board

In 2021, the Executive Board consisted of the following members:

Stefan Ingves

Stefan Ingves is Governor of the Riksbank and Chairman of the Executive Board. He took up the post on 1 January 2006. Since then, he has had his term of office extended twice by the General Council, most recently in September 2017 by a further five years until 31 December 2022.

Stefan Ingves is a member of the General Council of the European Central Bank (ECB) and First Vice-Chair of the European Systemic Risk Board

(ESRB). He has been a member of the Board of Directors of the Bank for International Settlements (BIS) since 2006 and was elected Vice-Chair of the BIS in November 2021. He has been Chair of the BIS Banking and Risk Management Committee (BRC) since 2007 and also Swedish representative on the Board of Governors of the International Monetary Fund (IMF), Member of the Nordic Baltic Macroprudential Forum (NBMF) and Member of the Financial Stability Council.

Cecilia Skingsley

Cecilia Skingsley has been First Deputy Governor of the Riksbank since 8 November 2019. She took up the post of Deputy Governor on 22 May 2013 for a term of office of six years and, in 2019, received an extended term of office for another six years until 22 May 2025. She represents the Riksbank on the Committee on Payments and Market Infrastructures (CPMI). She is also the Governor of the Riksbank's alternate on the ECB General Council, as well as a member of the General Board of the European Systemic Risk Board (ESRB) and its Advisory Technical Committee (ATC). Within the framework of the G20 agenda for improving cross-border payments, she is leading a working group in the areas of interoperable platforms, stablecoins and central bank digital currencies. Furthermore, Cecilia Skingsley chairs the Retail Payments Council and the Cash Handling Advisory Board, and is a member of the Financial Stability Council.

Anna Breman

Anna Breman is Deputy Governor of the Riksbank. She took up the post on 1 December 2019 for a six-year term of office until 30 November 2025. She represents the Riksbank in the Nordic-Baltic Monetary and Financial Committee (NBMFC) and in the IMF cooperation between Sweden, the Netherlands, Belgium and Switzerland (G4). Furthermore, Anna Breman is the Riksbank's representative in the Network for Greening the Financial System (NGFS). She is also a deputy on the International Monetary and Financial Committee (IMFC) and is responsible for the Riksbank's Technical Assistance (TA).

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 term of office was extended by another six years until 21 May 2024. He represents the Riksbank in the OECD's Working Party 3 (WP3), the Basel Committee (BCBS), the Financial Stability Board (FSB) Regional Consultative Group for Europe (RCG-E) and the Bellagio Group.

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 on the EU Economic and Financial Committee (EFC) and the Committee on the Global Financial System (CGFS) at the BIS. Furthermore, Per Jansson is the Governor of the Riksbank's alternate on the Board of Directors of the BIS.

Henry Ohlsson

Henry Ohlsson is Deputy Governor of the Riksbank. He took up the post on 12 January 2015 for a term of office of six years and, in 2020, received an extended term of office for another five years until 11 January 2026. He represents the Riksbank in the ECB International Relations Committee (IRC) and the FSB Regional Consultative Group for Europe (RCG-E) and, since 2019, he has been one of two Chairs of the FSB RCG-E.

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. Stefan Ingves has been elected Member of The Royal Swedish Academy of Engineering Sciences. This assignment is suspended. He is also Chair of the Board of Directors of the Toronto Centre. Martin Flodén is a research fellow at the Center for Economic and Policy Research and is also a member of a reference group for a project within the Expert Group for Public Economics (ESO). Henry Ohlsson is a member of the Nordic Tax Research Council and of Skatteakademien. In addition, he is affiliated to the Uppsala Center for Fiscal Studies and the Uppsala Center for Labor Studies. Anna Breman is a member of the Swedish House of Finance advisory board.

Maintaining the value of money – price stability

Following the sharp fall in GDP in 2020, there was a strong recovery in 2021. According to the Riksbank's forecast in November, GDP will increase by 4.7 per cent in 2021. Inflation (CPIF), which also fell sharply in 2020, rose in 2021 and averaged 2.4 per cent. Monetary policy focused on supporting the economic recovery and bringing inflation consistently close to the inflation target. The repo rate was held at 0 per cent and asset purchases continued through 2021.

The economy in 2021

The pandemic continued to affect economic activity around the world in 2021. In Sweden, however, the effects of the pandemic started to ease in the spring and early summer when the spread of infection decreased and an increasing number of people were vaccinated. Several restrictions also began to be phased out, which improved the conditions for an upturn in demand. After last year's sharp decline in GDP, there was a strong recovery in Sweden and the rest of the world. The sharp GDP fall at the start of the pandemic was largely recovered in 2021. The recovery was also somewhat faster than expected (see Charts 1 and 2).

The pandemic affected economic activity in a number of ways, including greater fluctuations in demand for goods and services and more strained global supply chains. In addition, output and trade in goods were restricted by a shortage of input goods such as semiconductors and by freight companies having difficulty meeting demand. In many areas, there were also bottlenecks in the production of services.

The difficulties encountered in meeting demand for goods led to increases in commodity and transport prices. This led, with some delay, to producer prices also rising. Signs also started to emerge of more rapidly rising consumer prices, even though there were differences between countries. In Sweden, consumer prices were mainly affected by the rapid rise in energy prices. Inflation (CPIF) was higher in 2021 than it had been for several years, but adjusted for energy prices the rise was more moderate (see Chart 3).

Variations in the CPIF were relatively large during the year. The sudden fluctuations had started as early as 2020 when the pandemic broke out, partly because of variations in energy prices and changes in consumption patterns.

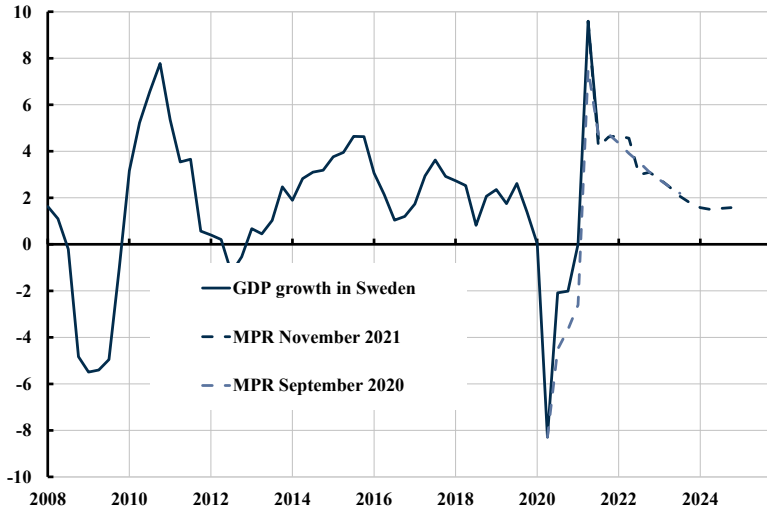
In view of the sharp decline in economic activity and the rapid fall in inflation at the beginning of the pandemic, long-term inflation expectations were remarkably stable, even though market-based inflation expectations fell in 2020. However, the fall was brief and, in 2021, these expectations reached slightly more than 2 percent (see Chart 4). Inflation expectations according to

surveys also fell in 2020, but returned to around 2 per cent in 2021. The overall picture thus shows that long-term inflation expectations were close to the inflation target of 2 per cent in 2021.

The Swedish krona depreciated when the pandemic broke out. However, this was temporary and the krona appreciated during the remainder of 2020 when risk appetite increased and the development of the financial markets strengthened. In 2021, the development of the krona was more stable with relatively small movements (see Chart 5).

Chart 1 GDP growth in Sweden

Annual percentage change

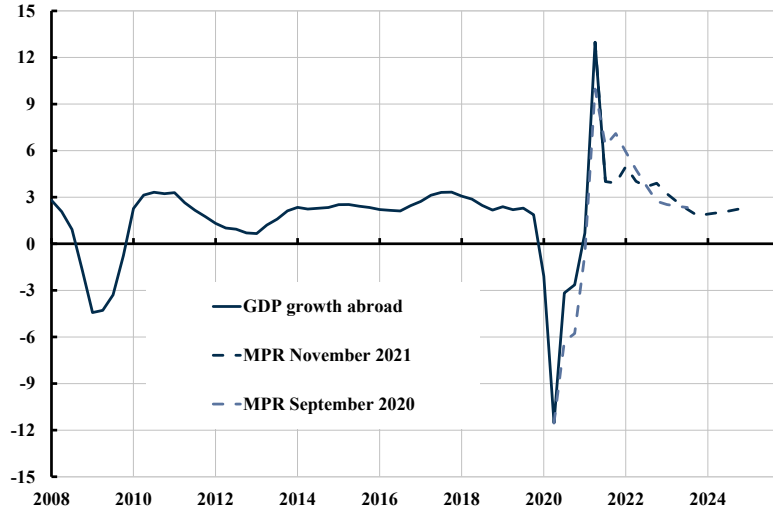


Note: The chart shows the latest outcome series, which was published after the Riksbank’s forecast in November. The broken lines represent the Riksbank’s forecasts from September 2020 and November 2021.

Sources: Statistics Sweden and the Riksbank.

Chart 2 GDP growth abroad

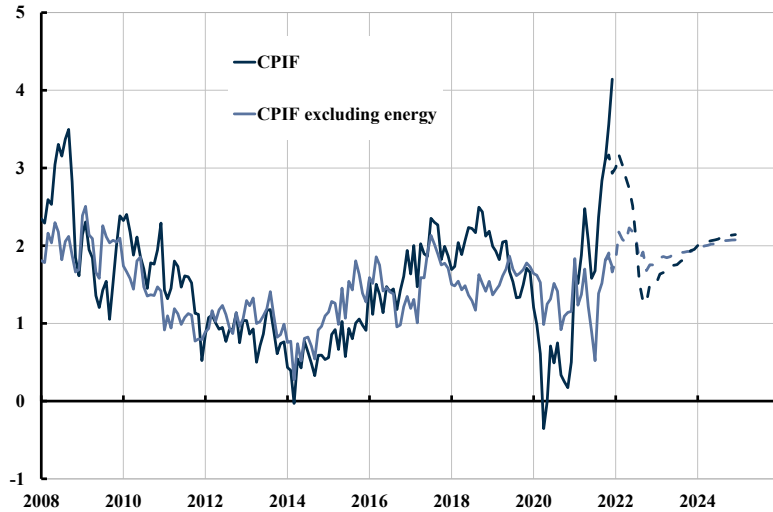
Annual percentage change



Note: GDP abroad is aggregated with the weights in the krona index (KIX). The broken lines represent the Riksbank's forecasts from September 2020 and November 2021.
Sources: National sources and the Riksbank.

Chart 3 CPIF and CPIF excluding energy

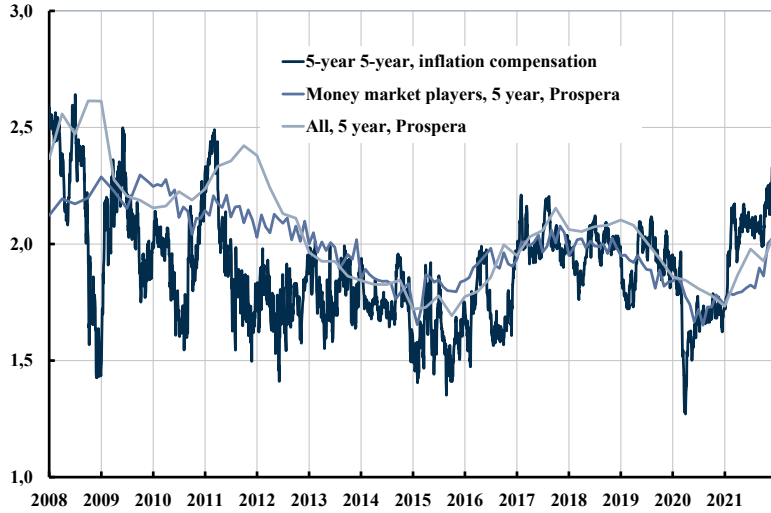
Annual percentage change



Note: The CPIF is the consumer price index (CPI) with a fixed interest rate. The broken lines represent the Riksbank's forecast from November 2021.
Sources: Statistics Sweden and the Riksbank.

Chart 4 Long-term inflation expectations

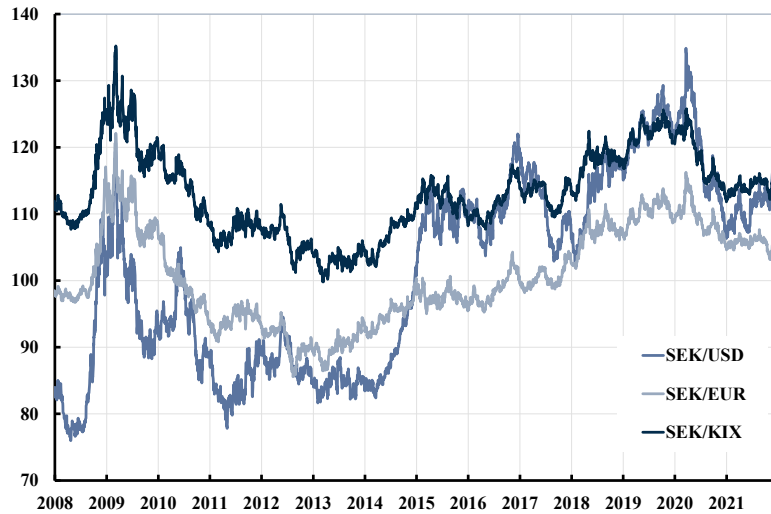
Per cent



Note: Inflation compensation refers to a five-year period starting in five years' time, calculated from bond yields. Both inflation compensation and expectations from Prospera refer to the CPI.
Sources: Kantar Sifo Prospera and the Riksbank.

Chart 5 Nominal exchange rate of the Swedish krona against the KIX, euro and US dollar

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.

Monetary policy and monetary policy meetings

The Executive Board of the Riksbank held five monetary policy meetings in 2021. In connection with these, a Monetary Policy Report was published containing forecasts for inflation and economic activity, together with justifications for monetary policy decisions.

Monetary policy in 2021 focused on supporting the economic recovery after the strong downturn in 2020 and bringing inflation consistently close to the inflation target. In March 2020, the Riksbank launched a comprehensive programme of asset purchases for monetary policy purposes in order to counter the negative economic consequences of the pandemic. The programme has been adjusted a number of times since then. In November 2020, the amount in the programme was increased from SEK 500 billion to SEK 700 billion and extended until December 2021. The programme included extensive purchases of Swedish treasury bills and government bonds, bonds issued by Swedish municipalities and regions and Kommuninvest i Sverige AB (municipal bonds), covered bonds issued by Swedish institutions and bonds and commercial paper issued by Swedish non-financial corporations. Chart 6 shows asset purchases for each month in 2021 and Chart 7 shows how the balance sheets of the Riksbank and other major central banks have grown since 2008 due to the extensive asset purchases. Chart 8 shows the repo rate and repo rate path at the ordinary monetary policy meetings.

At the first monetary policy meeting on **9 February**, the repo rate was held unchanged at 0 per cent. The asset purchases within the envelope of SEK 700 billion and the offer of liquidity in all the programmes launched in 2020 were continuing to support the recovery and inflation.

Ahead of the monetary policy meeting in April, the economic recovery continued, although the Executive Board considered that it would be some time until inflation would be more permanently close to the target of 2 per cent. At the meeting on **26 April**, it was decided that monetary policy needed to remain expansionary in order to support the economy and inflation. The repo rate and its path in the coming years were held unchanged at 0 per cent, while the asset purchases and offer of liquidity continued.

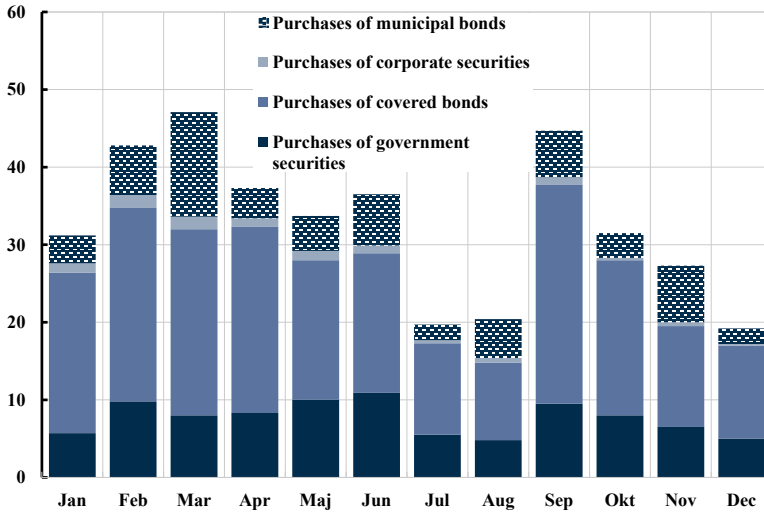
During the spring and early summer, the recovery continued at a good pace but the Executive Board pointed out that the pandemic was not yet over. The recovery was proceeding at different speeds in different parts of the world and new variants of the virus could yet arise, risking setbacks. The Swedish economy was developing strongly, but inflationary pressures were still moderate. At the monetary policy meeting on **30 June**, it was decided that the repo rate should remain unchanged at 0 per cent and that the repo rate path should remain at this level over the next three-year period. It was also decided to purchase bonds for an aggregate nominal amount of SEK 68.5 billion during the fourth quarter. This meant that the pace of purchasing would continue to be tapered off but that the envelope for purchases of SEK 700 billion would be fully utilised up until the end of 2021.

The global economic recovery continued during the summer months, although the risk of further setbacks caused by the pandemic remained. GDP growth was high, both in Sweden and abroad. Inflation had also been unexpectedly high in recent months, largely due to rapidly rising energy prices. There were several reasons for the rising electricity prices, but one important one was that water levels in reservoirs in Norway and Sweden were unusually low for the time of year. The inflation forecast for the coming year was revised upwards, but the Executive Board stressed that monetary policy should see past effects that temporarily affect inflation. Monetary policy needed to remain expansionary in order to keep inflation more permanently close to the target. At the monetary policy meeting on **20 September**, the Executive Board decided to hold the repo rate unchanged at 0 per cent and forecast that the repo rate would remain at this level over the coming three-year period. The Riksbank would continue to purchase securities during the remainder of 2021 in line with earlier decisions and the forecast was that the holdings would be more or less unchanged in 2022. The Executive Board also decided that certain lending facilities that were launched during the pandemic would now be closed and that, at the turn of the year, the requirements for the collateral the banks have to provide when borrowing from the Riksbank would be restored.

Ahead of the monetary policy meeting in November, inflation adjusted for energy prices was expected to continue to rise somewhat and be just over 2 per cent at the end of summer 2022. It was deemed that monetary policy needed to give continued support to the economy for inflation to be close to the inflation target in the slightly longer term. At the Monetary Policy Meeting on **24 November**, it was therefore decided to hold the repo rate at 0 per cent. The Executive Board also decided that the Riksbank should purchase bonds for SEK 37 billion in the first quarter of 2022 to compensate for forthcoming principal payments. It was also decided to purchase Swedish treasury bills to such a nominal total amount that the Riksbank's holdings of treasury bills would be maintained at a level around SEK 20 billion. The Executive Board's forecast was that the holdings of securities will remain roughly unchanged in 2022, after which they will gradually decrease, and that the repo rate will be raised in the latter part of 2024.

Chart 6 The Riksbank’s asset purchases in 2021

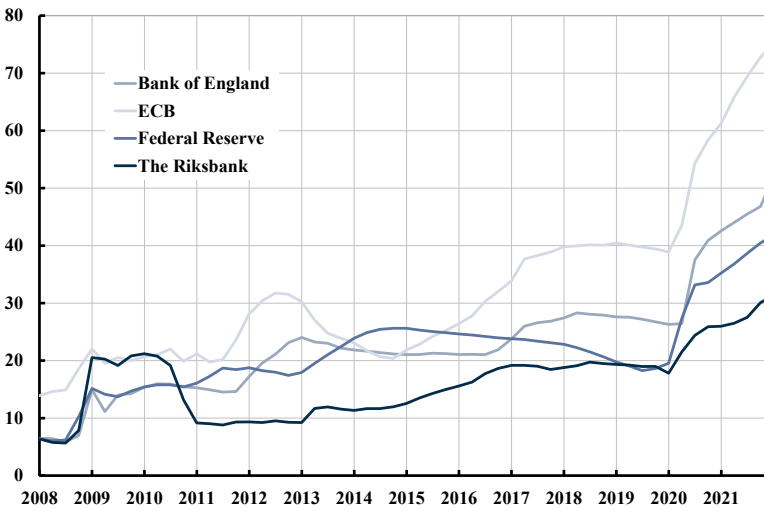
SEK billion



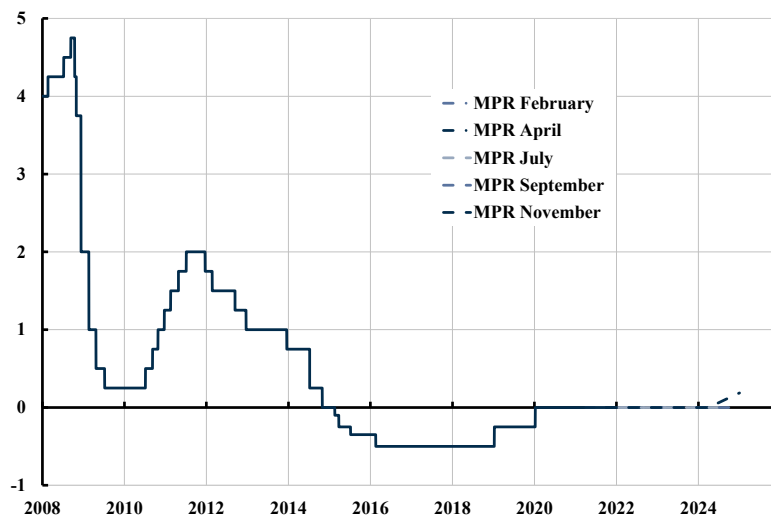
Note: Government securities include purchases of bonds as well as bills issued by the government, while corporate debt securities refer to purchases of bonds and certificates issued by companies.
Source: The Riksbank.

Chart 7 Size of the balance sheet total in relation to the GDP of various central banks

Per cent of GDP



Note: GDP is calculated as the sum of the current quarter and the three previous quarters. For any quarter(s) that GDP has not yet been published, the most recently published GDP statistics are used.
Sources: Bank of England, ECB, Federal Reserve, national sources, Statistics Sweden and the Riksbank.

Chart 8 Repo rate and repo rate forecasts 2021*Per cent*

Note: The unbroken line represents outcome (daily data) and the broken lines represent the Riksbank's forecasts (quarterly averages). The forecasts for February, April, July and September are identical.

Source: The Riksbank.

Target fulfilment

Every year, the Riksbank's monetary policy is evaluated by the Riksdag Committee on Finance. As a basis for this evaluation, the Riksbank compiles the report Account of Monetary Policy, which is published in the month of March following the year evaluated. The report for 2021 will therefore be submitted to the Riksdag in March 2022. Among other things, the report includes a description of the Riksbank's target fulfilment and economic developments during the past year.

The goal of the Riksbank's monetary policy is to stabilise inflation around the inflation target. It shall also support the objectives of general economic policy with a view to achieving sustainable growth and high employment. The Riksbank thus conducts what is generally referred to as flexible inflation targeting. An important precondition for taking factors other than inflation into account is that confidence in the inflation target is maintained. However, inflation and economic activity are constantly exposed to unexpected shocks, which may take time to counteract. This means that deviations from the quantified inflation target for individual years are the rule rather than the exception.

Inflation

In 2019, average inflation (CPIF) was just below the target of 2 per cent, while in 2020 it fell sharply to 0.5 per cent, due to the pandemic and sharply falling

energy prices (see Table 2). However, the outcome for 2021 was higher at 2.4 per cent. Adjusted for energy prices (CPIF excluding energy), the rise in inflation became more moderate and landed at 1.4 per cent, that is slightly below target and at roughly the same levels as in 2019 and 2020. In other words, a large part of the increase in the CPIF was due to rising energy prices.

Table 2 Comparison of different measures of inflation

Annual percentage change, annual average

	2019	2020	2021
CPIF	1.7	0.5	2.4
CPIF excl. energy	1.6	1.3	1.4

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

Source: Statistics Sweden.

Economic activity

Flexible inflation targeting means that the Riksbank, in addition to stabilising inflation at 2 per cent, also strives to support the objectives of general economic policy. In practice, this means trying to stabilise economic activity around a trend path. However, there is no one unambiguous measure that can perfectly capture the deviation of economic activity from the trend. The Riksbank therefore makes an assessment on the basis of several different measures. The most important of these are the GDP gap, the hours gap and the employment gap (which show the deviations of GDP, working hours and employment from their respective trend paths).

According to the most important measures of economic activity, it was lower than normal for most of 2021 (see Chart 9). However, activity increased and, at the end of the year, it was close to a normal level.

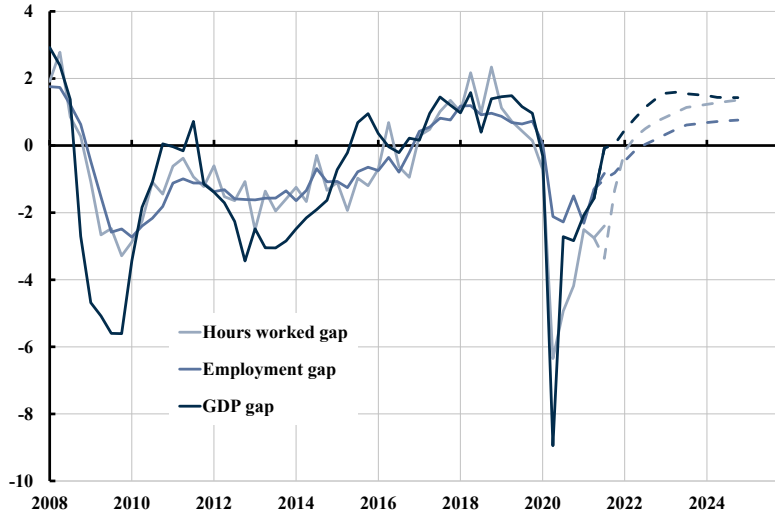
The system of short-time work compensation restrained the downturn in employment during the pandemic and prevented a larger increase in the number of bankruptcies. However, it also meant that the number of hours worked in the economy fell more than employment, as staff on short-term layoffs reduced their working hours at the same time as they were still employed. This was the reason why the downturn in the GDP gap was greater than the downturn in the employment gap.

Unemployment remained at an elevated level in 2021 despite the growth in demand (see Chart 10). The pandemic made it more difficult for certain groups to enter or return to the labour market, partly because they had already been unemployed for a long time. The labour force participation rate fell at the beginning of the pandemic but recovered relatively quickly. The employment rate has not returned to the level that prevailed just before the outbreak of the pandemic. However, this may be a consequence of the fact that, over this period, Statistics Sweden made changes to the Labour Force Survey, which forms the basis for the statistics. Once adjusted for the estimated effect of these

changes, the employment rate has recovered, which is also supported by other statistics such as short-term employment statistics.

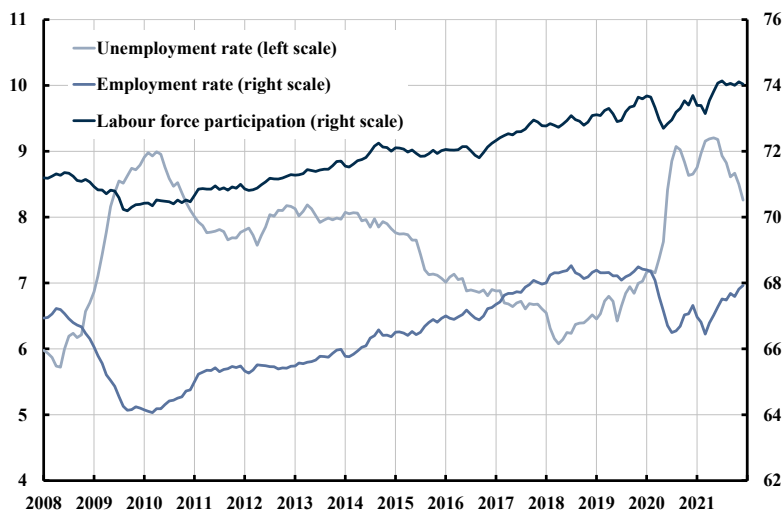
Chart 9 GDP gap, employment gap and hours gap

Per cent



Note: The gaps refer to the deviation in GDP, the number of hours worked and the number of those employed from the Riksbank’s assessed trends. The broken lines represent the Riksbank’s forecast from November 2021. In January, the LFS statistics were adapted to the EU’s new regulation for labour market statistics. The employment statistics for this year are therefore not fully comparable with previous years. For further information on the changes, see the fact box in the April Monetary Policy Report and the article “The LFS reorganisation and the Riksbank’s analysis of the labour market” in the February Monetary Policy Report.

Sources: Statistics Sweden and the Riksbank.

Chart 10 Labour force participation, the employment rate and unemployment*Per cent*

Note: Seasonally adjusted data. Three-month moving average. This data refers to persons aged 15–74. The labour force participation rate and employment rate are measured as a percentage of the population. Unemployment is measured as a percentage of the labour force. In January, the LFS statistics were adapted to the EU’s new regulation for labour market statistics. This means that the labour market statistics for this year are not fully comparable with previous years. For further information on the changes, see the fact box in the April Monetary Policy Report and the article “The LFS reorganisation and the Riksbank’s analysis of the labour market” in the February Monetary Policy Report.
Source: Statistics Sweden.

Monetary policy development work

Monetary policy development work during the year focused on the economic consequences of the pandemic and on the effects of monetary policy. Work on analysing sustainability from a monetary policy perspective also continued.

Economic consequences of the pandemic

The pandemic resulted in a sharp fall in economic activity in large parts of the world during the spring of 2020. Governments and central banks then began to pursue a highly expansionary economic policy to mitigate the economic impact on households and businesses. The Riksbank focused primarily on providing liquidity support to the banks and buying financial assets. This safeguarded the role of the banks as supplier of credit, alleviated frictions in important financing markets and ensured that the pass-through of monetary policy from the repo rate to various market rates continued to function. An article in *Economic Review 2021:1* described in detail the measures taken by the Riksbank, the course of events in the financial markets during the spring and summer of 2020 and how lending to households and companies developed.

The pandemic hit the Swedish labour market hard. Unemployment rose and employment fell. At the same time, many employees were put in short-term working schemes, which held employment up. Economic Commentary no. 1 2021 showed how the Swedish labour market had developed so far during the pandemic and what developments could be expected in the longer term on the basis of previous experiences and research. Over the long term, the Commentary anticipated a reduction in the number of persons employed and hours worked, together with higher unemployment. However, the extent of the long-term effects on the labour market is very difficult to know, even after the event, as they are not directly observable.

Economic Commentary no. 7 2021 presented an analysis of the Riksbank's surveys of inflation expectations. The comment mainly concerned "disagreement" in responses, that is the extent to which respondents deviate from each other. By considering this disagreement, a more nuanced picture can be obtained of how well anchored the inflation target is than that obtained by looking only at the average or median. The analysis showed that disagreement increased slightly after the outbreak of the pandemic. If this disagreement is linked to the anchorage of the inflation target, it may be relevant to the Riksbank's policy work.

Using data from the Riksbank's historical monetary statistics, an article in *Economic Review* 2021:2 analysed how the various pandemics that have impacted Sweden since the early 1800s have affected demographics, GDP and inflation. The article also discussed the conclusions that can be drawn from history regarding the effects of the ongoing pandemic. However, it noted that this is difficult in practice for several reasons. For example, today's society is very different in terms of the level of knowledge and the supply of media, technology and healthcare.

Effects of monetary policy

In February 2015, the Riksbank began purchasing Swedish government bonds on a larger scale. Its aim was to bring inflation back to target and stimulate the economy by ensuring that Swedish interest rates remained low. By this point, the scope for lowering the repo rate had become increasingly smaller and, in addition, several other central banks had started to buy government bonds to a greater extent. An article in *Economic Review* 2021:1 analysed, among other things, the effects on the financial markets of the Riksbank's government bond purchases in 2015–2017. One of the conclusions of the study was that purchases via various channels had made monetary policy more expansionary, as they contributed to lower interest rates and a weaker exchange rate.

The negative policy rates of recent years in several economies have led to a discussion of how effective negative interest rates actually are. In a contribution to this discussion, Economic Commentary no. 9 2021 showed that the Riksbank's repo rate has covaried closely with the interest rates faced by borrowers, even when the repo rate has been negative. According to the study,

this shows that repo rate was an effective instrument for controlling interest rates, even when it was slightly negative. A review of the research literature in Economic Commentary no. 2 2021 showed that the average effects on output and inflation were positive when central banks increased their asset purchases.

The Riksbank needs to monitor how the distribution of income and wealth develops over time. Income and wealth disparities can affect growth potential in the economy and changes in distribution can influence the effect monetary policy has on economic activity. Economic Commentary no. 11 2021 presented ten frequently asked questions and answers about distributional effects and monetary policy. Among other things, this noted that there are several reasons that make it difficult to use monetary policy actively for distributional policy purposes. A less expansionary monetary policy could contribute to restraining asset prices, but this would be at the cost of higher unemployment. So, although the overall final result could be a more even distribution, the situation would, in practice, be worse for groups that are already weak. Such a policy would be difficult to justify. In addition, over a longer period, covering both economic downturns and upturns, the effects of monetary policy on incomes and wealth will largely offset one another.

Sustainability from a monetary policy perspective

The Riksbank participates in the global Network for Greening the Financial System (NGFS), which works to ensure that financial undertakings and authorities integrate climate and environmental risks into their work. In the summer of 2021, the NGFS published several scenarios for how climate change may affect economic developments. In Economic Commentary no. 14 2021, the Riksbank presented an overview of the NGFS scenarios focusing on developments in Sweden and abroad. According to the scenarios, economic costs in terms of GDP are relatively small on a global level, which is in line with previous studies. This also applies to Sweden, where the costs are even smaller. The calculations have taken the costs of extreme weather and the climate transition into account. However, the calculations do not include the risk of tipping points, that is critical cut-off points that occur when a change in the climate system is so great that the climate changes sharply and does not return to the original state even if the cause of the change disappears. Although there is great uncertainty about tipping points, they would likely incur significant costs if they were to occur.

In an ongoing project, the Riksbank is also studying how climate change may affect variations in prices and output in Sweden. The project uses historical weather data to study the relationships between rising temperature, prices and output. The results of the study are scheduled to be published in 2022.

Articles focused on monetary policy and the articles in the Monetary Policy Report are published on the Riksbank website, together with other studies from the other departments of the Riksbank.

Asset management

The Riksbank's expansionary monetary policy with continued purchases of Swedish securities contributed to the size of the balance sheet increasing in 2021. It also increased when the International Monetary Fund (IMF) gave the Riksbank an increased allocation of Special Drawing Rights (SDRs). In addition, the composition of the balance sheet was changed when the Riksbank initiated a transition to fully self-financed foreign currency reserves. Over the year, the balance sheet total increased by SEK 270.3 billion overall and amounted to SEK 1,564.2 billion at the end of the year.

Financial assets and liabilities

The Riksbank manages financial assets to ensure that it can fulfil its statutory objectives and perform its tasks. The Riksbank's expansionary monetary policy has led to most of the assets consisting of assets in Swedish kronor. Among other things, these consist of the Swedish government bonds that the Riksbank purchased during the period 2015–2021. During the corona pandemic in 2020–2021, the Riksbank also purchased Swedish treasury bills, covered bonds (mortgage bonds), municipal bonds and corporate bonds. The assets also include the Riksbank's loans against collateral to monetary policy counterparties and temporary monetary policy counterparties.

Another large part of these assets is made up of the gold and foreign currency reserves. These ensure that the Riksbank, if necessary, can supply temporary liquidity support in foreign currency and intervene on 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 IMF, as the Riksbank is the authority in Sweden that is responsible for the obligations ensuing from Sweden's membership of the Fund. The Riksbank stands prepared to use its gold and foreign currency reserves to lend money to the IMF, which, in turn, lends money to countries with balance of payment problems.

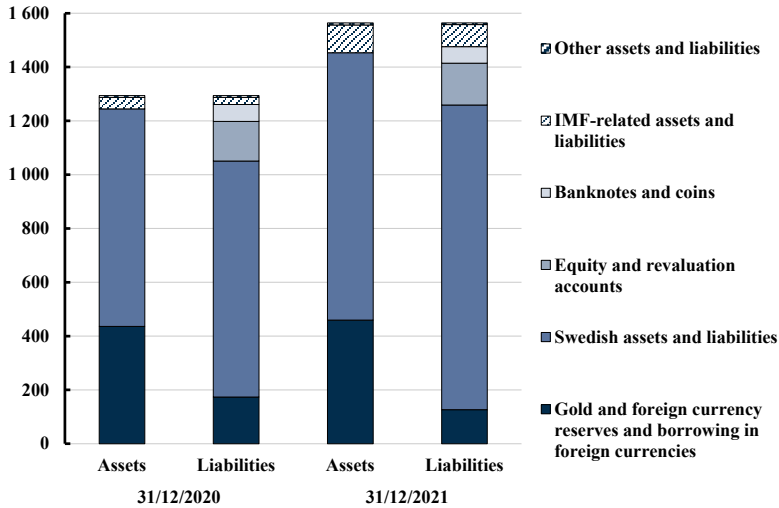
The Riksbank's financial liabilities mostly consist of deposits in Swedish kronor. These deposits are mainly a consequence of the Riksbank's purchases of Swedish securities. Through the purchases, the Riksbank has added a large amount of liquidity to the banking system and thereby increased the banks' liquidity surplus. When the banks place the surplus at the Riksbank, a liability to the banks arises.

The Riksbank also has financial liabilities in foreign currencies to the Swedish National Debt Office. These liabilities consist of US dollars and euros that the Riksbank has borrowed via the National Debt Office in order to fund the foreign currency reserves. At the beginning of 2021, the Riksbank decided

to replace the loans from the National Debt Office with deposits in Swedish kronor from banks. The Riksbank intends to purchase foreign currency on the foreign exchange market at a steady pace over a longer period of time and pay for the purchases in Swedish kronor. This means that the banks' deposits in Swedish kronor increase on the Riksbank's balance sheet. At the same time, the Riksbank will repay the currency loans through the National Debt Office as they mature. This will give the Riksbank self-financed foreign currency reserves.

Chart 11 The Riksbank's balance sheet at the end of 2020 and 2021

SEK billion



Source: The Riksbank.

Table 3 The Riksbank's financial assets and liabilities at the end of 2021*SEK million*

	Assets	Liabilities	Return		Total
			Interest	Currency	
Gold and foreign currency reserves	460,981	–	–4,441	33,103	28,662
Gold reserve	66,680	–	–	3,783	3,783
Foreign currency reserves	394,301	–	–4,441	29,320	24,879
Foreign currency loans	–	127,408	–1,525	–10,221	–11,746
IMF	102,804	82,288	9	1,457	1,466
Monetary policy instruments	999,166	1,123,075	–3,015	–	–3,015
Securities in SEK	980,098	–	–3,613	–	–3,613
Deposits and lending	19,068	1,123,075	598	–	598
Total	1,562,951	1,332,771	–8,972	24,339	15,367

Note: The table shows financial assets and liabilities in 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.

In 2021, the balance sheet total increased by SEK 270.3 billion to SEK 1,564.2 billion, primarily due to the Riksbank purchasing securities in Swedish kronor (see Chart 11). The Riksbank's equity (including the financial result for the year and the revaluation accounts) increased by SEK 7.8 billion to SEK 155.2 billion, mostly due to the depreciation of the Swedish krona over the year. At the end of the year, the value of the Riksbank's financial assets amounted to SEK 1,563.0 billion (see Table 3). The total return on the Riksbank's financial assets and liabilities amounted to SEK 15.4 billion.

Monetary policy instruments

Over the year, the Riksbank continued to implement support measures to alleviate the effects of the coronavirus pandemic on the Swedish economy (see the section Maintaining the value of money – price stability for more information about these support measures). The Riksbank's purchases of Swedish securities contributed to the Riksbank's assets in Swedish kronor increasing over the year. Together with the Riksbank's efforts to create self-financed foreign currency reserves, the purchases of securities have led to a significant increase in deposits in Swedish kronor. At the end of the year, the total market value of the Riksbank's monetary policy assets and liabilities amounted to SEK 999.2 billion and SEK 1,123.1 billion respectively (see Table 4).

Table 4 The Riksbank's monetary policy instruments at the end of 2021*SEK million*

	Assets	Liabilities	Return
Securities in Swedish kronor	980,098	–	–3,613
Government bonds	425,608	–	–1,065
Treasury bills	19,972	–	–33
Covered bonds	414,862	–	–2,067
Municipal bonds	107,349	–	–472
Corporate bonds	12,307	–	23
Commercial paper	–	–	1
Deposits and lending for monetary policy purposes	19,068	1,123,075	598
Loans for onward lending to companies	16,000	–	57
Monthly market operations	3,000	–	–
Standing facilities	68	588,068	541
Riksbank Certificates	–	535,007	0
Total	999,166	1,123,075	–3,015

Note: The table shows monetary policy assets and liabilities in 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.

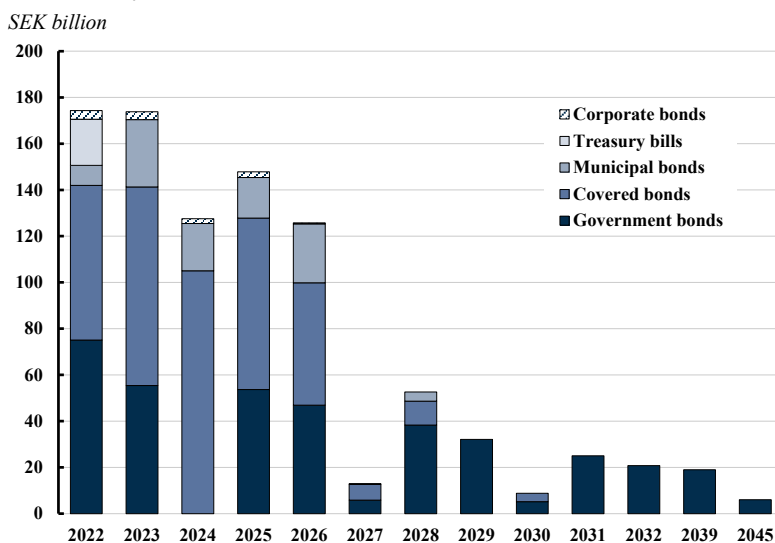
Source: The Riksbank.

Increased asset holdings in Swedish kronor

Since February 2015, the Riksbank has used purchases of Swedish government bonds as a tool to make monetary policy more expansionary. In order to mitigate the economic effects of the coronavirus pandemic, the Riksbank has also increased its holdings of Swedish securities, in addition to purchases made or planned prior to the pandemic. Under the framework of this programme, the Riksbank purchased Swedish government bonds, treasury bills, covered bonds (mortgage bonds), municipal bonds and corporate debt securities (corporate bonds and commercial paper) in 2021. All purchases over the year were made on the secondary market and consisted primarily of covered bonds.

At the end of the year, the total market value of the holdings of Swedish securities amounted to SEK 980.1 billion. At this point, the average residual maturity of the securities was 3.8 years and their residual maturity ranged from 17 days to 24 years (see Chart 12). Over the year, the return on them amounted to SEK –3.6 billion or –0.6 per cent.

Chart 12 The Riksbank's holdings of Swedish securities at the end of 2021 and maturity date



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.

Most of the purchases were made up of Swedish covered bonds

Over 2021, the Riksbank continued to purchase Swedish covered bonds issued by seven different companies: Danske Hypotek AB, Länsförsäkringar Hypotek AB, Nordea Hypotek AB, Skandinaviska Enskilda Banken AB, Stadshypotek AB, AB Sveriges Säkerställda Obligationer and Swedbank Hypotek AB. In total, the Riksbank purchased covered bonds in a nominal amount of SEK 224.7 billion. Covered bonds thus accounted for most of the total purchases of securities over the year. At the end of the year, the market value of the Riksbank's holdings of covered bonds amounted to SEK 414.9 billion.

The Riksbank also continued to buy Swedish government bonds and municipal bonds

Over the year, the Riksbank bought Swedish nominal and real government bonds in a total nominal amount of SEK 45.5 billion. The greater part of this amount, SEK 33.8 billion, concerned nominal government bonds. At the end of the year, the market value of the Riksbank's holdings of Swedish government bonds amounted to SEK 425.6 billion.

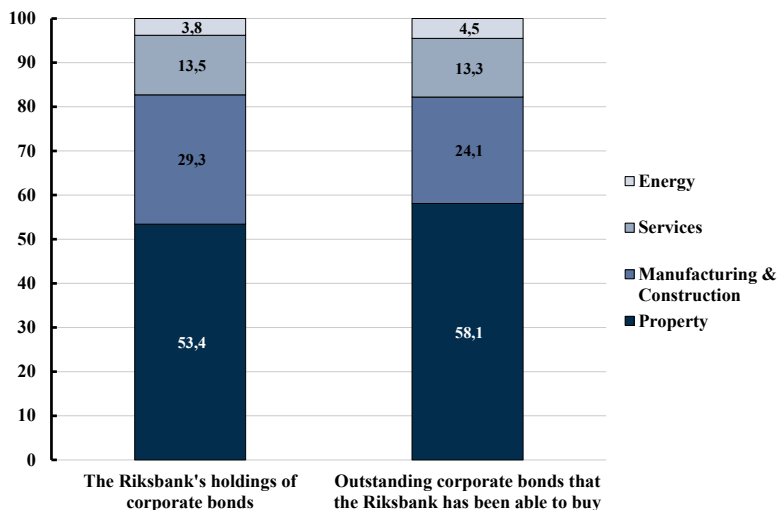
The Riksbank also purchased bonds issued by Swedish municipalities and regions and by Kommuninvest i Sverige AB. In total, over the year, the Riksbank purchased municipal bonds in a nominal amount of SEK 64.0 billion. The majority of this amount, SEK 60.2 billion, concerned purchases of bonds issued by Kommuninvest i Sverige AB. In addition to these bonds, the Riksbank also purchased bonds issued by 17 different municipalities and regions.

At the end of the year, the market value of the Riksbank's total holdings of municipal bonds amounted to SEK 107.3 billion.

Sustainability is a factor in the purchase of corporate bonds

The Riksbank also continued to buy corporate bonds issued by Swedish non-financial companies. The purchases were made both bilaterally and through bid procedures. Overall, the Riksbank purchased corporate bonds in a nominal amount of SEK 10.0 billion, of which bonds in an amount of SEK 9.2 billion were purchased bilaterally. The purchases aimed to ensure that the total holding of corporate bonds reflected the market for corporate bonds in terms not only of sectors and issuers but also of the ratio between fixed and variable coupons, maturity and credit rating. Over the year, the purchases were divided among the sectors with bonds that met the Riksbank's criteria. At the end of the year, the market value of the Riksbank's holdings of corporate bonds amounted to SEK 12.3 billion. The holdings then consisted of corporate bonds issued by 51 different companies and most of the holdings, 53.4 per cent, consisted of bonds issued by Swedish property companies (see Chart 13).

Just like other central banks, the Riksbank has an obligation to manage financial risks following on from the measures taken for monetary policy purposes. As sustainability and climate risks can create financial risks, the Riksbank started to apply so-called norm-based negative screening for the purchase of corporate bonds at the start of January 2021. This means that the Riksbank only purchases bonds issued by companies complying with international standards and norms for sustainability. In 2021, the Riksbank also started to calculate and publish the carbon footprint of its holdings of corporate bonds. This is a first step towards reporting the climate-related risks on the Riksbank's balance sheet. By reporting the carbon footprint, the Riksbank wishes to help promote transparency with regard to climate-related information.

Chart 13 The Riksbank's holdings of corporate bonds at the end of 2021*Per cent*

Note: The chart shows a sector-divided comparison of the Riksbank's holdings of corporate bonds and corporate bonds that the Riksbank has been able to buy since purchases started in September 2020 and which were still outstanding at the end of 2021.

Source: The Riksbank.

Purchases expanded with Swedish treasury bills

The Riksbank's purchases of Swedish securities were expanded over the year to include Swedish treasury bills. These purchases started in January 2021 and altogether the Riksbank bought treasury bills in a nominal amount of SEK 46.5 billion, of which SEK 26.5 billion matured over the year. At the end of the year, the market value of the Riksbank's holdings of Swedish treasury bills amounted to SEK 20.0 billion.

Low demand for sale of commercial paper to the Riksbank

In addition to corporate bonds, the Riksbank also continued to purchase commercial paper issued by Swedish non-financial corporations. However, interest in selling commercial paper to the Riksbank was low in 2021 and as a first step, in October, the Riksbank therefore chose to move from weekly bid procedures to bid procedures every two weeks. The offer to purchase commercial paper was then closed at the end of the year. Over the year, the Riksbank purchased commercial paper in a total amount of SEK 0.7 billion. The certificates purchased matured during the year.

The Riksbank concluded the extraordinary loan facilities in Swedish kronor and US dollars

At the start of the coronavirus crisis in 2020, the Riksbank introduced several different lending facilities to guarantee access to liquidity in the financial system. To strengthen the banks' access to liquidity further, the Riksbank also lowered its demands for the collateral that the banks can use when borrowing from the Riksbank. In addition, the category temporary monetary policy counterparty was introduced in order to increase temporarily the number of counterparties allowed to participate in the Riksbank's programme for onward lending to companies.

In 2021, the Riksbank decided to conclude the loan facilities that were launched in 2020. The Riksbank also decided to remove the possibility of applying to become a temporary monetary policy counterparty and to restore, as of 3 January 2022, the requirements for the collateral that the banks have to provide when borrowing from the Riksbank.

Most of the loans to support bank lending to companies matured during the year

In 2020, the Riksbank established a programme in Swedish kronor under which monetary policy counterparties and temporary monetary policy counterparties were allowed to borrow from the Riksbank in order to continue lending to Swedish non-financial companies. In March 2021, the Riksbank stopped offering loans under this programme and instead introduced a similar programme with simplified conditions. However, no applications for loans under the new programme were received and, in September, the Riksbank chose to conclude the programme.

Most of the loans under the previous programme matured and were repaid over the year. Only a small proportion of loans were extended and, at the end of the year, loans of SEK 16.0 billion remained, with a longest remaining time to maturity of just over seven months. Over the period 2020–2021, the Riksbank lent a total of SEK 164.5 billion for onward lending to companies. The envelope for this programme amounted to SEK 500 billion.

Demand was also low for the Riksbank's loans at three-month and six-month maturities, respectively

In 2021, the Riksbank continued to offer the monetary policy counterparties the opportunity to borrow an unlimited amount of Swedish kronor with a maturity of three and six months respectively. Initially, the loans were offered in weekly market operations but in May, when the financial market situation had stabilised, the offer was changed from weekly to monthly market operations. The situation in the markets then continued to be stable and, since this type of loan was not being requested to any great extent, the Riksbank decided, in September, to conclude monthly market operations as well. At the end of the

year, one loan of SEK 3.0 billion remained, with principal payment in February 2022. Altogether, during the period 2020–2021, the Riksbank lent SEK 34.7 billion under this programme.

No demand for loans in US dollars

In 2021, the Riksbank continued to offer monetary policy counterparties the opportunity to borrow US dollars, but no loans were requested during the year. This programme was concluded on 1 October. During the period 2020–2021, the Riksbank lent a total of USD 2.0 billion under this programme, the framework amount of which was USD 60 billion.

Increased deposits for monetary policy purposes

The Swedish banking system has a liquidity surplus against the Riksbank, which, in recent years, was mainly created by the purchase by the Riksbank of Swedish securities from the banks. During 2021, the liquidity surplus increased further when the Riksbank bought foreign currency with the aim of transitioning to self-financed foreign currency reserves and when the Riksbank delivered SEK 6.8 billion to the Treasury in May. This is because both purchases of currency and the transfer to the Treasury were financed by increased deposits by the banks to the Riksbank.

Banks that are monetary policy counterparties to the Riksbank may deposit liquidity surpluses with the Riksbank via monetary policy instruments in the form of standing deposit facilities overnight and Riksbank Certificates with a maturity of one week. The banks' deposits means that the Riksbank has a debt to the banks. At the end of the year, this debt amounted to SEK 1,123.1 billion, which is an increase of SEK 248.5 billion from the previous year. Over the year, the negative deposit rate of –0.10 per cent (the repo rate minus 0.10 percentage points) led to total deposits generating SEK 541 million in interest income.

Gold and foreign currency reserves

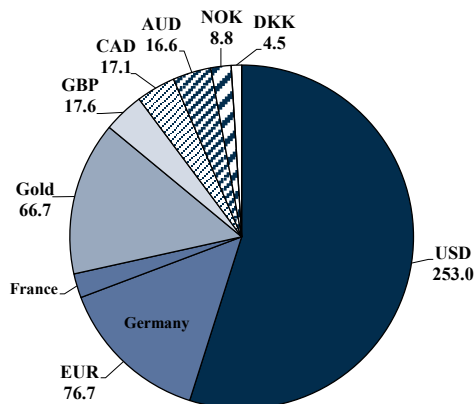
The gold and foreign currency reserves shall be managed so that the Riksbank is always ready to fulfil its commitments. The reserves must therefore be composed so that they can be used to provide temporary liquidity support to banks active in Sweden, to fulfil Sweden's part in the IMF's international lending and to intervene on the foreign exchange market. In addition, the reserves are designed to diversify the Riksbank's financial risks and provide a long-term return that contributes to safeguarding the Riksbank's financial independence.

The Riksbank's preparedness to provide temporary liquidity assistance in foreign currency at short notice places heavy demands on the composition of the gold and foreign currency reserves. Consequently, the foreign currency reserves are mostly composed of those currencies demanded by the banks when they need liquidity support and such assets as can rapidly be converted

into liquid funds, primarily government bonds in US dollars and euros (See Chart 14).

Chart 14 Composition of the gold and foreign currency reserves at the end of 2021

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 to foreign currency reserves over the year

The Executive Board of the Riksbank decides on a financial risk and investment policy that establishes the principles for the Riksbank's investments in the gold and foreign currency reserves. The policy specifies the limitations that apply to this management. This takes place on the basis of the contingency requirements that indicate which currencies the Riksbank needs to hold in the foreign currency reserves for contingency reasons. The Riksbank also takes return and risk into account when deciding the composition of the foreign currency reserves. Furthermore, the Riksbank considers sustainability in its choice of assets. For example, the Riksbank makes an assessment on the basis of sustainability factors such as climate, social responsibility and governance before new assets can be included in the foreign currency reserves. In addition, as far as is possible, the Riksbank chooses a composition of assets that limits the total carbon footprint of the foreign currency reserves, without this having an excessively negative effect on return.

In 2020, the Riksbank sold assets in the foreign currency reserves equivalent to USD 10 billion in order to increase its preparedness to offer loans in US dollars to Swedish banks. In 2021, the Riksbank continued to keep liquid funds available for contingency reasons. These funds were invested partly in an account with the Federal Reserve and partly in interest-bearing securities

with short maturities issued by the Bank for International Settlements (BIS). Over the year, the Riksbank placed a larger proportion of the liquid assets in the Federal Reserve account because this periodically gave a higher interest rate than the BIS investments with the shortest maturity. Otherwise, no significant changes were made in the composition of the foreign currency reserves, and the interest rate sensitivity of the reserves, measured as modified duration, remained unchanged around 3.5.

The Riksbank joined the Federal Reserve's FIMA Repo Facility

In 2021, the Riksbank decided to extend the temporary swap agreement entered into with the US Federal Reserve in 2020. The agreement allowed the Riksbank to borrow US dollars in exchange for kronor. However, this currency arrangement did not have to be used during the year and the agreement expired on 31 December 2021.

In December 2021, the Riksbank decided to join the FIMA Repo Facility offered by the Federal Reserve. This facility was introduced in 2020 and was initially intended as temporary but, in July 2021, the Federal Reserve decided to make it a standing facility. The facility allows the Riksbank to obtain US dollars by selling US government securities to the Federal Reserve and, at the same time, agreeing to buy back the securities the next day at a predetermined price. Joining the facility has given the Riksbank an additional tool with which to liquidise the foreign currency reserves, should this be necessary.

The Riksbank implemented currency exchanges for self-financed foreign currency reserves

The foreign currency reserves are currently financed in two different ways: partly through the Riksbank's own financing, which comprises of equity, banknotes and coins issued and deposits from the banks, and partly through loans in foreign currency on the international capital market via the Swedish National Debt Office. In January 2021, the Riksbank decided to replace the borrowed part of the foreign currency reserves with self-financing via deposits from banks. This means that the Riksbank intends to exchange SEK for USD and EUR. In total, the Riksbank plans to exchange SEK for USD 14.5 billion and EUR 5.5 billion.

The exchanges started on 1 February 2021 and are expected to be carried out at a steady pace over a longer period of time. The purpose of spreading the exchanges like this is to minimise their effect on the foreign exchange market and the krona exchange rate. This is because the exchanges fulfil no monetary policy purpose and are thereby not being conducted to affect the krona exchange rate. All in all, over the year, the Riksbank purchased foreign currency equivalent to SEK 57.0 billion and, by the end of the year, the Riksbank had exchanged SEK for USD 4.6 billion and EUR 1.7 billion.

Over the year, currency loans from the Swedish National Debt Office of a total of USD 5.0 billion and EUR 1.5 billion matured. The Riksbank repaid the loans when they matured.

The gold reserve to be held unchanged

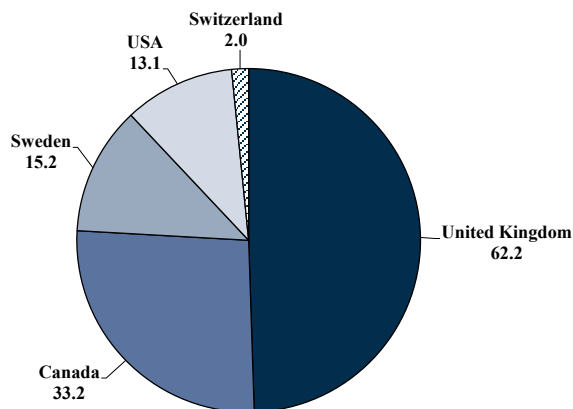
The Riksbank has a gold reserve that amounts to 125.7 tonnes of gold. The Riksbank owns gold largely due to gold's historical link to banknotes and coins. During a period when the gold standard was in use, among other things, the Riksbank was obliged to be able to redeem banknotes for gold. Nowadays, however, 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 in the United Kingdom (the Bank of England), Canada (the Bank of Canada), the United States (the Federal Reserve Bank of New York) and Switzerland (the Swiss National Bank), as well as at the Riksbank's own depot in Sweden (see Chart 15).

Storing all of the gold in the same place would pose too much of a security risk, so the Riksbank stores the gold in different locations around the world. Almost half of the gold reserve is stored in the United Kingdom, where the world's largest commercial gold market, the London Bullion Market, is based. This market is the most liquid and central marketplace for trading bullion. Holding it at the Bank of England allows a large part of the Riksbank's gold to be converted at very short notice, if necessary. In this way, the gold can be considered a liquid asset.

As in previous years, the Riksbank also stored gold on behalf of one or more other central banks in 2021.

Chart 15 Storage of the gold reserve at the end of 2021

Tonnes



Source: The Riksbank.

Positive return on the gold and foreign currency reserves

Over the year, the interest return on the foreign currency reserves, including price effects, amounted to SEK –4.4 billion or –1.3 per cent. As the currencies in the reserves strengthened against the Swedish krona, the return on foreign exchange was positive and amounted to SEK 29.3 billion or 8.2 per cent. The return on the foreign currency reserves thereby amounted to SEK 24.9 billion.

Gold is traded and priced in US dollars, and, over the year, the price of gold expressed in dollars decreased by 3.9 per cent. However, as the dollar strengthened against the Swedish krona, the price of gold in kronor increased by 6.0 per cent. The return on the Riksbank's holdings of gold thereby amounted to SEK 3.8 billion.

The Riksbank's financial commitment to the IMF

The Riksbank contributes towards the funding of the IMF via capital contributions and arrangements to borrow, and stands prepared to use the gold and foreign currency reserves to fulfil its commitments in relation to the Fund (see Table 5). The Riksbank's commitments in relation to the IMF are described in more detail in the sections International cooperation and Balance sheet and profit and loss account.

Over 2021, the Riksbank's remaining financial commitment to the IMF increased by a total of 6.3 billion Special Drawing Rights (SDR). The increased commitment was mainly a result of the IMF making a new general allocation of SDR. The Riksbank received SDR 4.2 billion, which meant that the Riksbank's total allocation of SDR increased to 6.5 billion. Over the year, the remaining commitment also changed when the Riksbank's bilateral credit agreement with the IMF was reduced in favour of a larger commitment under the New Arrangements to Borrow (NAB). The Riksbank's bilateral credit agreement was reduced from SDR 7.4 to SDR 3.2 billion, while the commitment under the NAB was doubled to SDR 4.5 billion.

Table 5 The Riksbank's remaining financial commitment to the IMF*SDR and SEK, million*

	31/12/2021		31/12/2020	
	SDR	SEK	SDR	SEK
Special Drawing Rights (SDR)	12,794	162,078	4,438	52,475
Capital contribution (quota)	3,283	41,585	3,413	40,360
New Arrangements to Borrow	4,458	56,481	2,159	25,532
Credit agreement	3,188	40,387	7,400	87,499
Poverty Reduction and Growth Trust	777	9,843	777	9,187
Total remaining commitment	24,500	310,374	18,187	215,053

Note: The Special Drawing Rights (SDR) commitment is calculated as an allocated amount plus twice the allocated amount less the Riksbank's holdings of SDR. According to the IMF by-laws, the Riksbank may be required to purchase SDR for foreign currency at an amount that means that the Riksbank's total holdings of SDR amounts to a maximum of 300 per cent of the ordinary allocation. See also Notes 2, 22 and 41 in the section 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 59.7 billion to SEK 102.8 billion (see Table 3). The receivables increased primarily when the holding of SDR increased as a result of the larger allocation of SDR received by the Riksbank. The changed allocation also affected the Riksbank's liabilities, as the allocation is reported as a liability in the balance sheet. The Riksbank's liabilities to the IMF increased by SEK 55.7 billion overall and amounted to SEK 82.3 billion at the end of the year. The interest return on net receivables amounted to SEK 9 million over the year.

Analysis of the Riksbank's financial result and equity

The Riksbank's result is affected by the development of the krona exchange rate, as well as international and Swedish interest rates. Recent years' falling interest rates have meant that the market value of the Riksbank's securities has increased, and this has temporarily meant a higher return and financial result. However, after a long period of low interest rates, interest income from the Riksbank's securities is relatively low. Although market rates started to rise again in 2021, this has also meant that the market value of the securities has fallen. This has reduced the financial result for the year. At the same time, the krona has become weaker over the year, which means that the value in SEK of the Riksbank's foreign assets has increased. All in all, the Riksbank's total result for 2021 was SEK 14,610 million. However, the reported result, which, among other things, excludes the unrealised currency effects during the year, is SEK -36 million (see the section Result measures and seigniorage).

The Riksbank's revenue is mainly derived from the return on financial assets. The Riksbank's costs can be divided into interest expenses that come from the interest-bearing liabilities that the Riksbank has, and the costs of running the bank's operations (net administrative cost). The difference between revenue and costs is the Riksbank's financial result.

As with several other central banks, there is an interest-free part of the Riksbank's liability side in the form of banknotes and coins, while equity can also be seen as interest-free capital. This provides conditions for a positive net interest income that can contribute to the Riksbank's total financial result. The part of the financial result that can be attributed to banknotes and coins is usually called seigniorage (see the section Result measures and seigniorage). The size of the net return over the long term is not just due to seigniorage, however, but also to the average difference between the interest rate levels of assets and liabilities.

The support measures implemented by the Riksbank over the years 2020 and 2021 have changed the balance sheet, and this also has consequences for the Riksbank's financial result and financial risks. Assets in the form of securities in Swedish kronor have increased, at the same time as deposits in Swedish kronor have increased accordingly. In February 2021, the transition to self-financed foreign currency reserves was also initiated (see above), which is also gradually increasing deposits with the Riksbank.

Deposits in SEK now constitute the largest part of the Riksbank's liability side and this liability is interest bearing. The interest expense for it is directly linked to the Riksbank's monetary policy operational framework since the interest rate for deposits is the repo rate minus 10 basis points. Raising the repo rate will lead to an immediate increase in the Riksbank's interest expenses. The net effect of the result from the securities holdings thus depends on how the repo rate develops in relation to the return on the securities purchased by the Riksbank.

As the Riksbank's assets largely have long interest-rate fixation periods, and deposits in kronor are at a short-term interest rate, revenue and expenditure can fall out of step and the net result may vary more than previously. This is usually called a rising interest rate risk.

The Riksbank's financial result is sensitive to interest rate adjustments

The total return on the Riksbank's holdings of securities in Swedish kronor was negative in 2021. Since the interest rate rise continued over much of the year, the market value of the holdings fell and the total return (interest income plus change in market value) was therefore negative. However, since the average interest rate for monetary policy deposits was negative at just below 0 per cent, the contribution of the financing to the result was positive.

If Swedish interest rates continue to rise, the existing holding of securities will reduce the total return on the Riksbank's assets in the short term. At the same time, new asset purchases at higher interest rates will result in higher interest income in the longer term. Most of the Riksbank's securities in Swedish kronor were acquired as a support measure during the coronavirus pandemic and have, on average, a shorter maturity than the Riksbank's holdings of securities in foreign currencies. The size of the return in the longer term will

also depend on the extent to which the Riksbank makes reinvestments when the bonds mature.

Purchases in 2020 and 2021 have largely included covered bonds, which generally give a slightly higher return than government bonds, for example, while, at the same time, being associated with slightly higher interest rate risk. Overall, the large holdings of securities have meant that the Riksbank's financial result has become more sensitive to interest rate adjustments.

The total return on the Riksbank's holdings of foreign securities was positive in 2021. Like Swedish interest rates, international long-term interest rates rose during much of the year, which contributed to a negative return. However, the krona weakened over the year and contributed to a positive return on foreign exchange that was greater than the reduction in value due to interest rates.

The larger central banks are continuing to pursue an expansionary monetary policy. At the same time, several central banks are signalling that asset purchases may be tapered very soon and, in some cases, this has already started. In addition, market pricing indicates expectations of raised policy rates in the next few years. If foreign interest rates rise or the Swedish krona appreciates, the Riksbank may make losses on the foreign currency reserves.

The Riksbank's gradual move to self-financed foreign currency reserves means that the Riksbank is not dependent on regularly renewing currency loans from the Swedish National Debt Office. The Riksbank will therefore no longer have to pay the extra cost entailed by the relatively long-term loans. On the other hand, self-financed foreign currency reserves will lead to an increase in the balance sheet's currency exposure and interest rate risk. This means that, in the long run, the Riksbank's financial result will become more sensitive to changes in interest rates and exchange rates. However, the increased financial risk should be balanced against the refinancing risks, in which the economic costs may be significant if, for example, it is not possible to refinance the foreign currency reserves during a financial crisis.

The Riksbank made no provision for financial risks 2021

In that the Riksbank, in recent years, has purchased securities to make monetary policy more expansionary (like several other central banks), the financial risks on the balance sheet have increased. The Riksbank's asset purchases in Swedish kronor in 2020 and 2021 have accelerated this development. Even though the Riksbank's financial assets are of good credit quality and low-risk, the expansion of its balance sheet means that the total risks on the balance sheet have increased. This is because the substantial increase of interest-bearing securities is making the Riksbank's financial result more sensitive to interest rate changes. The transition to self-financed foreign currency reserves, which was initiated in 2021, is also contributing to the risks on the balance sheet increasing. Overall, it is the interest rate risk and currency risk that stand for the greatest risks on the balance sheet (see above).

Increased financial risks mean that the Riksbank's financial result may vary more than previously, when the balance sheet was smaller. The Riksbank has a buffer, in the form of unrealised gains on the revaluation accounts, equity and funds previously allocated to manage financial risks (from last year). This buffer contributes to the Riksbank's financial resilience should losses arise in the next few years. However, the Riksbank deems that the buffer needs to be bigger as risks have increased more than the Riksbank's capital in recent years. The Riksbank can manage the increased risks, but to maintain equity capital that is compatible with financial independence in the longer run, it is appropriate to strengthen the Riksbank's risk buffer when possible. According to the Riksbank's calculations, the total buffer needs to increase by SEK 15–40 billion.

The Riksbank has the possibility of making provisions for financial risks according to the Sveriges Riksbank Act and the ESCB's accounting guidelines. A provision strengthens the buffer as the Riksbank retains part of the dividend-qualifying profit on its balance sheet. The Riksbank started using the possibility of making provisions for financial risks for the accounting year 2020 (SEK 5 billion) with the aim of strengthening the buffer against the risk of future losses. As the Riksbank made no profit in 2021, either reported result or dividend-qualifying result, the Executive Board has decided not to make any provision for 2021.

Result measures and seigniorage

The Riksbank's financial result is determined by the return on the Bank's assets, the costs of its liabilities and its operating costs. However, there are several ways of calculating the result of the operations.

The broadest measure of the result can be termed *total result* and describes how the Riksbank's equity (including the financial result for the year and the revaluation accounts) has changed over the year. The total result can be divided up into different components. For example, a distinction can be made between realised and unrealised results. Realised results arise, for example, when the Riksbank earns interest on its bank balances and securities, in the sale of previously purchased securities or in the payment of wages. Unrealised results arise when the market value of assets that the Riksbank still owns changes, for example if the price of a security changes. Another way of dividing up the Riksbank's result is to separate items relating to interest rates and securities holdings from items relating to gold and currency holdings.

The total result for 2021 amounted to SEK 14,610 million. In Table 6, the total result has been divided into four parts. The realised result from interest rates and securities amounted to SEK –1,329 million. This includes the Riksbank's interest income and interest expenditure and the net result of all transactions and write-downs relating to securities. It also includes the item 'Other income', which largely consists of dividends on the Riksbank's shares in the BIS and fees from users of the RIX payment system. To this can be added

costs for personnel, administration and depreciation. The realised result from gold and currency transactions, including write-downs, amounted to SEK 1,293 million. The unrealised result due to changed interest rates amounted to SEK –8,400 million, while the result due to changes in gold prices and exchange rates was SEK 23,046 million.

Table 6 Result matrix 2021

SEK million

	Interest and securities	Gold and currency	Total
Realised result	–1,329	1,293	–36
Unrealised result	–8,400	23,046	14,646
Total	–9,729	24,339	14,610

Source: The Riksbank.

The Riksbank's *reported result*, which is the result taken up in the Riksbank's profit and loss account, comprises all the realised results stemming from interest rates and securities transactions as well as from gold and currency transactions. The Riksbank's reported result for 2021 thus amounted to $-1,329 + 1,293 = \text{SEK } -36$ million.

The result on which the dividend to the government is based comprises both realised and unrealised results linked to interest rates and securities, but excludes results relating to gold and currency. In 2021, this *dividend-qualifying result* amounted to $-1,329 - 8,400 = \text{SEK } -9,729$ million. The size of the dividend itself is derived by calculating the average of the result over the past five years and multiplying it by 80 per cent. A compilation of how the different results relate to each other is presented in Table 7.

Table 7 Result measures 2021*SEK million*

	Total	Reported	Basis for dividend
Interest income	4,557	4,557	4,557
Interest expense	-1,645	-1,645	-1,645
Net result of financial transactions and write-downs	-2,165	-2,165	-3,458
of which, sale of securities	1,488	1,488	1,488
and gold and currency respectively	1,293	1,293	-
of which, write-downs of securities	-4,946	-4,946	-4,946
and gold and currency respectively	-	-	-
Net result of changes in value (unrealised result)	14,646	-	-8,400
of which, changes in value of securities	-8,400	-	-8,400
and gold and currency respectively	23,046	-	-
Financial risk provision	-	-	-
Other income	275	275	275
Total net income	15,668	1,022	-8,671
Personnel and administration costs and depreciation	-1,058	-1,058	-1,058
of which, costs for managing banknotes and coins	-146	-146	-146
other costs	-912	-912	-912
Result for the year	14,610	-36	-9,729

Source: The Riksbank.

What is seigniorage?

The Riksbank's *seigniorage* is the part of the Bank's reported result that arises from the right to issue banknotes and coins. The value of all banknotes and coins in circulation is reported as a liability on the Riksbank's balance sheet. At year-end 2021, this value amounted to SEK 61,462 million. The Riksbank does not pay interest on this liability but incurs costs for managing banknotes and coins. Of the Riksbank's total costs for personnel, administration and depreciation of SEK 1,058 million, SEK 146 million were calculated costs for cash provision, that is to say managing banknotes and coins (see the section The profit and loss account and balance sheet by function).

By issuing banknotes and coins, the Riksbank can finance assets of the same value, but the Riksbank has no earmarked assets that exactly correspond to the item banknotes and coins. A standard calculation is therefore used when estimating the earnings from these assets. As the stock of banknotes and coins averaged 4.35 per cent of the balance sheet, it is assumed that 4.35 per cent of

the earnings come from the assets corresponding to banknotes and coins. Calculated in this way, SEK 175 million of the Riksbank's total interest income from assets of SEK 4,014 million (SEK 4,557 million excluding interest income referring to deposits from the Riksbank's counterparties of SEK 543 million) can be said to come from these assets. Similarly, SEK 121 million of the total net result of financial transactions, excluding write-downs and financial risk provision, of SEK 2,781 million can be said to come from the assets corresponding to banknotes and coins. The net amount of the Riksbank's earnings and costs that can be related to banknotes and coins thus amounted to $175 + 121 - 146 = \text{SEK } 150$ million. This sum is called the Riksbank's seigniorage.

The size of the Riksbank's seigniorage has decreased in recent decades, due both to the low level of interest rates and to the fact that the total value of banknotes and coins in circulation has decreased. Seigniorage for the year was SEK 822 million lower than the corresponding value for the financial year 2020, primarily because the net result of financial transactions was lower in 2021. The seigniorage for 2021 was also smaller than the Riksbank's administrative expenses. This comparison is important, as one condition for the Riksbank to be considered financially independent is that the Riksbank is able to take responsibility for its own costs. With the present small volumes of banknotes and coins in circulation and low interest rate levels, and with long-term bond yields close to 0 per cent, seigniorage can be expected to remain low in the period ahead.

A stable financial system

The pandemic continued to mark the Riksbank's work with financial stability in 2021. While the work in 2020, in both Sweden and other countries, largely focused on analysing and managing more acute problems and risks over the shorter term, the focus in 2021 gradually shifted as the economy recovered. Greater attention was given to the effects of the withdrawal of support measures and the implications of the pandemic for financial stability in the longer term. Other risks and vulnerabilities, such as those related to climate change, were also frequently discussed. The Riksbank also continued its efforts to increase the resilience of the Swedish financial system, for example by developing proposals for measures that could make the Swedish corporate bond market work better. The Riksbank cooperated with other authorities in Sweden and internationally, for example in the Financial Stability Council and the European Systemic Risk Board.

The Riksbank's work to strengthen the financial system

The financial system plays an important role in the economy. It is necessary to have a stable and smoothly running financial system for the economy to function and grow. A serious crisis in the financial system risks leading to considerable economic and social costs. Consequently, the Riksbank regularly analyses the stability of the financial system so that changes and vulnerabilities that could lead to the financial system functioning less efficiently can be detected at an early stage. In some cases, the Riksbank recommends specific measures to counteract risks and increase resilience.

Financial stability risks remain elevated despite strong economic recovery

Over the year, the Riksbank published two Financial Stability Reports. These concluded that the Swedish financial system worked well during the year. The credit supply was maintained, important financial markets functioned satisfactorily and the banking sector had good profitability. The financial infrastructure worked well and accessibility in the systems was good. The economic recovery has been strong and the need for pandemic-related support measures has declined slightly during the year. In Sweden and other countries, certain support measures have therefore begun to be phased out.

However, the risks to financial stability were assessed to be higher than normal. While the strong economic recovery meant that uncertainty about the economic impact of the pandemic started to subside, it remained uncertain how the pandemic would develop. Problems with supply chains and rapidly rising

energy prices, for example, were expected to continue to disrupt economic activity. Uncertainty about future interest rates and the effects that interest rate developments could have on asset prices was also considered a possible source of more turbulence in the market. In Sweden, indebtedness among households and property companies continued to increase over the year, while structural risks in the banking system remained. When the economy in Sweden and the rest of the world started to recover from the crisis, it again became increasingly urgent to focus on how various vulnerabilities could best be managed.

In addition to analysing risks associated with the ongoing development and long-term consequences of the pandemic, the Riksbank continued its regular work in several areas over the year.

Recovery in the Swedish corporate sector

Companies in the industries that were severely affected by the economic consequences of the pandemic, such as hotels, restaurants and parts of the trade sector, continued to recover over the year, partly due to the easing of restrictions. Despite the recovery, many companies need time to build liquidity buffers that may be needed to cope with future investments. Over the year, turnover recovered in the manufacturing industry but it has experienced new challenges such as component shortages and high freight and energy prices.

Property companies are responsible for about 50 per cent of banks' exposure to non-financial corporations and approximately 50 per cent of the outstanding volume of corporate bonds in Swedish kronor. This means that shocks in the property sector can affect financial stability. Over the year, real estate companies continued to increase their debts relative to their operating profits, which increased the risks to the financial system. There are also other reasons why the risks have increased and continue to increase: the concentration of the property stock among fewer owners and the growing incidence of cross-ownership.

The number of bankruptcies and reconstructions over the year was on the same level as, or slightly below the level in the years prior to the pandemic. This can be partly explained by the economic recovery and the support measures targeted at companies. Compared to the global financial crisis of 2008–2009 or the crisis of the 1990s in Sweden, there were few bankruptcies.

The resilience of the household sector is currently assessed as good, but vulnerabilities have increased

The coronavirus pandemic has affected the economic conditions for many households. However, the recovery in the Swedish economy was strong during the year, and thanks to relatively good income development, rising asset prices and continued low interest rates, households' economic situation improved as the negative effects of the pandemic slowed down. During the year, households had a good debt-servicing ability but, if interest rates rise,

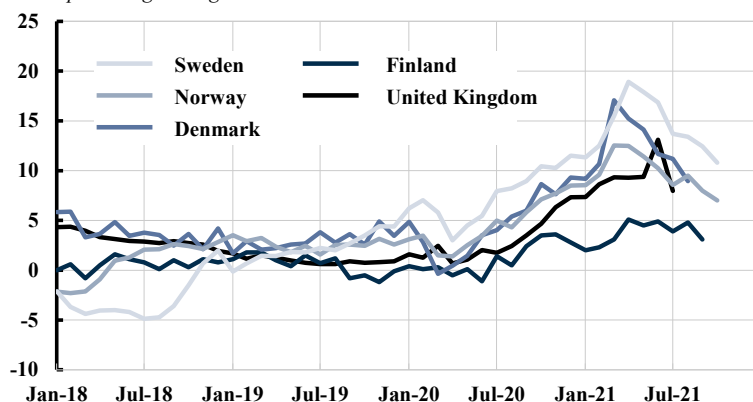
households may need to spend a significant proportion of their income on interest payments.

Over the year, household debt continued to increase from an already-high level. This is linked to the fact that housing prices have also risen sharply. For some time, the Riksbank has been emphasising that the high level of indebtedness in the household sector could become particularly problematic if economic developments were to be much worse than expected, particularly if housing prices were to fall or interest rates to rise. Among other reasons, the long-term growth in household debt is due to the poor functioning of the housing market and the poor design of the tax system from a financial stability perspective, but it is also because interest rates have fallen, primarily as a result of an increasingly lower level of global real interest rates. Indebtedness among households is historically high and amounts to approximately 200 per cent of their disposable income.

Housing prices continued to rise during the year, albeit at a slower rate. This was also the case in many other countries, even though different countries are in different phases. Over the period March 2020 to October 2021, housing prices (HOX Sweden) rose by 20 per cent. The Riksbank considers that the risks of high household indebtedness have increased during the pandemic and that this makes the Swedish economy vulnerable.

Chart 16 Housing prices in Sweden and abroad

Annual percentage change



Note: Housing prices for Finland, Sweden, Norway and the United Kingdom refer to prices for both single-family houses and tenant-owned apartments. Housing prices for Denmark refer to prices for single-family houses. The series are seasonally adjusted.

Sources: Macrobond and international statistics agencies.

Over the year, the Riksbank pointed out that measures are needed in housing and tax policies to address the underlying reasons for high household indebtedness. If such measures are not implemented to the necessary extent, the need for further macroprudential policy measures will increase. Among other things, these need to limit households' scope for borrowing or reduce their interest-rate sensitivity.

Over the year, the Riksbank further developed its risk analysis by developing a Growth-at-Risk indicator (GAR). Among other things, this indicator takes the level of the Riksbank's systemic risk indicator into account and estimates the probability of various outcomes of economic growth with a focus on strongly negative outcomes.

Good profitability in the banking sector but structural risks remain

Over the year, the major banks in Sweden have remained able to obtain funding under good conditions and they have not had to cut back on lending to households and companies. The measures taken by the Riksbank and other authorities helped keep interest rates at low levels, while deposits from the public increased, which has resulted in banks' funding costs remaining low. The banks also had a relatively good starting position when they entered the coronavirus pandemic, very much due to the stricter requirements for capital and liquidity that emerged as a result of the global financial crisis of 2008–2009. In addition, the banks' loan losses were limited and profitability strengthened, partly as mortgage loans increased. However, the Riksbank has long pointed out that high household indebtedness may entail a risk. In addition, other structural risks in the Swedish banking sector have been present for some time. The banking system is large, concentrated and interconnected and the banks have similar exposures, such as high exposure to the property market. Developments in the housing market and the financing structure of real estate companies are helping to further increase vulnerability and leading to risks in the banks' credit portfolios.

Over the year, the Riksbank monitored developments in the corporate sectors of other countries by analysing non-performing loans in the euro area. A non-performing loan is one in which the borrower has stopped paying the bank pursuant to the terms of the loan or where there is some other indication that the borrower will have difficulty repaying the loan. The Riksbank's analysis, which was published in the year's first Financial Stability Report, showed, among other things, that the number of companies with financial problems may increase in the wake of the pandemic and that problems may then spread to Sweden through the operations of the Swedish banks abroad.

The Riksbank's purchases of covered bonds and eased collateral requirements helped stabilise the market for covered bonds in the initial phase of the pandemic and keep the level of interest rates low. Over the year, foreign investors continued gradually to sell their holdings of covered bonds in step with the Riksbank's purchases. Activity in the secondary market declined, to which the Riksbank's purchases and the changed investor structure may have contributed. However, the ability of the banks to obtain funding via covered bonds remains good and they have issued covered bonds throughout the pandemic, as highlighted in the Riksbank's analysis in the year's second Financial Stability Report.

The corporate bond market needs to function more effectively

The Swedish corporate bond market has grown strongly over the past decade. This is an important market both for investors and for non-financial corporations that use the market to obtain funding. During the coronavirus pandemic, it became clear that the corporate bond market could function better. Shortcomings in transparency and liquidity were particularly apparent in the secondary market. Since the outbreak of the pandemic, the Riksbank has been working on proposals for measures that could make the market function better and give it greater resilience to future disruptions. Several such measures were presented in the year's Financial Stability Reports. In particular, this is a question of placing more stringent requirements on those participants who are active in the market in different ways (issuers, banks and investors). At the end of the year, a Riksbank study was also published in which the proposals from the Financial Stability Reports were discussed in more depth. The Riksbank also participated in several round tables at Finansinspektionen, at which representatives of different parts of the market participated. The purpose of these talks was to improve the functioning of the market.

The financial infrastructure is changing

Overall, the financial infrastructure systems worked well during the year. However, the Riksbank discovered some vulnerabilities in the management of operational risks by financial market infrastructures. One vulnerability that had already been discovered was linked to the companies' internal governance and control. It persisted during the year, although the companies have made some improvements. Another vulnerability was associated with the companies' extensive outsourcing of operations. Among other things, the Riksbank pointed out that the companies lacked clear plans to ensure that their services can always be provided, even if problems were to arise with the service providers.

There have been, and will be, major changes in the infrastructure area that affect both financial market infrastructures and their participants. Among other things, this involves harmonising processes, which is necessary for the future efficiency of the infrastructure. The Riksbank led the work in a forum for participants in the Swedish securities market, where a plan for harmonising the market's post-trade processes was established at the start of 2021. The participants' work in implementing the plan was started during the year.

For central counterparties (CCPs) and their participants, the focus was on the issue of how the CCP landscape in Europe should look after Brexit. Brexit has called into question the future prospects of British CCPs for offering clearing services in the EU. A large proportion of the clearing of interest derivatives in Swedish kronor takes place at London Clearing House (LCH), a UK CCP. In 2020, the European Securities and Markets Authority (ESMA) judged LCH to be systemically important for the EU and individual Member States, and the

Riksbank shared this assessment with regard to the clearing of interest derivatives in Swedish kronor. In 2021, the ESMA examined, among other things, whether the UK CCPs would continue to be authorised to offer their clearing services to European operators, or whether the services are so systemically important to the EU, or to an individual Member State, that it would not be appropriate from a financial stability perspective for clearing to take place outside the EU. In December, the conclusions of this investigation were published. These showed that the ESMA would not recommend that the UK CCPs, or some of their clearing services in the relevant currencies, should be denied further authorisation.

The Riksbank participated, as issuer of the Swedish krona, in the analyses carried out by the ESMA and the European Systemic Risk Board (ESRB), respectively. The Riksbank's starting point, in its own analysis of the issue, is that it should be possible to maintain the function of the interest rate swap market in Swedish kronor, regardless of where in the world trade and clearing takes place. However, a prerequisite for this is that regulation and supervision are deemed satisfactory in comparison with European legislation.

Cyber risks continued to increase

Cyber risks can affect financial stability since a cyber attack can cause disruption to the availability of the services offered by various financial actors, for example. Over the year, the Riksbank worked to promote a strengthened resilience to cyber risks in the financial sector, among other things through continued investments in the TIBER-SE framework. This framework enables the standardised testing of resilience to cyber risks among critical participants in the financial system. The Riksbank plays a coordinating role in it. The Riksbank has also pointed out that, among other things, a clearer division of responsibilities and cooperation between the various authorities involved in the work on cyber risks is needed to improve the resilience of the financial sector further.

Climate risks may threaten financial stability

The financial sector can also contribute to the achievement of climate change targets. If climate risks are not reflected in asset prices, this may lead to capital not being allocated to sustainable activities and to major and rapid changes in prices that may cause concern in regional and global financial markets if the risks are materialised. In order to measure and price climate-related risks, access to relevant data is needed. Consequently, over the year, the Riksbank monitored and supported the work that has begun internationally to promote climate-related accounting.

During the year, the Riksbank studied the Swedish banking system's exposure to industries with high carbon dioxide emissions. The Riksbank also initiated a pilot study of the reporting of climate-related risks by the three major

Swedish banks (Handelsbanken, SEB and Swedbank). In addition, together with Finansinspektionen, the Riksbank started an analysis of how the three major Swedish banks' climate-related exposures can be expected to look under different climate scenarios.

The transaction-based reference rate SWESTR has been launched

In 2021, work continued on the Riksbank's transaction-based reference rate, SWESTR (Swedish krona Short Term Rate). Since SWESTR with value date of 1 September 2021, which was published on 2 September 2021, it has been possible to use SWESTR as a reference rate in financial contracts.

A reference rate acts as a common benchmark in the pricing of financial contracts such as interest-bearing securities with variable coupons, derivative instruments or variable-rate loans. In order to ensure confidence in the reference rates used in the Swedish financial markets, the Riksbank wishes to ensure that these rates are as reliable as possible. Transaction-based reference rates are well placed to create trust because they are anchored in actual transactions. In contrast, the traditional reference rate in Swedish kronor, STIBOR, is based to an excessive degree on judgements.

A test period for SWESTR was carried out for the value dates from 26 January to 31 August 2021. During the test period, the systems, processes and procedures for the production of the reference rate at both the Riksbank and the reporting agencies were evaluated. Most of these functioned satisfactorily, but some lessons from the test period were also taken into consideration when designing the Riksbank's arrangements for the governance of SWESTR and for system improvements. The calculation method was also evaluated during the test period, which resulted in a technical adjustment. In order to provide a history for the calculation method for SWESTR that will apply going forward, the Riksbank also published recalculated SWESTR values for the test period.

In 2021, it was also decided that the Riksbank would provide compounded average rates and an index based on the determined SWESTR values. The work to provide these was carried out in parallel with the test period for SWESTR and included a consultation procedure, in which the referral bodies generally expressed support for the Riksbank's proposed calculation methods and forms of publication. The average rates and index are based only on the SWESTR values with a value date of 1 September 2021 or later. These were gradually made available from 1 October 2021.

During the year, the Riksbank established the SWESTR Advisory Group and led the meetings of this group. The Riksbank also worked to promote the use of SWESTR. As part of this, the Riksbank carried out a survey on the challenges and possibilities inherent in replacing STIBOR with SWESTR and also conducted a dialogue with market participants.

Financial Stability Council

Together with the Government, Finansinspektionen and the Swedish National Debt Office, the Riksbank is a member of the Financial Stability Council. The Council is responsible for discussing any need for action to counter the build-up of financial imbalances, but does not take any decisions on measures. These are taken independently by the respective authorities within their own areas of responsibility.

In 2021, the Council held two ordinary meetings. During the year, the authorities continued to discuss the economic effects of the pandemic on the world economy and the Swedish economy. They noted that the effects have been less than many initially feared and that a financial crisis has been avoided, partly thanks to the historically comprehensive support measures deployed around the world. During the year, the Council followed up the measures adopted by the respective authorities and discussed how the measures should be phased out and what stability risks must be taken into account.

The authorities also discussed the fact that the crisis has revealed vulnerabilities in the bond and fund markets that need to be addressed. During the year, a Riksbank study was published which describes the shortcomings in the corporate bond market and the measures needed to improve the situation. In addition, the Council discussed cybersecurity issues, such as the need to strengthen cooperation between the authorities in the Council concerning cybersecurity and its link to financial stability. In autumn 2021, the Council authorities also carried out a cyber-themed scenario exercise.

The Riksbank's Financial Markets Survey

Twice per year, the Riksbank sends out a Financial Markets Survey to participants active in the Swedish fixed income and foreign exchange markets. The purpose of the survey is to gain an overall picture of participants' views on the functioning of the Swedish financial markets – how they work, what market activity looks like and which risks market participants consider exist in the Swedish financial system. The report is only an account of participants' responses and does not present the Riksbank's assessments.

In the spring survey, a large majority of the participants stated that they took small or neutral risks. In the autumn survey, a higher proportion of respondents considered themselves to be taking high risks compared to the spring survey.

The foreign exchange market for Swedish kronor was perceived to work well or very well by a majority of respondents during both the spring and autumn of 2021. Liquidity in the spot and forward markets was judged to be good during the autumn.

Three out of ten participants in the autumn survey considered that the Swedish fixed-income market was functioning well. This was fewer than in the spring of 2021, when four out of ten participants considered it to be function-

ing well. The percentage of respondents considering that liquidity on the markets for government securities and covered bonds is poor or very poor increased between the spring and autumn surveys for both types of asset.

Safe and efficient payments

Safe and efficient payments are a precondition for the Swedish economy to function well. Payments between banks and other financial institutions are finalised in the Riksbank's RIX payment system. Its objective is to do this as smoothly and efficiently as possible and the Riksbank's assessment is that the RIX system has functioned well in 2021. During the coronavirus pandemic, contactless payments and other digital forms of payment have become increasingly common. At the same time, cash is being used increasingly rarely. To meet this development, the Riksbank is investigating whether it is possible to issue a digital complement to cash, a so-called e-krona. The Riksbank also participates in international cooperation and monitors and analyses developments in the payment market. In the spring of 2021, the Riksbank opened a cash handling office in Jönköping that can be used to issue banknotes in the event of a crisis or serious disruption.

Pandemic accelerating digitalisation of the payment market

The pandemic has given an extra boost to the digitalisation of the payment market. New participants are offering fast and cheap payment solutions. At the same time, interest in crypto assets is increasing. During the coronavirus pandemic, use of cash has declined in Sweden and in many other countries. Instead, contactless payments and other digital forms of payment have become more common. To meet these developments, the Riksbank is investigating whether it would be possible to issue a digital complement to cash, a so-called e-krona, and whether such a complement could support the Riksbank in the task of promoting a safe and efficient payment system. Under the framework of this, the Riksbank is running an e-krona pilot project.

Technological advances and the digitalisation of payments have brought to a head the question of the future of cash. In December 2020, the Government appointed a commission of inquiry to make a broad survey of developments on the payment market and analyse the future role of the state. The remit of the inquiry included surveying how the payment market looks now and may look in the future, based on developments in Sweden and other countries. The inquiry is to consider the need to issue central bank digital currency, a so-called e-krona, and to review the concept of the term legal tender in a world where cash is used less and less. The inquiry is also to survey the allocation of roles on the payment market between the state and the business sector and to take a stance on the future role of the state. The inquiry is to present its report by 30 November 2022.

In November 2021, the Riksbank published its Payment Report. The report describes and analyses developments in the payment market and aims to make

it easier for third parties to follow, understand and evaluate the Riksbank's work in the payment market. The year's report showed that the use of cards and digital forms of payment continues to be high in Sweden and that this trend is becoming increasingly evident in other countries as well.

The Riksbank leads the Payments Council, which is a forum for dialogue with actors in the payment market. In consultation with the Payments Council, the Riksbank decided during the year to carry out a cost study for payments. Its aim is to measure the costs for society of various types of payments in Sweden. The results of the study are important for the evaluation of how efficient Swedish payments are and how they relate to those in other countries. The Riksbank will gather in data from households, companies, the public sector, banks and other payment service providers. The cost study will be published in early 2023.

In September 2021, the Riksbank took a strategic decision to use the Eurosystem's platform for settlement of payments, which is known as T2, for large-value payments in Swedish krona. The Riksbank thus intends to replace the current IT platform for RIX with T2 and is investigating the possibilities for this. The decision is partly based on the fact that the payment market is becoming increasingly global. For example, banks are active in several countries, which means that the requirements for harmonisation and joint standards increase. The Riksbank also took a strategic decision to join the Eurosystem's platform for securities settlement, known as T2S.

The Riksbank already has an agreement with the ECB to enable instant payments in Swedish kronor to be made using the ECB's platform, TIPS. The new service, called RIX-INST, is expected to be ready in the spring of 2022. RIX-INST will allow banks or payment service providers to offer more services in which payment is made immediately.

During the year, the Riksbank made an active contribution to international cooperation on payments. The Riksbank has been part of an international working group that investigates the conditions for issuing central bank digital currency and has participated in the work of the G7 to develop common principles for how central bank digital currency should be designed. The Riksbank also contributed to the G20's work on improving and simplifying international payments. The section on International cooperation contains a more detailed description of the Riksbank's international work in the area of payments.

E-krona pilot

The first phase of the Riksbank's e-krona pilot project was completed in February 2021. The aim of the project is to learn more about how central bank digital currency could work, from both technical and legal perspectives. Within the framework of the project, a technical solution was created for distributing Swedish kronor in electronic form (the e-krona) to the public in a test environment. The e-krona has similarities to cash, and the technical

solution (the e-krona network) in which the e-krona circulates has similarities to how the Riksbank distributes banknotes and coins to the public today. Participants, such as payment service providers, operate nodes in the network and have the right to order e-kronas from the Riksbank, which then reduces the balances on their simulated accounts in the Riksbank's settlement system, RIX. The Riksbank then issues e-kronas in the same amount and these are passed on to the participants' nodes. The public can order e-kronas from the participants and pay for them with the balances on their normal bank accounts. The e-kronas are then placed in electronic wallets provided by the participants. During the first phase of the project, the user was able to access their wallet through three different types of payment instrument: mobile application, smart watch and card. Payments between holders of these payment instruments have also been tested in the project.

In April 2021, the Riksbank published a report that presented the lessons learned from the pilot's first stage from a technical and legal perspective.

The second phase of the e-krona pilot started in February 2021 and runs until February 2022. It comprises six activities:

- connecting two payment service providers to the e-krona network's test environment to increase knowledge of the participants' role and conditions in the network
- introducing support for payments in e-krona in payment terminals used in the trade sector that also support payments made in commercial bank money
- developing a solution that enables payment in e-krona even when communication connections are down (offline)
- introducing a way to address payments to the payment recipient using a user-friendly address (alias)
- continuing to test the e-krona network's ability to handle large volumes of payments
- evaluating the e-krona network's technical infrastructure, security and communication links.

During the year, the E-krona Pilot Division exchanged experiences with actors in the payment market, authorities, international organisations and other central banks.

Cash provision

In 2021, the Riksbank provided banknotes and coins to the banks and followed the value of cash in circulation.

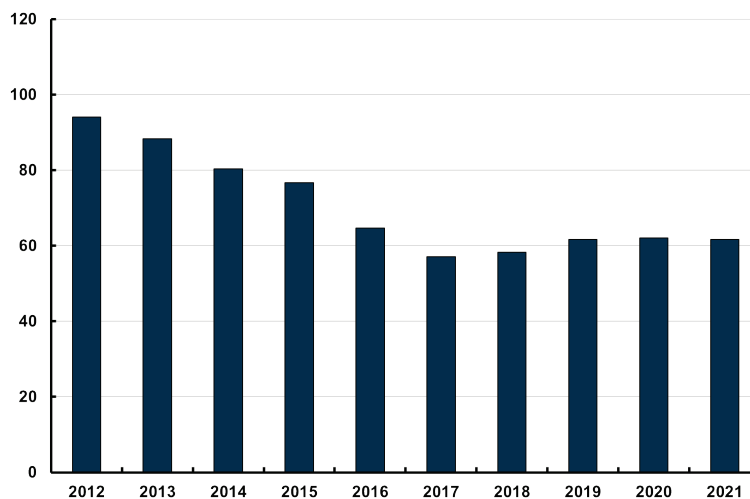
Previously, cash volumes had been falling for many years but have they increased slightly since 2017. This increase levelled out in 2020 and, in 2021, we saw a decrease in all denominations.

The value of the cash in circulation is governed by the demand for banknotes and coins, which varies over the course of a year. One way of describing

the amount of cash in circulation over a year is to calculate an average for the value on the final day of every month. This average value amounted to SEK 62 billion in 2021, of which the value of banknotes amounted to SEK 59 billion and the value of coins to SEK 3 billion (see Chart 17 and Table 8).

Chart 17 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 61 billion at the end of 2021, of which the value of banknotes amounted to SEK 58 billion and the value of coins amounted to SEK 3 billion (see Table 8). This is a decrease of SEK 2 billion compared with corresponding date in 2020.

Table 8 Value of banknotes and coins in circulation

SEK billion

	2017	2018	2019	2020	2021
Total value at 31 December	58	62	63	63	61
Banknotes	55	59	60	60	58
Coins	3	3	3	3	3
Total value, average during the year	57	58	62	62	62
Banknotes	53	55	59	59	59
Coins (excluding commemorative coins)	4	3	3	3	3

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

Source: The Riksbank.

The use of cash declined in 2021. The main reason was that many people had to stay at home due to restrictions to prevent the spread of infection, but some were also concerned that infection could be spread through cash.

Compared to the sharp increase in 2020, the level of counterfeit banknotes decreased in 2021, but remains significantly higher than in previous years. The counterfeits are not particularly sophisticated but still manage to enter into circulation as people are not used to examining banknotes. The Riksbank has increased its communication initiatives about this, in social media and elsewhere. The value of counterfeit banknotes removed from circulation during the year amounted to SEK 2,257,440. The number of counterfeit banknotes amounted to 4,655. About 95 per cent of these were 500-krona banknotes.

Table 9 Number of banknotes and coins

	2017	2018	2019	2020	2021
Number of banknotes in circulation (millions)	265	262	266	262	256
Number of coins in circulation (millions)	1,433	552	624	662	686
Number of counterfeited banknotes	537	453	1,703	6,629	4,655

Note: The information on the number of banknotes and coins in circulation refers to the 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 Swedish Police Authority.

The RIX payment system

The Riksbank provides the payment system RIX, which 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. For RIX to function in a safe and efficient manner, it requires sufficient credit limits among the participants, well-functioning management of collateral and well-functioning technical systems. Apart from three disruptions that affected the availability of the RIX system, the Riksbank's assessment is that RIX worked well in 2021. The RIX system's targets for technical availability and cost coverage over a three-year period were fulfilled. Technical availability for the year was 99.85 per cent and cost coverage for 2019–2021 was 103 per cent

Number of participants, transactions and turnover

In 2021, one new participant joined RIX. At the end of the year, the RIX system had a total of 38 participants. On average, the system handled 25,607 transactions per day. This is an increase of 9.1 per cent compared with the previous year. Daily turnover averaged about SEK 523 billion, which was an increase of 2.91 per cent compared with the previous year. The average transaction amounted to about SEK 20.4 million, while the corresponding figure for 2020 was SEK 21.7 million.

The RIX system is funded by its participants. On 1 March 2021, the fixed monthly fee for all RIX participants was raised from SEK 65,000 to SEK 75,000. The monthly total additional fee was also increased from SEK 1.2 million to SEK 5 million. The total additional fee is distributed among institutions whose domestic revenues exceed SEK 1 billion. The increase in fees is due to the fact that approaching changes in the payment market and increased security requirements are increasing costs.

Follow-up

The RIX system 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 for this is 99.85 per cent. The outcome for 2021 was 99.85 per cent. Three disruptions occurred that meant that RIX could not conduct payments for a total period of 257 minutes.

All costs relating to the provision of services in RIX are to be covered by fees paid by the participants. In 2021, these costs amounted to SEK 113 million, 114 per cent of which was covered by fees. Over a three-year period (2019–2021), cost coverage was 103 per cent. The requirement for full cost coverage is measured over a three-year period, in which revenues are to correspond to 100 per cent of costs ± 10 percentage points.

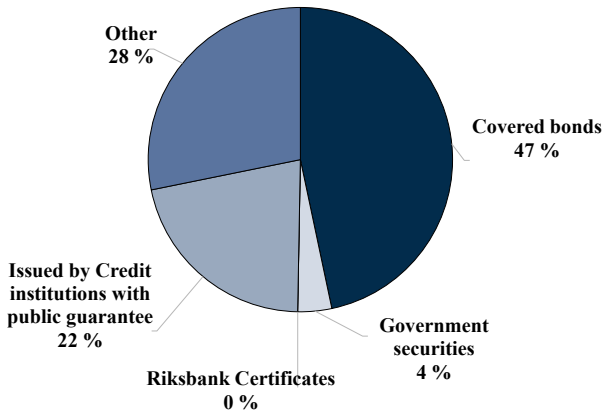
Management of collateral and credit limits

To avoid transfers in RIX failing because participants lack liquidity, the Riksbank can grant credit to the participants against collateral during the day. This means that transfers can be made more quickly, thus increasing the efficiency of the payment system. The collateral accepted by the Riksbank mainly consists of bonds or other debt instruments with a high credit rating.

Combined, the RIX participants had credit facilities of SEK 157.8 billion per day on average in 2021. On average, 18.8 per cent of this credit facility was utilised. At the close of 2021, covered bonds stood for 47 per cent of the value of all collateral pledged to the Riksbank (see Chart 18).

Chart 18 Collateral value pledged for credit per 31 December 2021

By type of security



Source: The Riksbank.

Crisis management in the payment system

Ensuring that RIX can continue to fulfil its function even in the event of disruptions and operational interruptions requires efficient contingency routines and that both the Riksbank and the participants continually exercise risk management. Even though the pandemic continued to affect working conditions in 2021, day-to-day work and the most important activities could be conducted with very good results. In 2021, the Riksbank carried out about 30 exercises of varying scope, both independently and with the RIX participants. For example, two joint exercises were carried out with all RIX participants, in which the scenario involved a total stop in the RIX system with subsequent transition to manual routines. The objective of the exercises is to achieve a good ability to limit negative consequences, exercise cooperation with others and take the right decisions in a crisis. The Riksbank considered that the exercises worked well.

The group for private-public cooperation in the financial sector (FSPOS) carried out no sector exercises in 2021. Exercises were instead conducted through seminars and training courses. Through the dissemination of knowledge and exercises, FSPOS aims to strengthen the financial sector's capacity to respond to threats and manage crises, thereby protecting society. The Riksbank is chairman of the FSPOS.

Bank-wide areas

The Riksbank cooperates with other central banks, Swedish authorities and international organisations to conduct research, develop statistics and discuss global financial issues. Over the year, the Riksbank took several initiatives to promote international cooperation and develop communication in new forms: the BIS Innovation Hub was set up in Stockholm and we arranged a digital open house for an interested public. The Riksbank's task of being an innovative central bank with strengthened preparedness continued during the year, including the establishment of a permanent crisis management function.

Research provides a basis for policy decisions

The Riksbank's research is primarily focused on areas of direct significance to the Bank's activities. Its aim is to provide a better foundation for the Riksbank's policy decisions. This research is published in the Riksbank's Working Paper Series, in international scientific journals and also in the Riksbank's Economic Review. The results are also communicated through presentations at other central banks, at universities and at international conferences. Research is mainly conducted in financial stability and monetary policy. In addition, research is conducted into payments and financial markets.

The Research Division also has the task of being a link between the Riksbank and the academic world. Researchers often give seminars at universities in Sweden and abroad, they teach courses and coach doctoral students at different universities and colleges. The Research Division also cooperates formally with the Center for Monetary Policy and Financial Stability at Stockholm University.

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 which macroprudential policy measures affect household indebtedness. 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. 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 this data to study both the differences in the effects of monetary policy between households and the macroeconomic conclusions that can be drawn from corporate pricing.

Researchers at the Riksbank have also written articles, primarily in the Riksbank's own publication, Sveriges Riksbank Economic Review, with the

aim of spreading research findings to a wider circle and thereby promoting the discussion of policy-relevant issues. An example is an article that presents a framework for reasoning about the advantages and disadvantages of short-term hedging and applies this to the Swedish foreign exchange market.

Some of the work of the Research Division is authored in collaboration with members of other departments at the Riksbank, among other reasons with the aim of producing better material for decisions. For example, one project has been working on the question of how to model the effect of the central bank's asset purchases on inflation and the real economy.

During the year, the Research Division organised a course in central bank activities together with the General Secretariat, in which employees at the Riksbank, Finansinspektionen and the Swedish National Debt Office both participated and contributed lectures. Staff at the Research Division also organised a workshop on monetary policy with the ECB.

Statistics and the supply of information

Under the provisions of the Sveriges Riksbank Act, the Riksbank shall make public statistical data concerning foreign exchange and credit conditions on a continual basis. Statistics on the financial market, securities issues and the balance of payments are produced and published on behalf of the Riksbank by Statistics Sweden. However, the Riksbank is 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 EU statistics agency Eurostat and the Bank for International Settlements (BIS). The Riksbank collects information about interest rates and transaction volumes on the money market in SEK and publishes daily values for the reference rate SWESTR. The Riksbank also compiles and publishes daily turnover statistics on the fixed-income and foreign exchange markets. In addition, interest rates and exchange rates are published on the Riksbank's website on a daily basis.

Statistical operations are centralised and strengthened

When the Bank for International Settlements (BIS) demanded that central banks expand the collection of statistics, the Riksbank decided to centralise its statistical operations. In order to meet the new requirements, the Riksbank needed to strengthen and develop its capacity to collect, process, analyse and make available statistics. This also creates opportunities to develop a more general and flexible infrastructure where it is possible to coordinate the collection of the data that the Riksbank needs today or is expected to need in the future. The Riksbank's own activities in the area of data collection and data management also boost its competence as a procurer and standard-setter for new statistics and data.

In-depth analysis of the Riksbank's statistics

During the year, the Statistics Division published an article based on an in-depth analysis of its own statistics. This concerned the long-term relationship between the exchange rate and the financial flows recorded in the balance of payment statistics. The article was based on Swedish data. Its first conclusion was that the real krona depreciation that took place between 1993 and 2007 appears to be largely due to the fact that central government, households and companies saved more and more. Many investors wished to save in foreign assets, which resulted in an increase in demand for foreign currency and a weakening of the Swedish krona. Over the period 2007–2019, the krona continued to weaken but there was not such a clear connection with increased savings. This was probably due to several different financial flows, which, taken together, weakened the krona exchange rate.

The Riksbank's company interviews give an overview of the economic situation

The Riksbank regularly publishes a report based on interviews with about 50 companies to gain a rapid and up-to-date view of major companies in the business sector. Its main purpose is to obtain in-depth information on how companies view the economic situation and other factors that affect their operations. In 2021, three rounds of interviews were conducted. A consistent theme in the studies was the lack of semiconductors and other components, but also the disruption of freight. This led to production problems for large parts of the manufacturing industry and problems with the supply of goods for the trade sector. At the same time, companies experienced strong demand for goods in particular, which meant that underlying economic activity, primarily for the manufacturing sector, was considered very good throughout the year. On the other hand, the economic situation was still weak for many service sectors selling to households, although these sectors became more optimistic about developments during the autumn.

The May report contained an article on the effects of the pandemic on companies' operations in 2020 and the start of 2021. In the year's final survey, many companies pointed out that strong price increases, among other things for raw materials and energy, together with higher transport costs and shortages of components, meant increased costs. At the same time, it noted that profitability remained good and the high level of demand meant companies could see good possibilities for raising sales prices.

International cooperation

This year too, the Riksbank's international work was greatly impacted by the coronavirus pandemic. It took many meetings to manage pandemic-related issues, but almost all meetings were held online. Consequently, there was very little official travel. In parallel with the management of the consequences of

the pandemic, work continued on the design of common financial standards on the international level. As the laws that regulate Swedish banks and financial institutions are largely based on these standards, it is an important part of the Riksbank's work in various international forums to influence the design of financial standards and financial supervision.

Over the year, the Riksbank participated in discussions and decisions on the formulation of standards, rules and supervision on both the global and EU levels. In many of these issues, the Riksbank cooperated with Finansinspektionen, the Swedish National Debt Office and the Ministry of Finance. This international work was conducted primarily as part of the Basel Committee, the Committee on Payments and Market Infrastructures (CPMI), the Bank for International Settlements (BIS), the International Monetary Fund (IMF) and various EU bodies such as the European System of Central Banks (ESCB), the European Banking Authority (EBA), the European Systemic Risk Board (ESRB) and the Economic and Financial Committee (EFC).

Global cooperation on banks

The Basel Committee on Banking Supervision promotes global financial stability by developing minimum standards, guidelines and recommendations for minimum requirements for the regulation and supervision of internationally active banks. Over the year, Riksbank officials participated in several working groups.

At the beginning of 2021, the Committee presented its work programme and priorities for the period 2021–2022. The work programme includes initiatives related to the pandemic, evaluating emerging risks and trends in the financial markets, and initiatives to strengthen banking supervision.

Over the year, the Committee published two analytical reports on climate-related risks and measurement methods and a consultation report on the management and supervision of such risks. The Committee also published new principles for the supervision of operational risks and a technical adjustment to the rules on minimum haircuts in the financing of securities. During the year, the Committee also finalised the standards for how banks should publish their positions in the trading book and their exposures to public sector activities. In addition, the Committee published a report assessing the impact of the Basel reforms during the pandemic. The Committee also continued to monitor its members' implementation of the Basel III agreement, with the aim of ensuring that this takes place in full, on time and on equal terms in all jurisdictions.

In addition, the Committee worked on issues such as the ongoing digitalisation of the financial sector, cyber risks, banks' exposures to crypto assets and the impact on banks' business models of the low interest rates.

The Financial Stability Board (FSB) was established to coordinate national authorities and international standard-setters and to promote effective legislation in the financial sector. Sweden is not a member of the FSB but

Deputy Governor Martin Flodén represented the Riksbank in the FSB's regional consultative group for Europe (FSB RCG-E). Deputy Governor Henry Ohlsson has been Co-Chair of this group since July 2019.

Global cooperation on payments and financial infrastructure

The Riksbank cooperates with several other central banks and international organisations to investigate the conditions for the issue of central bank digital currency, the simplification of international payments and the oversight of financial infrastructures.

One of the international working groups in which the Riksbank participates shares lessons learned and discusses the way forward for central bank digital currencies that are available to the public. This group includes the European Central Bank (ECB) and the central banks of Canada, Japan, Switzerland, the United Kingdom and the United States. The group is also collaborating with the BIS Innovation Hub. In March 2021, a group of experts was set up within the G7, in which the Riksbank, represented by Cecilia Skingsley, and the Swiss National Bank were also asked to participate, with the purpose of developing common principles for the design of central bank digital currency.

The Riksbank is also contributing to the G20's work on finding solutions to some of the problems that still sometimes make international payments slow, expensive and cumbersome. This work has been divided among several organisations. The BIS Committee on Payments and Market Infrastructures (CPMI), which establishes international standards for the financial infrastructure, is responsible for several work areas that aim to improve the existing payment systems. As a member of the CPMI, First Deputy Governor Cecilia Skingsley was given the responsibility of leading the Future of Payments working group. This working group investigates how new innovative payment infrastructure, central bank digital currencies and the type of cryptoasset known as stablecoins can be used to simplify international payments.

In addition, the Riksbank participated in the international oversight of several foreign financial infrastructures relevant to financial stability in Sweden. The Riksbank also participated in the oversight of SWIFT, which is an organisation providing secure financial messaging services to central banks, banks and other parties around the world.

Bank for International Settlements

The BIS was set up in 1930 as the first international financial institution, with tasks including acting as a forum for central banks around the world. For example, the BIS serves as host to the Basel Committee on Banking Supervision (BCBS) and the Committee on Payments and Market Infrastructures (CPMI). Every second month, the central bank governors of shareholder countries also hold meetings in various constellations. As support for this collaboration, the

BIS has a staff of economists who conduct research into central bank issues and other matters. In November 2021, Stefan Ingves was elected Vice-Chair of the BIS.

At present, 63 central banks are shareholders in the BIS. The Riksbank has been involved since the start and is the seventh largest shareholder. Except for a few short periods in the 1930s, the Governor of the Riksbank has always been a member of the Board of Directors of the BIS. At the end of the financial year 2020/21, the balance sheet total of the BIS amounted to SDR 356 billion, equivalent to about SEK 4,400 billion. Stefan Ingves is chairman of the BIS risk committee. This committee, which is appointed by the Board of Directors, has the task of overseeing the bank's financial situation and financial risks. Normally, the Riksbank receives a dividend payment of about SEK 50 million per year.

BIS Innovation Hub Nordic Centre established in Stockholm

The BIS, in cooperation with the Riksbank and the central banks of Denmark, Iceland and Norway, has set up the BIS Innovation Hub Nordic Centre in Stockholm. Over the year, the Riksbank has worked on the establishment of the Nordic Centre, which was inaugurated in June. The Centre will function as a hub for a network of experts within innovation and for research into important trends within financial technology significant to central banks. The Centre will also promote international cooperation with the aim of improving the functioning of the global financial system.

International Monetary Fund

The Riksbank's work with the IMF includes developing Sweden's position together with the Ministry of Finance ahead of discussions in and decisions by the IMF's Executive Board. In 2021, work at the IMF focused heavily on how countries can be supported in the post-pandemic economic recovery. The IMF also investigated the extent to which vaccination is a prerequisite for global recovery. The IMF Spring and Annual Meetings, normally held in Washington D.C., were also largely held online in 2021. The Riksbank is represented in the IMF by Stefan Ingves, while Anna Breman represents the Riksbank in the IMF cooperation between Sweden, the Netherlands, Belgium and Switzerland (G4).

Since the outbreak of the pandemic in 2020, demand for emergency loans from the IMF has been high. In total, since the spring of 2020, the IMF's Board has approved crisis loans to 90 countries worth more than USD 170 billion. The IMF is also anticipating high demand for loans, especially from low-income countries. These countries have not been able, in the same way as economically stronger countries, to counteract the economic effects of the pandemic with fiscal and monetary policy and have therefore had relatively poorer economic development. In order to prevent the economic gap from becoming persistent, the IMF considers that financing at subsidised interest rates will be

needed for several years to come. The economically stronger countries of the IMF have therefore been asked to contribute additional funding to that part of the IMF's operations. During the year, the IMF Board also decided to grant members additional Special Drawing Rights (SDR) in an amount equivalent to USD 650 billion. The SDR is 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 IMF members now received an allocation corresponding to their participating interests in the IMF, with the allocation for the Riksbank corresponding to approximately USD 6 billion. For economically weaker countries in particular, this contribution means better opportunities to cope with a constrained liquidity situation, for example through the possibility of exchanging SDR for USD.

The Riksbank contributes towards the IMF's funding through member capital, known as quotas (to which all members contribute), and through voluntary arrangements to borrow, to which about forty countries contribute. A possible increase in quotas has long been discussed and members have now undertaken to finalise these discussions in December 2023 at latest.

In February, the IMF carried out its annual assessment of the Swedish economy (known as an Article IV consultation). In this, the IMF observed that the fiscal and monetary policy measures to counteract the economic effects of the pandemic had generally been well balanced. At the same time, the IMF considers that several structural challenges remain for the Swedish economy, such as high unemployment in certain groups and an over-regulated market for rental housing.

The IMF's analysis of the Nordic-Baltic region's work against money laundering and associated risks is proceeding as planned and a final report is expected to be completed by mid-2022.

European cooperation

In 2021, the Riksbank participated in the Economic and Financial Committee (EFC), which prepares meetings of the Economic and Financial Affairs Council (ECOFIN). Per Jansson is the Riksbank's representative in the EFC. The Committee discussed issues such as financial stability and the economic situation, the financing of the Next Generation EU support package and the rapid rise in energy prices. In addition, it examined matters of joint interest within the framework of the IMF and the G20, the Council's action plan for managing the banks' non-performing loans (NPLs) and counteracting money laundering and the financing of terrorism, and the Commission's initiative to create a Capital Markets Union.

Over the year, the Riksbank took part in working groups of the ESCB. These discussed issues of cybersecurity in the financial infrastructure and set up a special working group to work on strategy issues. Their work has also focused on the introduction and promotion of so-called instant payments in

euros based on a common standard. The Riksbank also participated in the analysis of the digitalisation of the payment market. This also included establishing a dialogue between central banks and the FinTech sector.

The Riksbank participates in the ESMA CCP Supervisory Committee, a committee whose aim is to improve security and efficiency among central counterparties in the EU and third countries. The Riksbank is an observer in the Committee and participated in the work of assessing whether third-country CCPs should be authorised to offer their services within the EU. There was a major focus on UK CCPs in 2021.

European cooperation on macroprudential policy

The European Systemic Risk Board (ESRB) identifies, analyses and mitigates financial systemic risks in the EU. Since the start of 2020, Stefan Ingves has been First Vice-Chair of the ESRB. In this capacity, Stefan Ingves participates in the ESRB's Steering Committee and General Board, and represents the ESRB in other contexts, such as at presentations at the EFC. Cecilia Skingsley represents the Riksbank on the ESRB General Board and Advisory Technical Committee. The Riksbank also participates in several working groups and expert groups. Among other things, in 2021, the Riksbank also contributed to the ESRB's regular risk and policy assessments, the design of the macroeconomic scenarios that form the basis of the stress tests of European banks and insurance companies, and the analysis of macroprudential policy issues concerning central counterparties and the clearing of securities transactions in the EU. The Riksbank also participated in the analysis of risks to the financial system in the EU that may arise over a longer period of low interest rates and possible measures to manage these risks. Further areas in which the Riksbank contributed are the work of the ESRB on climate-related risks and financial stability, as well as issues related to preventing and, if necessary, managing extensive bankruptcies in the EU corporate sector.

Nordic-Baltic cooperation

Two meetings of the Nordic-Baltic Macroprudential Forum (NBMF) were held in 2021. This is a forum for cooperation between central banks and financial supervisory authorities. The Riksbank is represented by Stefan Ingves. The forum focuses on financial stability risks and cross-border banking operations in the region. At the year's meeting, the focus lay on discussing the measures that central banks and supervisory authorities in the region have adopted to mitigate the disruption to the economy caused by the pandemic and how these measures can be withdrawn in a well-measured way. Other issues discussed included how risks that have accumulated, including in the property sector, should be dealt with in the future.

The Riksbank also continued its work in the Nordic-Baltic Stability Group (NBSG), a forum for ministries of finance, central banks and financial supervisory and resolution authorities in the Nordic and Baltic countries. The

stability group has the task of strengthening preparedness and managing cross-border financial stability issues in the Nordic-Baltic region. In 2021, work continued to identify what is needed to ensure effective communication during crises and what communication tools could potentially facilitate the exchange of information in crises. Iceland was Chairman of the NBSG in 2021.

Cooperation in the area of climate change

Climate change and its short- and long-term impact on the financial system have increasingly come up on the agendas of central banks both nationally and internationally. 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. Anna Breman is the Riksbank's representative in the NGFS.

In 2021, the Riksbank participated in two NGFS working groups. One working group has looked at how account can be taken of climate risk in the implementation of monetary policy. The second working group has developed guidelines on how central banks can report how they consider and integrate climate risk considerations in their operations in line with TCFD (Task Force for Climate-related Financial Disclosure) recommendations. The work of the working groups has resulted in two published reports from the NGFS. Over the year, the NGFS has also provided a number of detailed scenarios for how climate change could affect the economy and financial system. These scenarios are intended to be used by public authorities and private actors in their forecasting and analysis work.

The Riksbank participates in the Basel Committee's Task Force on Climate-related Financial Risks, whose work aims to strengthen the resilience of the banking system. Under the framework of the EU, the Riksbank participates in working groups that analyse climate-related risks as a source of financial risks, develop methods to quantify climate-related risks (for example, scenario analyses and stress tests) and investigates potential policy measures to counteract such risks on the European level. Among other things, the Riksbank participates in the working group on climate risks of the European Systemic Risk Board (ESRB) and, as observer, in the Sustainable Finance Network of the European Banking Authority (EBA).

The Riksbank's technical assistance

The Riksbank cooperates with central banks in emerging market economies to share knowledge in the field of important central bank-related subjects. This type of expert aid is usually called technical assistance. Over the year, the Riksbank cooperated with the central banks of Ukraine and Rwanda, as well as with the Palestine Monetary Authority. Under this framework, the Riksbank's experts participated in about fifteen online workshops and seminars, as

well as a large number of bilateral video conferences. The activities were financed by funds from the Swedish International Development Cooperation Agency, Sida. Anna Breman is responsible for the Riksbank's technical assistance.

Communication

The pandemic also marked the Riksbank's communication work in 2021. Monetary policy communication focused on explaining how the Riksbank's monetary policy measures – in the form of asset purchases and the zero interest rate – supported the economic recovery and helped safeguard confidence in the inflation target. Communication on financial stability took note of the fact that the measures taken by the Riksbank and other authorities helped Sweden avoid a financial crisis and contributed to the smooth functioning of the financial system, but also stressed that the risks to financial stability had increased. The Riksbank's sustainability work in monetary policy, financial stability and asset management was summarised in a new Climate Report. The Riksbank's communication also highlighted its role in the payment market and developments there.

Over the year, the Riksbank also continued to publish the Bank's analyses in various forms. All the Riksbank's publications are available in full text on its website (www.riksbank.se). The majority of them are published in both Swedish and English. The Riksbank also publishes press releases, speeches and articles, as well as minutes from the meetings of the Executive Board and the General Council on its website.

Communication in new forms is one of the five priorities of the Riksbank's strategic plan. The strategy focuses on developing meetings and communication with the general public, particularly in dialogue with young adults. The Riksbank's strategy to communicate in digital format to a greater extent resulted in a digital open house called "Hemma hos Riksbanken" (at home with the Riksbank) where the public had the opportunity to go behind the scenes in the Riksbank building. During the year, the Riksbank also introduced the new format #FrågaRiksbanken (ask the Riksbank), allowing the public to ask the Governor questions via Facebook. The Riksbank also continued its collaboration with Nobel Calling to increase knowledge of the Sveriges Riksbank Prize in Economic Sciences. This contributed to continued large interest in the Riksbank's official accounts in social media, such as LinkedIn, Twitter and Facebook.

Continued high confidence in the Riksbank

To monitor how confidence in the Riksbank is developing among various target groups and the general public, the Riksbank uses regular external surveys. Every year, Kantar Sifo measures the reputations of Swedish authorities. MedieAkademin's confidence barometer, together with the SOM Institute,

measures and compares confidence in a number of different institutions and organisations in Sweden.

At the start of 2021, a survey by MedieAkademin showed that the general public had a record-high level of confidence in the Riksbank. Almost two respondents out of three replied that they had high or very high confidence in the Riksbank when the survey was conducted at the end of February. Kantar Sifo's recurring confidence question to an internet panel, representative of the general public, also showed an increase in confidence during the first months of the year, which then declined slightly over the rest of the year. The average percentage of respondents who replied that they had very or fairly high confidence in the Riksbank's way of conducting its work was 57 per cent, slightly higher than in 2020. Kantar Sifo's Reputation Index, conducted in May, showed a continued high score for the Riksbank.

Media reporting on the Riksbank decreased slightly in scope in 2021, compared with the previous year. Media impact for the message in the Monetary Policy Reports reached the target level over the year.

Corporate services and IT

The internal customer survey for 2021 showed that the Riksbank's employees are still satisfied with support in areas such as office services, property services, cleaning services and document registration. As far as IT support is concerned, satisfaction has increased significantly compared with the previous year.

The Riksbank's IT operations are under constant development and the Riksbank therefore decided on a new IT and digitalisation strategy and a new IT and digitalisation policy. The new documents focus more clearly on IT security and innovation. The descriptions in these will support the long-term work of developing operations in line with the Riksbank's overall objectives.

IT and cybersecurity are becoming increasingly relevant as a result of digitalisation. Over the year, the Riksbank worked with its suppliers to further strengthen protection against IT and cybersecurity threats.

As a result of the pandemic, the Riksbank also further developed possibilities for teleworking. Among other things, new ways of holding meetings in hybrid format were used for Executive Board meetings and staff meetings.

During the year, the Riksbank continued to work on mapping how security-protected and critically important operations and systems can be maintained during a heightened state of alert and in the grey zone leading up to this. As regards property-related issues, the Riksbank reviewed the physical preconditions for cash depots. Various adjustments and maintenance of the premises at Brunkebergstorg also took place during the year. The Riksbank also set up premises for the BIS in connection with the establishment of the BIS Innovation Hub Nordic Centre in Stockholm.

The Riksbank worked to strengthen contract management of the authority through targeted training initiatives for contract managers.

Workplace and employees

In 2021, the Riksbank gained a large number of new employees. At the end of 2021, the Riksbank had a total of 444 employees (416 full-time equivalents), compared with 403 employees (373 full-time equivalents) at the end of 2020. The average age is 47 years and the proportion of women and men is 46 and 54 per cent, respectively. Among managers, the proportion of women and men is 51 and 49 per cent, respectively.

The Riksbank strives to be an attractive workplace characterised by professional leadership and with a working environment that promotes employee development, motivation, job satisfaction and efficiency. Due to the pandemic, most of the Riksbank's employees largely worked from home in 2021, which meant that shared digital communication channels were needed for managers and employees. Through digital management forums and leadership programmes, the Riksbank's managers worked on leadership and work environment issues with a particular focus on remote leadership with a coaching approach. For the new employees, large parts of the introduction were digitalised and carried out in an onboarding portal. For all employees, the Riksbank held several online inspirational lectures in motivation, digital and efficient meetings, the new borderless working life, recovery and self-leadership.

Since many people were working at home, the Riksbank spent a lot of time investigating, correcting and improving the working environment for all employees. The Riksbank carried out two so-called check-ups to monitor how employees were experiencing working from home. Responses were used to strengthen and improve both the physical and psychosocial work environments.

In 2021, two employee surveys, known as half-yearly surveys, were also carried out within the framework of the Riksbank's strategic prioritisation, Developmental workplace. The surveys provided indicators of how the Riksbank was developing in terms of strategic competence supply, including the working environment and efficient working forms. The overall result for the first half of the year showed a slight decline compared to before, with the total index falling from 73 to 71 (the index target is 70). The overall result for the second half of 2021 showed an increase to 73.

The Riksbank introduced a 12-month trial period for teleworking from 1 December to make use of the flexible online working methods that had been developed during the pandemic. The possibility of teleworking is expected to make the Riksbank more attractive as an employer and to constitute a competitive advantage both in recruitment and in retaining employees.

Sustainable Working Methods project

Due to the coronavirus pandemic, much has changed in the way we work. In January, the Riksbank started the project Sustainable Working Methods with the aim of ensuring that, in a changing future, we can perform our work duties

in a way that is sustainable over time. This is a matter of creating well-functioning workplaces, both in the short and long term, finding new working methods, ways of holding meetings and tools, providing opportunities for a mix of office work and teleworking (within given frameworks) and strengthening our culture and social cohesion.

During the year, an employee survey was conducted on requests, needs and expectations for future working methods. Management and employee interviews were conducted and workshops were organised. Through continuous business surveillance and dialogue with neighbouring organisations, both near and further away, we were able to make use of lessons learned and technology used by others. Research into the workplace of the future was also closely followed and lectures were organised for employees. New working methods and new technologies were tested and evaluated.

The project was carried out in close cooperation with daily operations, primarily within HR, IT and property.

In 2022, work continues with our future office and our future forms of work. Among other things, we need to investigate how we can adapt our office space and working environment to our future needs.

The change process the Riksbank is going through places new demands on leadership and employeeship within the organisation. Managers and employees will therefore be educated in the implications of future changes. We will also continue to test and evaluate the new working forms and the new technologies we introduce.

Internal control

The Executive Board is ultimately responsible for internal control and establishes overall policies and certain rules that govern the Riksbank's activities. To assist the Executive Board in their responsibility, the Risk Division performs an evaluation of internal control based on a predetermined assessment model. The assessment model consists of five internal control components with 20 underlying factors. The five components are governance and control environment, risk analysis, control activities, information and communication, and follow-up and evaluation. Each underlying factor is evaluated annually on the basis of structure, documentation and implementation. At the end of 2021, the Risk Division assessed that five factors were deficient. Action plans are now in place for these deficiencies.

In addition to the evaluation and assessment carried out by the Risk Division, the Internal Audit Department also examines selected areas of the Riksbank's operations.

Pursuant to the provisions of the Sveriges Riksbank Act, the Executive Board presents its assessment of the adequacy of internal control in the Annual Report. See also page 130.

Managing risks

Risk management shall ensure that activities are conducted in accordance with the requirements for internal governance and control in the Sveriges Riksbank Act: efficiently and in accordance with applicable laws. Operations shall be reported in a reliable and fair manner and the Riksbank shall also be economical with public finances.

Operational risks

Operational risks are defined as the risk of loss arising from inadequate or failed internal processes and routines, human error, defective systems or external events.

Management of operational risks involves identifying, valuing, handling and reporting risks. The division of responsibility shall follow the principle of three lines of defence as described in the Policy for internal governance and control. This means that the Risk Division, which is the second line of defence, defines the frameworks and methods for risk management, while operations in the first line of defence own the risks and are responsible for regularly ensuring that these are managed appropriately. The third line of defence consists of an independent internal audit function, directly subordinate to the Executive Board, which, among other things, shall regularly review both management and the Riksbank's internal controls, the work of the control functions and the Riksbank's risk management. The work of the internal audit function also aims to contribute to lasting improvements in operations.

During 2021, the Riksbank developed and adopted a process to further enhance management of operational risks. The process aims to ensure that all operational risks associated with significant operational changes are identified, assessed and, if necessary, managed before such changes are implemented.

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.

The financial risks consist of market risk, credit risk and liquidity risk. Follow-up of these risks is mainly carried out by the Markets Department, which is responsible for day-to-day risk monitoring, while the Risk Division is responsible for the overall and independent risk control.

The Riksbank regularly conducts stress tests to measure the sensitivity of the Riksbank's financial assets and liabilities to unexpected market events. The stress tests show how much the value might change if a particular scenario, hypothetical or historical, were to occur.

Although the year has seen a slowdown in the intensity of the coronavirus crisis, the Riksbank continued to offer to ease the collateral requirements in

RIX, liquidity support in SEK and USD, loans to banks for further lending to companies and to purchase mortgage, municipal and corporate bonds and commercial paper, along with other measures. Its aim was to maintain the strength of the Swedish economy over the year. The measures required a tighter focus on risk management.

The new asset types, as well as the size of the balance sheet, resulted in an increase in financial risks. However, the Riksbank's resilience to unforeseen losses is still considered good.

Ethical rules

The Riksbank started work on the development of clearer and more appropriate ethical rules in conjunction with its initial purchases of corporate bonds for monetary policy purposes during the pandemic. During the annual review of internal policy documents in October 2020, we saw a need to review the rules in their entirety. We therefore started an extensive revision with the aim of reducing the scope for interpretations that could increase the risk of regulatory infringements. In the initial work, the main aim was to reduce the risk of abuse of insider information, but the revision was expanded in the autumn of 2021 to include issues of conflict of interest. Work on the new ethical rules is ongoing and is expected to be completed during the first four months of 2022.

In addition, in 2020/2021, the Riksbank carried out a number of different information and educational initiatives to increase understanding of the rules and thereby avoid future infringements. These educational initiatives will continue in 2022.

Data protection

The Riksbank's work on data protection issues focused on preventive measures and education, thereby increasing knowledge and awareness of data protection issues throughout its operations. The Data Protection Officer's work of overseeing compliance at the Riksbank continued in 2021 but will be given higher priority in 2022. Work on establishing a basic level of data protection in operations will continue in 2022.

Preparedness

Strengthened preparedness is one of the Riksbank's five strategic priorities. At the Riksbank, the concept of preparedness includes both crisis preparedness and total defence. Crisis preparedness consists of incident management, business continuity and crisis management, while total defence consists of civil and military defence. The Riksbank's crisis preparedness, together with efficient protective security arrangements, forms the basis for the Riksbank's work to secure its ability to manage peacetime crises, heightened alert and war.

Crisis preparedness and civil defence

In 2021, the Riksbank continued the work of strengthening internal conditions to ensure that there is functionality and continuity for vital societal functions, both during peacetime crises (crisis preparedness) and during heightened alert or war (civil defence). One important part of this work is to draw on experiences and lessons learned from the coronavirus pandemic.

Our management of the coronavirus pandemic showed that we need to ensure rapid decision-making and more effective coordination across departmental boundaries. Similarly, certain roles need to be clarified and refined under both normal and crisis conditions. This is why the Executive Board decided, during the year, to make certain revisions to the Riksbank's instructions. These were aimed at

- clarifying the role of the Executive Board in deciding on the direction, strategy and objectives for crisis preparedness and making it clear that it is the Executive Board that decides on important issues of principle in the Riksbank's crisis management
- strengthening the role of the Head of the General Secretariat when the Crisis Management Group is activated by extending his or her decision-making authority
- establishing a permanent crisis management function to support the Head of the General Secretariat in the coordination of the Riksbank's crisis preparedness.

In addition, the Head of the General Secretariat decided, during the year, to set up a preparedness committee to strengthen the coordination of preparedness issues.

In the spring of 2021, the Riksbank opened a cash handling office in Jönköping that can be used to issue banknotes in the event of peacetime crisis situations.

The Riksbank continued preparing ahead of the proposed extended responsibility for ensuring that the general public can make payments in crisis situations and in a heightened state of alert pursuant to the new Sveriges Riksbank Act.

The Riksbank is part of Sweden's total defence and thus participates actively in planning for civil defence. Internally, work is under way to analyse how the Riksbank's critical operations are to be conducted under a heightened state of alert and the authority is also preparing for wartime deployment of personnel.

The Riksbank is participating in the integrated total defence planning in close cooperation with seven other authorities within financial services .

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Summary

Balance sheet

In 2021 the Riksbank's balance sheet total increased by SEK 270,263 million. The main reason for the increase is continued purchases of securities in Swedish kronor carried out for monetary policy purposes. These purchases have been funded through increased borrowings in the form of deposit facility and issued debt certificates.

The foreign currency reserve increased by SEK 19,726 million, chiefly due to higher market values ensuing from a weaker Swedish krona. Receivables from the IMF increased by SEK 59,694 million, mainly because the IMF made a new general SDR allocation, which also affected the liabilities item Counterpart of Special Drawing Rights.

In 2021, the liability to the Debt Office decreased by SEK 47,428 million due to three loans reaching maturity. These loans were not renewed according to a decision concerning a self-financed foreign currency reserve. During the period, the item 'Equity' decreased by SEK 11,073 million due to profit allocation of SEK 6,800 million and reposting of the result of the prior year in accordance with the decided allocation of profit.

In the table below, a summary of the Riksbank's balance sheet is presented and its change compared with the prior year. To avoid discrepancies when comparing with the balance sheet items presented in the section 'Asset management', accrued interest has been allotted to the relevant asset and liability item.

The Riksbank's assets and liabilities

SEK million

	2021	2020	Change
Assets			
Gold	66,680	62,897	3,783
Receivables from the IMF	102,804	43,110	59,694
Foreign currency reserve ¹	394,301	374,575	19,726
Structural operations (FFL and EOL) ²	19,000	167,500	-148,500
Marginal lending facility	68	0	68
Securities for monetary policy purposes denominated in Swedish kronor	980,098	644,593	335,505
Other assets	1,298	1,311	-13
Total assets	1,564,249	1,293,986	270,263

	2021	2020	Change
Liabilities			
Banknotes and coins in circulation	61,462	62,853	-1,391
Deposit facility	588,068	494,574	93,494
Debt certificates issued	535,007	380,002	155,005
Liability to the Debt Office in foreign currency ³	127,408	174,836	-47,428
Counterpart of Special Drawing Rights	82,288	26,597	55,691
Other liabilities	9,422	2,326	7,096
Provisions	5,435	5,449	-14
Revaluation account	88,707	74,061	14,646
Equity	66,488	77,561	-11,073
Reported result	-36	-4,273	4,237
Total liabilities	1,564,249	1,293,986	270,263

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

² FFL = Funding for lending, i.e. loans to banks for onward lending to businesses.

EOL = Extraordinary operations lending, i.e. monthly market operations at longer maturities in Swedish kronor.

³ The liability to the Debt Office is reported in the balance sheet under the item 'Liabilities to residents in Sweden denominated in foreign currency'.

Profit and loss account

The Riksbank's result, according to the profit and loss account for 2021, was SEK -36 million, which is a SEK 4,237 million better result than the previous year. The main reason for the improved result is that the Riksbank's currency holdings were written down by SEK 17,223 million in the previous year due to the appreciation of the Swedish krona that year, while the weakening of the Swedish krona in 2021 meant that there was no write-down requirement at the end of 2021.

Total return for asset management was SEK 15,367 million, which is SEK 21,851 million higher than the same period of the prior year. The main reason for this is that the Riksbank's currency assets gained value in 2021 following the weakening of the Swedish krona; a more detailed explanation of the outcome of asset management is provided in the 'Asset management' section. The table below shows which profit and loss items are included in the result from asset management. It also shows that the change with respect to unrealised gains and losses reported on the revaluation account in the balance sheet needs to be added to the reported result for it to equal the result from asset management.

Administrative expenses amounted to SEK -1,058 million, which is 87 per cent of the annual budget.

The Riksbank's result*SEK million*

	2021	2020	Change
Interest income, asset management	4,554	6,475	-1,921
Interest expense, asset management	-1,645	-2,840	1,195
Net result of financial transactions	2,781	15,418	-12,637
Write-down of securities prices	-4,946	-237	-4,709
Write-down of currencies	-	-17,223	17,223
Fees and commissions expenses	-23	-19	-4
Net income, asset management	721	1,574	-853
Change in revaluation account in the balance sheet	14,646	-8,058	22,704
Total return, asset management	15,367	-6,484	21,851
Financial risk provision	-	-5,000	5,000
Interest income from administration	3	3	0
Income from administration	298	152	146
Cost of administration	-1,058	-1,002	-56
Total result	14,610	-12,331	26,941
Reversal change in revaluation account in the balance sheet	-14,646	8,058	-22,704
Result according to the profit and loss account	-36	-4,273	4,237

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 October 2020 (Ref. no. 2020-0691), which came into force on the same date.

The rules for current recording of transactions refer to the Bookkeeping Ordinance (2000:606) and the rules for annual accounts refer to the Guideline of the European Central Bank on the Legal Framework for Accounting and Financial Reporting in the European System of Central Banks, (EU) 2016/2249 (ECB/2016/34) amended according to (EU) 2019/2217 (ECB/2019/34) as well as (EU) 2021/2041 (ECB/2021/51). The update to the rules in 2021 concerned only a few clarifications that did not cause any change to the Riksbank's accounting.

Under Chapter 10, section 3 of the Sveriges Riksbank Act the Riksbank must apply the accounting guideline of the European System of Central Banks (ESCB) where relevant.

It is the Governing Council at the ECB that decides on the accounting guideline of the ESCB, and the Accounting and Monetary Income Committee (AMICO) reports to the Governing Council on the development, application and implementation of this guideline. In the interpretation of the accounting guideline, consideration shall be given to the guideline's preparatory works, general accounting policies and accepted accounting practice.

The Riksbank deviates from the ESCB's accounting guideline on the following points:

- In the presentation format for the balance sheet, the terms "euro" and "euro area" have been replaced with "Swedish kronor" and "Sweden", because Sweden has not introduced the euro as a means of payment.
- The depreciation period for buildings is 50 years instead of 25 years, because 50 years is considered to better reflect the actual lifetime of the Riksbank's buildings. There are also slight deviations for other fixed assets.
- The Riksbank's threshold for capitalising fixed assets is half a price base amount instead of EUR 10,000, justified by the fact that a lower capitalisation limit is considered to give greater control of the Riksbank's fixed assets.
- Discounts on discount securities with maturities of over a year at the time of acquisition are amortised on a straight-line basis instead of according to the internal rate of return method. The deviation is justified by the consideration that it provides 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 guidelines 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 under the ESCB's accounting guideline. The statement has been prepared guided by the international accounting standard IAS 7. The deviation is justified by the fact that the cash flow statement provides valuable information regarding primarily the result and change in cash and cash equivalents.

Changes in accounting policies

No changes in accounting policies were made in 2021.

Fundamental accounting policies

The following fundamental accounting policies 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 light of the Riksbank's year-end accounts.
- The criteria for measuring balance sheet items and for income recognition must be applied consistently.
- Assessment of assets and liabilities must be made on the assumption of a going concern.
- Income and expenditure shall be recognised as income and expenditure during the accounting period in which 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 transactions 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 recorded at the market exchange rates and market prices applying on the closing date. The exchange rates below are used for revaluation at year-end. In the table below the exchange rates have been rounded off to four decimal places.

Exchange rates

	31/12/2021	31/12/2020
EUR/SEK	10.2857	10.0409
USD/SEK	9.0400	8.2091
GBP/SEK	12.2426	11.2165
AUD/SEK	6.5707	6.3274
CAD/SEK	7.1435	6.4371
SDR/SEK	12.6684	11.8242
NOK/SEK	1.0260	0.9570
JPY/SEK	0.0785	0.0796
DKK/SEK	1.3825	1.3494

Source: Bloomberg.

Receivables, balances and liabilities are recorded at their nominal amount. Amounts in foreign currency are translated at the closing rate with the exception of receivables and payables reported under the items 'Other assets' and 'Other liabilities'. These are recorded at the exchange rate on the trade date.

Shares and participations are recorded at cost of acquisition.

Tangible and intangible assets are recorded 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, including computers, 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 asset's cost of acquisition.

Repurchase agreements

Repurchase agreements are reported as loan transactions and therefore do not affect the holdings of securities and gold. A repurchase 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 repos continue to be reported in the balance sheet and are recorded in accordance with the applicable rules for the Riksbank's other holdings of securities and gold. An amount equivalent to the purchase sum received is reported as a liability, while the transferred assets are reported as memorandum items.

Assets received by the Riksbank under reverse repurchase agreements are not reported in the balance sheet because they constitute loan collateral. An amount equivalent to the purchase sum paid is reported as a receivable. The difference between the two payments in a repurchase agreement (spot and forward) is allocated over the term of the agreement.

Transactions carried out within the framework of agreements on automatic repurchase agreements 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 included 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 must 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 at the same time for this amount. Commemorative coins and commemorative banknotes in circulation must be recognised in profit or loss when the issue has been in circulation for more than ten years.

Recognition of income

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 recognised in 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 profit and loss may

not be reversed in later years to offset new unrealised gains. 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 security's remaining time to maturity.

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

Cost of transactions

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

Derivative instruments

Derivative instruments are recorded 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 in the amount corresponding to the contract's forward amount multiplied by the difference between closing day rates and trade date 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. The currency sold is booked on the trade date, multiplied by the difference between the trade date exchange rate (spot) and the average acquisition rate, as realised gains/losses.

The spot legs of FX swaps are booked on the settlement date at the trade date rate (spot). The forward legs of FX swaps are booked the same way as FX forwards; that is, at a value corresponding to the contract's forward amount multiplied by the difference between the closing day rate and the trade day 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 foreign exchange forwards, no net foreign exchange gains/losses arise when recording FX swaps.

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

Balance sheet

SEK million

Assets		31/12/2021	31/12/2020
Gold	Note 1	66,680	62,897
Claims on residents outside Sweden denominated in foreign currency			
Receivables from the IMF	Note 2	102,794	43,102
Balances with banks, loans and security investments	Note 3	392,994	373,084
		495,788	416,186
Lending to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor			
Structural operations	Note 4	19,000	167,500
Marginal lending facility	Note 5	68	–
		19,068	167,500
Securities of residents in Sweden denominated in Swedish kronor			
	Note 6	974,712	640,836
Other assets			
Tangible and intangible fixed assets	Note 7	576	596
Financial assets	Note 8	554	552
Derivative instruments	Note 9	–	–
Prepaid expenses and accrued income	Note 10	6,725	5,271
Other assets	Note 11	146	148
		8,001	6,567
Total assets		1,564,249	1,293,986

Liabilities and equity		31/12/2021	31/12/2020
Banknotes and coins in circulation			
Banknotes	Note 12	58,315	59,717
Coins	Note 13	3,147	3,136
		61,462	62,853
Liabilities to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor			
Deposit facility	Note 14	588,068	494,574
Fine-tuning operations	Note 15	–	–
		588,068	494,574
Other liabilities to credit institutions in Sweden denominated in Swedish kronor			
	Note 16	108	194
Debt certificates issued			
	Note 17	535,007	380,002
Liabilities to other residents in Sweden denominated in Swedish kronor			
	Note 18	806	349
Liabilities to residents outside Sweden denominated in Swedish kronor			
	Note 19	8,363	1,648
Liabilities to residents in Sweden denominated in foreign currency			
	Note 20	126,651	173,791
Liabilities to residents outside Sweden denominated in foreign currency			
	Note 21	–	–
Counterpart of Special Drawing Rights allocated by the IMF			
	Note 22	82,280	26,592
Other liabilities			
Derivative instruments	Note 23	–	–
Accrued expenses and prepaid income	Note 24	845	1,138
Other liabilities	Note 25	65	47
		910	1,185
Provisions			
	Note 26	5,435	5,449
Revaluation accounts			
	Note 27	88,707	74,061

The table continues on the next page.

Liabilities and equity		31/12/2021	31/12/2020
Equity			
Capital	Note 28	1,000	1,000
Reserves	Note 29	65,488	76,561
		<u>66,488</u>	<u>77,561</u>
Result for the year		<u>-36</u>	<u>-4,273</u>
Total liabilities and equity		<u>1,564,249</u>	<u>1,293,986</u>

Profit and loss account

<i>SEK million</i>			
		2021	2020
Interest income	Note 30	4,557	6,478
Interest expense	Note 31	-1,645	-2,840
Net result of financial transactions, write-downs and risk provisions	Note 32	-2,165	-7,042
Fees and commissions income	Note 33	129	104
Fees and commissions expenses	Note 34	-23	-19
Dividends received	Note 35	110	-
Other income	Note 36	59	48
Total net income		1,022	-3,271
Staff costs	Note 37	-546	-497
Administrative expenses	Note 38	-441	-431
Depreciation of tangible and intangible fixed assets	Note 39	-65	-71
Banknote and coin expenses	Note 40	-6	-3
Total expenses		-1,058	-1,002
Result for the year		-36	-4,273

Cash flow statement

SEK million

	31/12/2021	31/12/2020
OPERATING ACTIVITIES		
<i>Cash flow from operating activities, profit and loss</i>		
Interest received	3,184	6,049
Interest paid	-1,984	-3,148
Net received from financial transactions	2,781	15,417
Fees and commissions received	129	104
Fees and commissions paid	-23	-19
Other income	42	48
Administrative expenses paid	-1,007	-943
	3,122	17,508
<i>Cash flow from operating activities, assets</i>		
Receivables from the IMF	-51,902	-10,909
Securities denominated in foreign currency	3,722	58,428
Structural operations	148,500	-167,500
Securities denominated in Swedish kronor	-348,792	-275,248
Other assets	-71	134
	-248,543	-395,095
<i>Cash flow from operating activities, liabilities</i>		
Banknotes and coins in circulation	-1,374	-635
Liabilities to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor	93,494	376,908
Debt certificates issued	155,005	65,058
Liabilities to residents outside Sweden denominated in Swedish kronor	6,715	-2,092
Liabilities to residents in Sweden denominated in foreign currency	-57,160	578
Liabilities to residents outside Sweden denominated in foreign currency	-	-10,575
Other liabilities	56,199	7,536
	252,879	436,778
Cash flow from operating activities	7,458	59,191

The table continues on the next page

	31/12/2021	31/12/2020
INVESTING ACTIVITIES		
Acquisition and disposal of tangible and intangible fixed assets	-45	-35
Acquisition and disposal of financial assets	-2	-20
Dividends received	110	-
Cash flow from investing activities	63	-55
FINANCING ACTIVITIES		
Transfer to the Treasury	-6,800	-5,300
Cash flow from financing activities	-6,800	-5,300
Cash flow for the period	721	53,836
Cash and cash equivalents at beginning of period	87,673	42,151
Cash flow from operating activities	7,458	59,191
Cash flow from investing activities	63	-55
Cash flow from financing activities	-6,800	-5,300
Exchange rate difference on cash and cash equivalents	8,084	-8,314
Cash and cash equivalents at end of period	96,478	87,673

Specification of cash and cash equivalents	31/12/2021	31/12/2020
Bank accounts, bank lending and reverse repurchase agreements denominated in foreign currency, see Note 3	96,410	87,673
Marginal lending facility	68	-
Total cash and cash equivalents	96,478	87,673

The cash flow statement shows incoming and outgoing payments during the period as well as cash and cash equivalents at the beginning and end of the period. The statement is divided into payments from operating activities, investing activities and financing activities.

Theoretically, the Riksbank can create an unlimited volume of liquidity in the national currency. In practice, the Riksbank's capacity for creating liquidity in the national currency is limited by the volume of assets accepted by the Riksbank as collateral in its lending, and the volume of assets that 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, it includes changes that affect cash flow from such balance sheet items as those which are included in operating activities.

Investing activities

Investing activities consist of the purchase and sale of tangible and intangible fixed assets, as well as those shares and participations that are reported under the item 'Financial assets'. Dividends paid from holdings of shares and participations are also included.

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 2020.

Not 1 Gold

	31/12/2021	31/12/2020
Quantity		
Troy ounces (million)	4.0421	4.0421
Price		
USD/troy ounce	1,824.8460	1,895.5374
SEK/USD	9.0400	8.2091
Book value	66,680	62,897

As of 31 December 2021 the Riksbank holds 4 million troy ounces (troy/oz) of gold (4), which is equivalent to 125.7 tonnes. No gold was sold in 2021.

Note 2 Receivables from the IMF

	2021-12-31	2020-12-31
Special drawing rights	84,762	27,301
Reserve position in the IMF		
Capital contribution (quota)	56,121	52,381
IMF krona account	-41,585	-40,360
	14,536	12,021
PRGT (Poverty Reduction and Growth Trust)	2,825	2,637
NAB (New Arrangements to Borrow)	671	1,143
Total	102,794	43,102

The Riksbank's holding of Special Drawing Rights amounts to SDR 6,691 million (2,309). The increase is due to the fact that the IMF, in 2021, allotted more SDRs to the Riksbank and other members. An amount corresponding to the total SDRs that have been allocated by the International Monetary Fund (IMF) is reported as a liability (see Note 22). At the end of 2021, the SDR holding was 196 million higher than the allocation, which equals SEK 2,482 million.

The Riksbank's capital contribution (quota) to the IMF amounts to SDR 4,430 million and is booked net of the IMF's account for Swedish kronor under the item 'Reserve position in the IMF'. The IMF's account in Swedish kronor is a liabilities account that shows how large a share of capital contribution the Riksbank has paid into the IMF by utilising the overdraft facility of this account. Because these items are reported net, 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 2021 the Riksbank's PRGT lending was SDR 223 million (223) and NAB lending SDR 53 million (97).

At the close of 2021 the Riksbank also had a receivable from the IMF of SDR 11.2 million (11.2). The IMF made deductions from interest payments on the Riksbank's reserve position in the IMF to transfer the funds to the IMF. The Riksbank has booked these interest payments after deductions in the profit and loss account. Consequently they are not included as receivables from the IMF on the Riksbank's balance sheet. The funds were, from the start, earmarked to be used by the IMF in the event of interest and credit losses due to delays, but the account at the IMF in which the Riksbank held these funds closed in June 2021 and the funds were then transferred to an interim account pending a decision on how they should be used going forward.

Note 3 Balances with banks, loans and security investments

	31/12/2021	31/12/2020
Bank accounts	15,961	14,876
Bank lending	80,449	72,797
Reverse repurchase agreements	–	–
Bonds	296,584	285,411
Short-term securities	–	–
Total	392,994	373,084

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

	31/12/2021	31/12/2020
Euro	76,356	72,492
US dollars	252,452	236,344
Pounds sterling	17,511	17,414
Australian dollars	16,496	16,603
Canadian dollars	16,991	16,985
Norwegian kroner	8,690	8,692
Danish kroner	4,498	4,554
Japanese yen	0	0
Total	392,994	373,084

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

Maturity	Bal. w. banks and loans	Securities
Up to 1 month	78,335	1,625
Over 1 month, up to 3 months	13,559	3,781
Over 3 months, up to 1 year	4,516	42,275
Over 1 year, up to 5 years	–	156,063
More than 5 years	–	92,840
Total	96,410	296,584

The Riksbank did not participate in any automatic securities lending programmes in 2021.

Note 4 Structural operations

Under this item, the Riksbank's lending to banks as a result of the covid-19 pandemic is reported. Out of the loaned amount, SEK 16,000 million concerns lending to banks for onward lending to businesses, and SEK 3,000 million concerns lending at longer maturities of three and six months, respectively, to facilitate the role of banks as credit providers to Swedish businesses. The interest rate for onward lending to businesses corresponds to the Riksbank's repo rate.

Note 5 Marginal 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 lending-facility interest rate equals the Riksbank's repo rate plus 0.10 percentage points.

Note 6 Securities of residents in Sweden denominated in Swedish kronor

In 2012 the Riksbank started to acquire SEK-denominated securities as a contingency plan to enable future purchases of Swedish securities at short notice, either to secure financial stability or to contribute to a better-functioning transmission mechanism, in the event of a crisis in the financial system.

During the year, the Riksbank continued with a series of measures to alleviate the economic effects of the pandemic. One of the measures was to continue purchasing securities up to SEK 700 billion, aimed at easing credit supply and alleviating the economic downturn. Purchases were therefore made of government bonds, treasury bills, covered bonds (mortgage bonds), municipal bonds and corporate bonds.

The securities have been recorded at quoted prices.

Breakdown of SEK-denominated securities

	31/12/2021	31/12/2020
Treasury bills	19,972	–
Government bonds	422,368	374,207
Covered bonds (mortgage bonds)	413,137	217,019
Municipal bonds	106,955	46,266
Corporate bonds	12,280	3,043
Commercial paper	–	300
Total	974,712	640,836

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

Maturity for SEK-denominated securities

Maturity	Securities
Up to 1 month	1,060
Over 1 month, up to 3 months	12,672
Over 3 months, up to 1 year	163,665
Over 1 year, up to 5 years	593,997
More than 5 years	203,318
Total	974,712

Note 7 Tangible and intangible fixed assets

	31/12/2021	31/12/2020
Land and buildings		
Cost of acquisition, 1 January	616	615
Acquisitions during the year	2	1
Divestments during the year	–	–
Cost of acquisition, 31 December	618	616
Acc. depreciation, 1 January	–304	–284
Depreciation for the year	–19	–20
Divestments during the year	–	–
Acc. depreciation, 31 December	–323	–304
Book value	295	312
Machinery and equipment		
Cost of acquisition, 1 January	736	725
Acquisitions during the year	42	34
Divestments during the year	–5	–23
Cost of acquisition, 31 December	773	736
Acc. depreciation, 1 January	–452	–423
Depreciation for the year	–45	–52
Divestments during the year	5	23
Write-down for the year	–	–
Acc. depreciation, 31 December	–492	–452
Book value	281	284
Total book value	576	596
Tax assessment value		
Buildings	–	–
Land	–	–

The item ‘Land and buildings’ includes two properties: the head office in Stockholm and the cash provision office in the municipality of Sigtuna (Broby). The properties are classified as special units and are therefore not taxable.

Acquisitions during the year in 2021 included IT applications to a value of SEK 18 million (19).

The item ‘Book value, machinery and equipment’ includes intangible fixed assets in the form of application systems worth SEK 138 million (147).

Note 8 Financial assets

	31/12/2021	31/12/2020
Shares and participations		
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 (16)	3	1
Total	554	552

Central banks in the European System of Central Banks (ESCB) that are not part of the euro system are obliged to pay in 3.75 per cent of their capital subscription in the ECB. The Riksbank's capital subscription on 31 December 2021 amounted to 2.9790 per cent and the ECB's total subscribed capital to EUR 10,825,007,069.61. The capital subscription is based on the respective country's GDP and number of inhabitants and is calculated every fifth year. The subscription paid is to cover some administration costs of participation in the ESCB. Central banks in the ESCB that are not included in the euro system are not entitled to any allocation of profit from the ECB, and neither do they have an obligation to cover any losses in the ECB.

In May 2021 the Riksbank paid a total of EUR 154,035 for a further 27 shares in Swift. Swift redistributes the total shareholding between the members at least once every three years based on members' paid Swift fees.

Note 9 Derivative instruments

Derivative instrument groups with a positive value are reported under this item.

Note 10 Prepaid expenses and accrued income

	31/12/2021	31/12/2020
Receivables from the IMF	10	8
Bonds in foreign currency	1,307	1,491
Derivative instruments	–	–
Government bonds denominated in Swedish kronor	3,240	2,861
Covered bonds denominated in Swedish kronor	1,725	732
Municipal bonds denominated in Swedish kronor	394	156
Corporate bonds denominated in Swedish kronor	27	8
Other	22	15
Total	6,725	5,271

Note 11 Other assets

	31/12/2021	31/12/2020
Staff loans	108	128
Accounts receivable	1	1
VAT recoverable	7	6
Balances with banks	30	13
Other	0	0
Total	146	148

Note 12 Banknotes

	31/12/2021	31/12/2020
1,000 krona	2,276	2,626
500 krona	42,049	42,615
200 krona	4,308	4,529
100 krona	2,583	2,697
50 krona	803	831
20 krona	969	980
Invalid banknotes	5,327	5,439
Total	58,315	59,717

Banknotes in circulation are broken down by 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 that is 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 2021, the value of the banknotes that the Riksbank had received but which it had not yet decided to redeem was SEK 22 million (31).

Note 13 Coins

	31/12/2021	31/12/2020
10 krona	2,071	2,085
5 krona	502	491
2 krona	370	347
1 krona	204	196
Commemorative coins	–	17
Total	3,147	3,136

Coins in circulation are broken down by the above denominations. In 2021 the item 'Commemorative coins' was written off by SEK 17 million (–) referring to an issue of commemorative coins that had become older than ten years. After this write-off, all issues of commemorative coins have been written off

from the coin liability. The amount was recorded in 'Other income' (see Note 36).

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 equalled during the year the Riksbank's repo rate minus 0.10 percentage points. The balance of these accounts has increased during the year as a result of the Riksbank's asset purchases in Swedish kronor.

Note 15 Fine-tuning operations

This item was used to report deposits for the purpose of fine-tuning liquidity in the financial system. The fine-tuning operations ended on 9 October 2019.

Note 16 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 that are not monetary policy counterparties. The deposit rate, during the year, equalled the Riksbank's repo rate minus 0.10 percentage points.

Note 17 Debt certificates issued

This item is used to report the Riksbank's issuance of debt certificates, done with the purpose of absorbing liquidity from the financial system. These deposits are done at the Riksbank's repo rate, as a rule with a maturity of one week. The volume of outstanding Riksbank Certificates is governed by the banks' demand up to a cap determined by the Riksbank with a view to adapting liquidity in the payment system to current monetary policy decisions. Throughout most of 2020, the Riksbank chose to limit the volume of Riksbank Certificates to SEK 380,000 million, to allow reserves in the payment system to grow in line with the Riksbank's lending and purchases of securities in Swedish kronor. As of 4 May 2021, the issuance volume has been limited to half of outstanding liquidity surplus in RIX, to ensure that there is ample scope for additional data liquidity in RIX during the pandemic crisis, while at the same time market overnight rates can be kept close to the Riksbank's policy rate.

Note 18 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 that are not monetary policy counterparties and credit institutions. The deposit rate, during the year, equalled the Riksbank's repo rate minus 0.10 percentage points.

Note 19 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 0.1 (0.1) million are reported for participants that have their headquarters or a branch outside of Sweden and that are not monetary policy counterparties and credit institutions.

Note 20 Liabilities to residents in Sweden denominated in foreign currency

As of June 2009 deposits of foreign currency from the Swedish National Debt Office are reported under this item. The deposits had the purpose of strengthening the foreign currency reserve. In January 2021, the Riksbank decided to replace the part of the foreign currency reserve consisting of deposits with self-funding by increasing the liabilities items 'Deposit facility' and 'Debt certificates issued'. This changeover is being made gradually by purchasing currency for SEK 5 billion per month evenly distributed over the period February 2021 to 31 December 2023 inclusive, while at the same time deposits from the Debt Office are not renewed at maturity. During the year, two loans matured totalling USD 5,000 million (nominal) and a loan of EUR 1,500 million (nominal) that were not renewed. The distribution of foreign currency deposits is shown in the following table.

Deposits of foreign currency

	31/12/2021	31/12/2020
Euro from the Swedish National Debt Office	41,052	55,218
US dollars from the Swedish National Debt Office	85,599	118,573
Account deposits from authorities	0	–
Total	126,651	173,791

Note 21 Liabilities to residents outside Sweden denominated in foreign currency

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

Note 22 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 million (2,249). During the year, SDR 4,246 million were allocated to the Riksbank by the IMF. The current holding of SDR amounts to SDR 6,691 million (2,309) and is reported under the item 'Receivables from the IMF' (see Note 2). At the end of 2021, the SDR allocation was 196 million lower than the holding, which equals SEK 2,482 million.

Note 23 Derivative instruments

Derivative instruments with a negative value were reported here.

Note 24 Accrued expenses and prepaid income

	31/12/2021	31/12/2020
Deposit repos	–	–
Derivative instruments	–	–
Deposits, Swedish National Debt Office	757	1,045
Counterpart of Special Drawing Rights	8	5
Other	80	88
Total	845	1,138

Note 25 Other liabilities

	31/12/2021	31/12/2020
Accounts payable – trade	43	27
Other	22	20
Total	65	47

Note 26 Provisions

	31/12/2021	31/12/2020
Pension provision	59	67
Banknotes and commemorative coins written off	371	378
Job Security Foundation	5	4
Financial risk provision	5,000	5,000
Total	5,435	5,449

The pension provision has been calculated by the National Government Employee Pensions Board (SPV). Out of the pension liability, including special payroll tax, SEK 58 million (67) refers to PA-91 pensioners with a date of retirement prior to 2003, and SEK 1 million (0) refers to persons who have been granted a partial pension from 2003 onwards or pension compensation prior to the age of 65. As at 31 December 2002 the Riksbank redeemed its pension provision for those persons who on that date were employed by or were entitled to annuity from the Riksbank. The effect of technical revaluations is reported as an increase in the pension liability. For 2021 there is no effect (5) because the technical guidelines were unchanged between 2020 and 2021.

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 “Financial risk provision” refers to a risk buffer to bolster resilience for future losses.

Note 27 Revaluation accounts

	31/12/2021	31/12/2020
Price effect	12,448	20,848
Exchange rate effect	21,376	2,113
Gold value effect	54,883	51,100
Total	88,707	74,061

With effect from 2004, unrealised gains and losses are reported in special revaluation accounts, which consist of the difference between the cost of acquisition values and the market values. At the transition to 2004 it was decided that the cost of acquisition values 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 mainly of unrealised gains on securities. When calculating the Riksbank’s allocation of profit, the reported profit is adjusted by the difference between the opening and closing value in the price effect.

Price effect

	31/12/2021	31/12/2020
Foreign securities	3,357	9,553
Treasury bills denominated in Swedish kronor	3	–
Government bonds denominated in Swedish kronor	8,966	10,257
Covered bonds denominated in Swedish kronor	96	868
Municipal bonds denominated in Swedish kronor	17	166
Corporate bonds denominated in Swedish kronor	9	4
Total	12,448	20,848

Exchange rate effect

	31/12/2021	31/12/2020
US dollars	13,080	–
Euro	553	–
Pounds sterling	1,447	–
Japanese yen	–	0
Australian dollars	1,410	967
Canadian dollars	1,643	–
Special Drawing Rights	2,574	1,146
Norwegian kroner	561	–
Danish kroner	108	–
Total	21,376	2,113

Note 28 Capital

The Sveriges Riksbank Act states that the Riksbank shall have capital in an amount of SEK 1,000 million.

Note 29 Reserves

	31/12/2021	31/12/2020
Reserve fund	500	500
Contingency fund	40,345	53,682
Balancing fund	24,643	22,379
Total	65,488	76,561

The Sveriges Riksbank Act states that the Riksbank shall have a reserve fund amounting to SEK 500 million and a contingency fund. The contingency fund and the balancing fund have been used since 1988, according to guidelines for the allocation of the Riksbank's profit adopted that year. The contingency fund has also been used for entering the amounts of asset write-ups. The amounts written up in the table below have been adjusted in the case of sale and depreciation of the written-up assets. The Riksbank's holdings of gold were written up to market value by SEK 12,686 million on 31 December 1998. Fixed assets were capitalised in the amount of SEK 654 million in the balance sheet in 1994, which equalled the cost of acquisition less depreciation. In 2021, SEK 2 million (2) was reposted from the sub-item 'Write-up of fixed assets' to 'Other', due to the year's depreciation of the written-up fixed assets. The value of the BIS shares was written up by SEK 235 million in 1996 to correspond to the market value of the gold used as payment for the share allocation in that year.

Allocations and write-ups

	31/12/2021	31/12/2020
<i>Allocation of profit since 1988:</i>		
Exchange rate effect	4,655	17,991
Gold value effect	7,356	7,356
Other allocation of profit	19,667	19,669
<i>Write-up of assets:</i>		
Gold reserve	8,604	8,604
Fixed assets	43	46
BIS shares	235	235
<i>Other</i>	-215	-219
Total	40,345	53,682

The change in the items 'Capital', 'Reserves' and 'Result for the year' is explained in the table below:

Change in the items 'Capital', 'Reserves' and 'Result for the year'

	Capital	Reserves	Result for the year
Balance, 31 December 2019	1,000	56,210	25,651
Transfer to the Treasury	-	-	-5,300
<i>Transfer to/from:</i>			
Balancing fund	-	16,184	-16,184
Contingency fund	-	4,167	-4,167
Result for the year	-	-	-4,273
Balance, 31 December 2020	1,000	76,561	-4,273
Transfer to the Treasury	-	-	-6 800
<i>Transfer to/from:</i>			
Balancing fund	-	2,264	-2,264
Contingency fund	-	-13,337	13,337
Result for the year	-	-	-36
Balance, 31 December 2021	1,000	65,488	-36

Note 30 Interest income

	2021	2020
<i>From foreign assets:</i>		
SDR	25	60
Reserve position in the IMF	7	18
PRGT (Poverty Reduction and Growth Trust)	2	1
NAB (New Arrangements to Borrow)	0	3
Bank accounts	-	-
Bank lending	53	352
Reverse repurchase agreements	-	36
Bonds	2,346	4,254

	2021	2020
Short-term securities	0	21
Derivative instruments	0	–
	2,433	4,745
<i>From domestic assets and liabilities:</i>		
Structural operations	57	13
Government bonds denominated in Swedish kronor	912	1,142
Covered bonds denominated in Swedish kronor	480	169
Municipal bonds denominated in Swedish kronor	89	25
Corporate bonds denominated in Swedish kronor	41	2
Commercial paper denominated in Swedish kronor	1	16
Negative interest deposit facility	541	345
Negative interest debt certificates issued	0	18
Staff loans	1	2
Correspondent accounts (Loro)	2	1
	2,124	1,733
Total	4,557	6,478

Note 31 Interest expense

	2021	2020
<i>From foreign liabilities and assets:</i>		
Deposits, Swedish National Debt Office	–1,525	–2,701
Deposit repos	–	–33
Counterpart of Special Drawing Rights	–25	–59
Derivative instruments	–	–1
Bank accounts	–60	–44
Other	–	–2
<i>From domestic assets:</i>		
Treasury bills	–35	–
Total	–1,645	–2,840

Note 32 Net result of financial transactions, write-downs and risk provisions

	2021	2020
<i>Price effect:</i>		
Realised result from foreign securities	1,488	11,543
Write-down of foreign securities prices	–2,049	–212
Realised result from domestic securities	–	–11
Write-down of domestic securities prices	–2,897	–25
	–3,458	11,295

	2021	2020
<i>Exchange rate effect:</i>		
Realised exchange rate effects	1,293	3,886
Write-down of currencies	–	–17,223
	1,293	–13,337
<i>Gold value effect:</i>		
Realised gold value effects	–	–
Write-down of gold	–	–
	–	–
<i>Financial risk provision:</i>		
Financial risk provision	–	–5,000
	–	–5,000
Total	–2,165	–7,042

At the end of the year, a price write-down was made of the bond holdings with a market price at the end of the year that was below the acquisition price. At the end of the year, there was no write-down requirement for the Riksbank's gold and currency holdings.

The item 'Financial risk provision' refers to the cost for provision to the Riksbank's financial risk buffer. The purpose of this risk buffer is to bolster resilience for future losses. For 2021 no provision was made because the Riksbank does not report any profit before the provision.

When calculating the Riksbank's allocation of profit, the exchange rate effect is excluded from reported profit. The exchange rate effect broken down by currency is shown in the table below

Exchange rate effect broken down by currency

	31/12/2021	31/12/2020
<i>Realised exchange rate effects:</i>		
US dollars	816	300
Euro	34	4,731
Pounds sterling	83	293
Japanese yen	–	–
Australian dollars	174	292
Canadian dollars	103	256
Special Drawing Rights	29	–1,984
Norwegian kroner	53	–8
Danish kroner	1	6
	1,293	3,886
<i>Write-down of currencies:</i>		
US dollars	–	–15,453
Euro	–	–512
Pounds sterling	–	–39
Japanese yen	–	–

	31/12/2021	31/12/2020
Australian dollars	–	–
Canadian dollars	–	–716
Special Drawing Rights	–	–
Norwegian kroner	–	–320
Danish kroner	–	–183
	–	–17,223
Total	1,293	–13,337

Note 33 Fees and commissions income

The item includes annual and transaction charges for the RIX system of SEK 129 million (104).

Note 34 Fees and commissions expenses

The item mainly consists of custody fees and transaction costs for management of the foreign currency reserve.

Note 35 Dividends received

In 2021 the Riksbank received a dividend from the BIS of SEK 110 million (0).

Note 36 Other income

	2021	2020
Reimbursement for the redemption of invalid banknotes	4	4
Unredeemed cash received	34	32
Reimbursement for discoloured banknotes etc.	0	0
Sold for scrap	–	0
Commemorative coins written off	17	–
Sida (Swedish International Development Cooperation Agency)	2	2
Compensation from the sale of machinery and equipment	–	7
Other	2	3
Total	59	48

The income from Sida refers to remuneration for technical assistance to central banks in some developing countries (see the box ‘International commitments’). In 2021 the item ‘Coins in circulation’ was written off by SEK 17 million (–). The write-off concerned an issue of commemorative coins that had become older than ten years.

Note 37 Staff costs

	2021	2020
Salaries and benefits	-317	-286
Salary recorded as assets	-	-
Social security contributions	-98	-89
	<u>-415</u>	<u>-375</u>
Pension premiums	-94	-83
Pension payments	-6	-7
Change in pension provision	7	2
Special payroll tax	-25	-22
	<u>-118</u>	<u>-110</u>
Training	-3	-2
Staff representation	0	0
Other	-10	-10
	<u>-13</u>	<u>-12</u>
Total	<u>-546</u>	<u>-497</u>

Pension premiums were paid in accordance with pension agreements 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 a partial pension from 2003 onwards or who have been granted a pension before the age of 65.

Salaries and benefits to the members of the Executive Board in 2021 amounted to SEK 14.9 million (14.5), broken down as follows:

Salaries and benefits for Executive Board members

	2021	2020
Stefan Ingves	2.2	2.0
Cecilia Skingsley	2.7	2.7
Martin Flodén	2.5	2.4
Per Jansson	2.5	2.5
Henry Ohlsson	2.5	2.5
Anna Breman	2.5	2.4
Total	<u>14.9</u>	<u>14.5</u>

In addition, the Governor of the Riksbank received a board fee in 2021 of SEK 1.0 million (1.1) from the Bank for International Settlements (BIS). In accordance with a decision of the General Council a deduction is made from the gross salary of the Governor of the Riksbank corresponding to the amount of the board fee from BIS. No deduction is made however, according to the General Council's decision, for the pension received by the Governor of the Riksbank from the IMF.

On 28 October 2011, the General Council decided that, during the statutory qualification period after the end of employment, members of the Executive Board shall receive a full salary for a maximum of six months. However, deduction will be made for any income from other employment during this period.

The General Council has decided that the Ordinance on Severance Benefits for Certain Employees employed as Senior Government Officials (2003:55) shall be applied for all present Executive Board members, with the exception of Anna Breman. For Anna Breman, 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.

Under present arrangements, Stefan Ingves may also receive a pension from BIS. This is paid to board members who have served on the board of BIS for at least four years, but only when they have reached the age of 65. The pension is calculated on the basis of the board fees paid, amounting to 1.82 per cent of these fees.

Note 38 Administrative expenses

	2021	2020
Information, external representation	-2	-2
Transport, travel	-2	-4
Consulting assignments	-100	-91
Other external services	-119	-120
IT operations	-141	-147
Economics prize	-19	-21
Office and property maintenance	-45	-34
Other	-13	-12
Total	-441	-431

The information expenses include costs for the Riksbank's regular publications, such as the Monetary Policy Reports, the Financial Stability Reports and the Annual Report.

The costs for representation amounted to SEK 0.2 million (0.4).

The item 'Transport, travel' includes the cost of the Riksbank's transport of banknotes and coins as well as travel costs.

Consulting assignments amounted to SEK 100 million (91). This amount includes the costs of IT consultants including the E-krona of SEK 71 million (63).

The cost of statistics deliveries of SEK 81 million (81) is the largest single item in 'Other external services'. It refers mainly to remuneration to Statistics Sweden for preparing e.g. the balance of payments statistics and financial market statistics. In addition, audit fees to the Swedish National Audit Office and the General Council's auditors are included in the amount of SEK 2 million (2).

The 'IT operations' item includes licensing expenses of SEK 62 million (54) and costs for IT services of SEK 75 million (87). Costs for IT services decreased in 2021. In 2019 and to some extent in 2020, extra initiatives were carried out aimed at reinforcing contingency planning (information security and crisis contingency).

The 'Economics prize' item includes the prize sum of SEK 10 million (10) and the administration costs for the prize of SEK 9 million (11).

The largest single items in the cost group 'Office and property maintenance' consist of refurbishment and maintenance of the Riksbank's premises of SEK 14 million (11), and rent of premises of SEK 9 million (5).

Note 39 Depreciation of tangible and intangible fixed assets

This item is used to report scheduled depreciation of tangible and intangible fixed assets.

Note 40 Banknote and coin expenses

Total purchases for banknotes and coins in 2021 amounted to SEK 6 million (3). No banknotes were delivered in 2021 (-). Coins were purchased in the amount of SEK 6 million (3). No commemorative coins were purchased in 2021 and 2020.

Note 41 Pledged assets and contingent liabilities, etc.

Pledged assets

- At the close of 2021 no securities were pledged in connection with foreign securities repos (-).

Contingent liabilities

- At the end of 2021, there were no outstanding compensation claims (-).
- The Riksbank has a commitment to provide the Nobel Foundation with funds annually for the award of a prize in economic sciences in memory of Alfred Nobel and also to bear the administration expenses for this prize. This undertaking amounted to SEK 19 million in 2021 (21). In addition to the original donation, since 2018 the Riksbank has been providing an additional grant for the Nobel Foundation's costs for the prize, which amounted to SEK 3 million in 2021.
- The Riksbank has committed to pay KPA Pensionsförsäkring AB supplementary compensation if so needed as a result of index-linking the pension benefits to which the insured is entitled. This commitment refers to personnel transferred from the Riksbank to AB Tumba Bruk (now Crane AB) in 1971.

Lending and exchange commitments in relation to the IMF

- At the end of 2021, the Riksbank's remaining lending and exchange commitments amounted to SEK 310,374 million (215,053); see the table and the description below.

Remaining lending and exchange commitments in relation to the IMF

	31/12/2021	31/12/2020
<i>Special Drawing Rights</i>		
Contractual commitment (2*allocation)	164,560	53,184
SDR allocation (see Note 22)	82,280	26,592
SDR holding (see Note 2)	-84,762	-27,301
Remaining	162,078	52,475
<i>Capital contribution (quota)</i>		
Contractual commitment (Capital contribution, see Note 2)	56,121	52,381
Reserve position (see Note 2)	-14,536	-12,021
Remaining	41,585	40,360
<i>PRGT agreement</i>		
Contractual commitment	12,668	11,824
PRGT lending (see Note 2)	-2,825	-2,637
Remaining	9,843	9,187
<i>NAB</i>		
Contractual commitment	57,151	26,675
NAB lending (see Note 2)	-670	-1,143
Remaining	56,481	25,532
<i>Credit agreement</i>	40,387	87,499
Total remaining commitment	310,374	215,053

Special Drawing Rights

Under the IMF by-laws, the commitment that refers to Special Drawing Rights means that the Riksbank may be obliged to buy Special Drawing Rights (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, that is to say an allocated amount of SEK 82,280 million (26,592) plus two times the allocated amount of SEK 164,560 million (53,184). This commitment also includes the Riksbank's standing arrangement to, on the IMF's request, 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. Because the Riksbank's SDR holding amounts to SEK 84,762 million (27,301), see Note 2, the outstanding commitment amounts to SEK 162,078 million (52,475).

Capital contribution

The Riksbank's maximum commitment regarding capital contribution amounts to the total capital contribution of SDR 4,430 million (4,430), which equals SEK 56,121 million (52,381). Because the share of the total capital contribution that has been paid in in foreign currency, that is to say the reserve position, amounted to SEK 14,536 million (12,021) at the end of 2021, the remaining commitment amounts to SEK 41,585 million (40,360), which corresponds to the balance of the IMF's krona account.

PRGT agreement

In November 2016 the Riksbank entered an agreement regarding lending to the IMF to a maximum of SDR 500 million, and in July 2020 regarding an additional SDR 500 million, which equals SEK 12,668 million (11,824), under a programme known as the Poverty Reduction and Growth Trust (PRGT). Because the Riksbank's PRGT lending at year-end amounted to SEK 2,825 million (2,637), see Note 2, the outstanding commitment amounts to SEK 9,843 million (9,187). The funds which the Riksbank loaned in the programme may be used by the IMF for lending to low-income countries.

NAB

The commitment concerning the Riksbank's NAB agreement (New Arrangements to Borrow) to provide the IMF with a credit facility means that the Riksbank is obliged to lend to the IMF an amount of up to SDR 4,511 million (2,256), which is equivalent to SEK 57,151 million (26,675). Because the Riksbank's NAB lending at year-end amounted to SEK 670 million (1,143), see Note 2, the outstanding commitment amounts to SEK 56,481 million (25,532).

This agreement is only activated under special circumstances and is aimed at temporarily strengthening the IMF's lending capacity over and above the funds available under the item 'Capital contribution'. As of 1 January 2021 the Riksbank's commitment under NAB was extended – after receiving the consent of the Riksdag – for an additional five-year period.

Credit agreement

In April 2017 – after receiving the consent of the Riksdag – the Riksbank entered an agreement to provide credit to the IMF in the amount SDR 7,400 million. In order for the IMF to use the new agreement, the IMF's remaining funds for lending must be less than a lower limit of SDR 100,000 million. In addition, the lenders, that together hold 85 per cent of the committed loan resources, must approve the activation of the agreements. As of 1 January 2021 – after receiving the consent of the Riksdag – a new bilateral agreement with the IMF applies. The new agreement concerns an amount of SDR 3,188 million.

Payment agreements

- The Riksbank has committed to pay the BIS, three months after any demand, the remaining 75 per cent of the nominal amount of the Riksbank's shareholding in the BIS. This commitment amounted to SDR 65 million (65), equivalent to SEK 823 million (769) at the end of 2021.
- In 2020 the Riksbank signed a swap agreement with Norges Bank, according to which Norges Bank may, by special agreement, borrow Swedish kronor in exchange for Norwegian kroner.

Contingent assets

- At the end of 2021 there were no outstanding compensation claims (–).

Deposit agreements

- BIS has issued a 'non-binding credit commitment', according to which BIS, upon the Riksbank's request and subject to a specific agreement, may lend foreign currency to the Riksbank. This credit commitment was extended in 2021 and is valid until 27 April 2022.
- The Riksbank has an agreement with BIS whereby the Riksbank may, subject to a specific agreement, conduct repurchase agreements with BIS in securities denominated in US dollars, euros and pounds sterling. This agreement was extended in 2021, and expires on 13 July 2022.
- The Riksbank has a swap agreement with the ECB whereby the Riksbank, subject to a specific agreement, may borrow euros in exchange for Swedish kronor.
- In 2020 the Riksbank signed a swap agreement with Norges Bank, according to which the Riksbank may, by special agreement, borrow Norwegian kroner in exchange for Swedish kronor.

The profit and loss account and balance sheet by function

The table below shows the Riksbank's net income and expenses by function. The amounts are expressed in SEK million.

Function	2021			2020		
	Net income	Ex-penses	Result	Net income	Ex-penses	Result
Monetary policy	1	-178	-177	2	-184	-182
Financial stability	112	-165	-53	3	-169	-166
Payments	184	-363	-179	148	-337	-189
Of which						
<i>Payment system</i>	129	-112	17	104	-100	4
<i>Cash provision</i>	55	-146	-91	44	-150	-106
<i>Research and analysis</i>	0	-105	-105	0	-87	-87
Asset management	721	-203	518	1,574	-158	1,416
Statistics	0	-127	-127	0	-130	-130
Economics prize and General Council, etc.	4	-22	-18	-4,998	-24	-5,022
Total	1,022	-1,058	-36	-3,271	-1,002	-4,273

The breakdown should reflect as closely as possible the actual use of resources for each function. The principle used is for expenses and income to be allocated as far as possible directly to the respective function without use of any cost allocation key.

Payment system expenses are to be financed by fees from participants. Asset management is to generate a return that is as high as possible in relation to the task and the risk taken. For the other functions, there is no cost coverage requirement.

The allocation model is based on the format of the profit and loss account and the balance sheet, where the Riksbank's outcome for 2021 amounts to SEK -36 million (-4,273) and the Riksbank's assets and liabilities to SEK 1,564,249 million (1,293,986) at 31 December 2021. No risk provisions were made in 2021. The risk provision made in 2020 of SEK -5,000 million has been transferred from 'Result from asset management' to 'Net income for Economics Prize and General Council, etc.'. This is because the risk provision is not part of the active management.

Allocation of costs

Staff costs, excluding IT personnel

The actual payroll expense has been used when allocating staff costs for employees directly involved in a function. Payroll expenses for the employees included in the support functions have been allocated according to a cost allocation key. The key most used is the number of directly involved employees in relation to the total number of directly involved employees in all functions. Altogether about 266 employees, or 64 per cent of the total of 416, are directly involved in one of the functions. The other 150 employees are in support functions, mainly IT, communications and internal services.

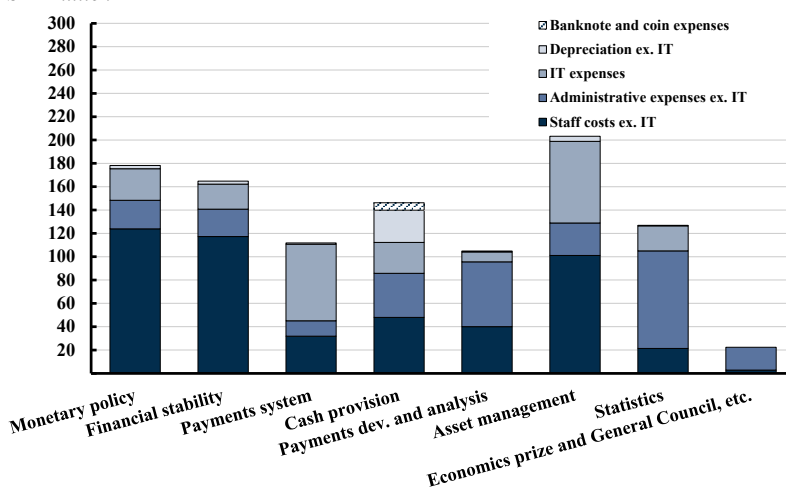
Administrative expenses, excluding IT expenses

The Riksbank's process accounting means that administrative expenses are directly allocated by function at the time of registration of invoices.

A large part of the Riksbank's costs are, however, common expenses, such as costs of 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.

Allocation by nature of expense by function, 2021

SEK million



Source: The Riksbank

Depreciation, excluding IT-related investments

Depreciation is directly allocated to the function which is supported by each facility or allocated on the basis of predefined keys.

Banknote and coin expenses

Costs for purchasing banknotes and coins amounted to SEK 6 million (3) in 2021. The costs are allocated in their entirety to the Cash provision function.

IT expenses

IT expenses refer to the costs of the IT operations. These operations are assigned to the Corporate Service Department. The model for allocation of the IT expenses is primarily based on the following principles: The expenses for workstations, data storage 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 fixed expenses of the business system for application operation divided by the total fixed expense for application operation for all business systems. Depreciation for business systems that belong to one or more functions is allocated directly to each system.

Allocation of net income

Income has been allocated to the function that is responsible for it. Consequently, the fact that seigniorage derives from cash provision has not been taken into account. Instead seigniorage income has been allocated to asset management. Seigniorage for 2021 amounted to SEK 150 million (972).

The net income in the Financial stability function mainly consists of the dividend from the Riksbank's holding of BIS shares.

The net income for asset management reported in the profit and loss account amounted to SEK 721 million (1,574). Total return from the Riksbank's asset management for 2021 was SEK 15,367 million (–6,484). The financial risk provision for 2020 of SEK 5,000 million is reported under 'Net income for Economics prize, General Council, etc.

Allocation of assets and liabilities

The table below shows the Riksbank's assets and liabilities by function in millions of kronor.

Function	31/12/2021		31/12/2020	
	Assets	Liabilities	Assets	Liabilities
Financial stability	441	–	441	–
Cash provision	–	61,833	–	63,231
Asset management	1,562,951	1,332,771	1,292,675	1,076,010
Unallocated	857	169,645	870	154,745
Total	1,564,249	1,564,249	1,293,986	1,293,986

The assets in the Financial stability function consist of the shareholding in the BIS.

The unallocated assets mainly contain tangible and intangible fixed assets and other assets.

The item 'Unallocated liabilities' mainly contains equity, revaluation accounts, financial risk provision and result for the year. In the previous year-end accounts, the financial risk provision was reported under 'Asset management', but has now been transferred to 'Unallocated' as it is not part of the active management.

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>	31/12/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017
ASSETS					
Gold	66,680	62,897	57,488	45,981	43,190
Claims on residents outside Sweden denominated in foreign currency					
Receivables from the IMF	102,794	43,102	40,150	34,740	28,653
Balances with banks, loans and security investments	392,994	373,084	420,460	453,634	436,093
	495,788	416,186	460,610	488,374	464,746
Lending to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor					
Structural operations	19,000	167,500	–	–	–
Marginal lending facility	68	–	–	0	20
	19,068	167,500	–	0	20
Securities of residents in Sweden denominated in Swedish kronor					
	974,712	640,836	375,534	392,063	353,874
Other assets					
Tangible and intangible fixed assets	576	596	633	653	677
Financial assets	554	552	532	522	522
Derivative instruments	–	–	42	–	–
Prepaid expenses and accrued income	6,725	5,271	4,968	6,730	6,391
Other assets	146	148	158	191	217
	8,001	6,567	6,333	8,096	7,807
Total assets	1,564,249	1,293,986	899,965	934,514	869,637

The table continues on the next page.

	31/12/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017
LIABILITIES AND EQUITY					
Banknotes and coins in circulation					
Banknotes	58,315	59,717	60,383	59,147	55,215
Coins	3,147	3,136	3,105	3,034	2,773
	61,462	62,853	63,488	62,181	57,988
Liabilities to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor					
Deposit facility	588,068	494,574	117,666	6	81
Fine-tuning operations	–	–	–	104,099	27,055
	588,068	494,574	117,666	104,105	27,136
Other liabilities to credit institutions in Sweden denominated in Swedish kronor					
	108	194	184	107	81
Debt certificates issued	535,007	380,002	314,944	352,203	391,203
Liabilities to other residents in Sweden denominated in Swedish kronor					
	806	349	303	309	122
Liabilities to residents outside Sweden denominated in Swedish kronor					
	8,363	1,648	3,740	112	6,589
Liabilities to residents in Sweden denominated in foreign currency					
	126,651	173,791	192,934	254,802	237,905
Liabilities to residents outside Sweden denominated in foreign currency					
	–	–	10,575	2,220	3,481
Counterpart of SDR allocated by the IMF	82,280	26,592	29,166	27,714	26,273

The table continues on the next page.

	31/12/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017
Other liabilities					
Derivative instruments	–	–	–	544	528
Accrued expenses and prepaid income	845	1,138	1,488	1,640	1,584
Other liabilities	65	47	37	51	39
	910	1,185	1,525	2,235	2,151
Provisions	5,435	5,449	460	477	498
Revaluation accounts	88,707	74,061	82,119	67,040	56,423
Equity					
Capital	1,000	1,000	1,000	1,000	1,000
Reserves	65,488	76,561	56,210	56,487	54,861
	66,488	77,561	57,210	57,487	55,861
Result for the year	–36	–4,273	25,651	3,522	3,926
TOTAL LIABILITIES AND EQUITY	1,564,249	1,293,986	899,965	934,514	869,637

Profit and loss account

<i>SEK million</i>	2021	2020	2019	2018	2017
Interest income	4,557	6,478	11,369	8,147	6,015
Interest expense	–1,645	–2,840	–4,455	–4,622	–3,091
Net result of financial transactions, write-downs and risk provisions	–2,165	–7,042	19,522	460	321
Fees and commissions income	129	104	98	86	79
Fees and commissions expenses	–23	–19	–18	–19	–24
Dividends received	110	–	55	51	62
Other income	59	48	56	275	1,427
Total net income	1,022	–3,271	26,627	4,378	4,789
Staff costs	–546	–497	–442	–414	–414
Administrative expenses	–441	–431	–431	–362	–385
Depreciation of tangible and intangible fixed assets	–65	–71	–78	–67	–61
Banknote and coin expenses	–6	–3	–25	–13	–14
Total expenses	–1,058	–1,002	–976	–856	–863
Result for the year	–36	–4,273	25,651	3,522	3,926

ASSESSMENT OF INTERNAL CONTROL

The Executive Board is responsible for the Riksbank's activities and shall ensure that they are conducted efficiently and in accordance with applicable laws, that they are reported in a reliable and fair manner and that the Riksbank is economical with public finances. This is regulated in Chapter 9, Section 1 a of the Sveriges Riksbank Act. The Executive Board shall ensure that the requirements are met with reasonable certainty by ensuring that the Riksbank has a process for internal control that includes risk analysis, control measures, follow-up and documentation. The Executive Board shall, in the Annual Report, provide its assessment of whether internal control has been satisfactory over the period covered by the Annual Report. This is regulated in Chapter 10, Section 3 of the Sveriges Riksbank Act.

The Executive Board's assessment of the Riksbank's internal control

The Executive Board has assessed whether the Riksbank's internal control in 2021 has met the requirements in the Sveriges Riksbank Act and its conclusion is that it has been satisfactory for the period covered by the Annual Report.

Stockholm, 14 February 2022

Stefan Ingves
Governor

Cecilia Skingsley
First Deputy Governor

Anna Breman
Deputy Governor

Martin Flodén
Deputy Governor

Per Jansson
Deputy Governor

Henry Ohlsson
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 also coordinates crisis preparedness in the central payment system. The department has the task of following up on developments in the payment market and coordinating the analysis of payment issues.

Financial Stability Department

Head of Department: Olof Sandstedt

The Financial Stability Department is responsible for analysing the stability and efficiency of the financial system. It provides a basis for decisions made to fulfil the task of promoting a safe and efficient payment mechanism. 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

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.

Monetary Policy Department

Head of Department: Jesper Hansson

The Monetary Policy Department is responsible for the economic analysis that provides 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.

Corporate Services Department

Head of Department: Marianne Olsson until 1 September 2021. Henrik Jönsson, acting Head of Department since 13 September 2021.

The Corporate Services Department is responsible for the Riksbank's work on IT support, personnel development and recruitment, procurement support, archives and registry, office and property services, transport, security, budget documentation, and bookkeeping and payroll administration.

General Secretariat

Head of Department: Anders Vredin

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 General Secretariat coordinates the Riksbank's communications work, work on operational and financial risks, and some interdepartmental projects such as the development of the e-krona pilot and support to central banks in emerging market economies via what is known as technical assistance. The Secretariat also has functions for legal support, data protection, regulatory compliance assurance, information security and business continuity coordination.

Internal Audit Department

Head of Department: Simon Rörborn

The Internal Audit Department reviews parts of internal control selected by the Executive Board and supports other operations in these matters.

ANNEX 2

Consultation work of the Riksbank

Every year, the Riksbank responds to a large number of consultation documents. All consultation responses from the Riksbank have been published on the Riksbank's website, riksbank.se. The heads of department are responsible for handling consultation requests within the department's area of responsibility. The responsibility of the head of department includes providing background information for assessing whether a consultation response should be decided by the Executive Board or the head of department. If the response is to be decided by the Executive Board, the head of department shall present a draft consultation response to the Executive Board. Responsibility for overall coordination and administration of consultation work lies with the General Secretariat.

In 2021, the Riksbank presented 41 consultation responses. Among other matters, these concerned supervision in the financial area and proposed measures to strengthen the stability of the financial system. Most consultation responses were issued by the head of the appropriate department.

The Executive Board's consultation responses

Over the year, the Executive Board responded to five consultation documents of special importance and, in one case, the General Council also presented its own consultation response. The consultation responses are listed below:

- report Review of the Riksdag, 2019 (2020/21:URF1)
- Commission on Equality report A Common Concern (SOU 2020:46)
- memorandum Supplementary provisions to the regulation on the recovery and resolution of central counterparties (DS 2020:30)
- Inquiry into civil defence final report Structure for increased resilience (SOU 2021:25)
- report Supplementary information to the legal framework on protective security for the Riksdag and its authorities (2020/21:URF3).

During the year, the Riksbank also issued, on its own initiative, a supplementary consultation response to the Riksbank Committee's report A New Sveriges Riksbank Act (SOU 2019:46). The supplementary response had the heading Judicial inquiry into the proposal for a new Sveriges Riksbank Act and its compatibility with the Swedish constitution and European law.

For information on the content of the responses, see the Riksbank's website, riksbank.se.

ANNEX 3

The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2021

The Riksbank Prize in Economic Sciences in Memory of Alfred Nobel for 2021 was awarded to David Card for his empirical contributions to labour economics and to Joshua D. Angrist and Guido W. Imbens for their methodological contributions to the analysis of causal relationships.

David Card was born in Guelph, Canada in 1956 and is currently a professor at the University of California, USA. Joshua D. Angrist was born in Columbus, USA, in 1960 and is a professor at the Massachusetts Institute of Technology, USA. Guido W. Imbens was born in the Netherlands in 1963 and is a professor at Stanford University, USA.

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 11 October. Participants were able to listen to discussions on the significance of the Nobel Prize and find out more about the year's Economics Nobel laureates. Deputy Governor Per Jansson participated on behalf of the Riksbank. On 14 December, a digital seminar was also held with the laureates for the Riksbank's employees.

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 of 65 per cent of the prize money to cover the Foundation's expenses for administration and awarding the prize. In 2018, the Riksdag decided that, each year, the Riksbank should provide an additional grant due to increased costs for managing the Prize in Economic Sciences. 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 prizewinner(s) according to the same principles as for the Nobel Prizes. The prize amount is also the same. In 2021, the prize money amounted to SEK 10 million. This money is paid by the Riksbank.

The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel has been awarded every year since 1969. All of the previous laureates are listed on the Riksbank's website riksbank.se.

ANNEX 4

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 fixed assets with a value exceeding half a price base amount are activated.

Balance of payments

Statistical report of a country's economic transactions with the rest of the world.

Ban on instructions

Prohibition for a member of the Executive Board on seeking or receiving instructions when carrying out his or her monetary policy tasks. The Executive Board members' independent monetary policy stance is based on the Instrument of Government and the Sveriges Riksbank Act.

Banknotes and coins in circulation

Banknotes and coins that are in circulation in society outside the Riksbank. A decrease of the amount in the balance sheet item 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 degree.

Basel Committee

Committee within the **Bank for International Settlements (BIS)** for international cooperation on issues relating to bank 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.

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 was developed by the **Basel Committee**.

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 purchaser of a bond lends out a sum of money

to the issuer and earns interest on it. A bond usually has a fixed maturity of one year or longer. Upon 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**.

Cash Handling Advisory Board

Forum for discussing issues concerning cash management in society. The Cash Handling Advisory Board was established by the Riksbank in 2006 and is made up of representatives of the Riksbank, banks, cash depot companies, cash-in-transit companies, the retail trade and the authorities involved.

CCP, central counterparty

Financial company that acts as an intermediary between buyer and seller in a securities transaction. This means that the parties have no risk towards each other, but towards the central counterparty instead.

Classified information

Protective security also involves protecting information concerning security-sensitive activities that is therefore subject to confidentiality pursuant to the Public Access to Information and Secrecy Act or that would have been subject to that Act, had it been applicable. Classified information is divided into four protective security classes on the basis of the damage to Sweden's national security that could be incurred should they be disclosed.

Contingent asset

Asset that may perhaps fall to the Riksbank, depending on uncertain future events outside the Riksbank's control. Due to this uncertainty, the asset shall not be reported in the balance sheet, but shall be mentioned in the annual report.

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.

Covered bond

Bond in which the holder has higher collateral in the event that 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. The CPI is calculated every month by **Statistics Sweden**.

CPIF, the CPI with a fixed mortgage rate

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 interest rates for household mortgages. 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**. Was previously known as the Committee on Payment and Settlement Systems (CPSS).

Cryptocurrency/cryptoasset

Digital currencies created in the private sector that are not backed by a state or central bank. Central banks generally refer to cryptocurrencies as cryptoassets because they usually do not fulfil the basic functions of money.

Currency 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 predetermined rate. Currency swaps are often used to obtain **liquidity** in another currency, but there may also be other reasons. For example, central banks can use currency swaps to obtain a temporarily larger surplus or deficit of their own currency in the banking system.

Decision by circulation

Decision taken without the Executive Board having been convened. When a decision is taken by circulation, the Governor of the Riksbank proposes a decision, either orally or in written form, to the individual Executive Board members, after which the opinions of the members are collected and minuted.

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 that 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 a 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 during the period agreed. Derivative instruments are often used to spread and minimise risks. The most common derivative instruments are options, futures and swaps (**swap agreements**).

Discount

The difference between the amount paid and the **nominal amount** for a financial instrument if the nominal amount is greater.

Discounted value

The present value of a future payment, with consideration taken of interest over the period until payment. Dependent on the purpose of the calculation of the discounted value, consideration may also be taken of **inflation**.

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 (**ESCB**) consisting of the governors of all the EU central banks (including those that have not adopted the euro) 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 that monitors economic and financial development in the EU and euro area. The EFC is made up of higher officials from national authorities and central banks, as well as from the **European Central Bank** and European Commission.

E-krona

A central bank digital currency that may be issued by the Riksbank and that would be available to the public (a so-called "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 in all the 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.

Euroclear Sweden

Swedish central securities depository that carries out clearing and **settlement** of transactions with Swedish shares and fixed-income securities, and that maintains a register of who owns them.

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 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. Representatives of the Government, **Finansinspektionen**, the Swedish National Debt Office and the Riksbank participate in the Council.

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.

FSB, Financial Stability Board

International board that coordinates the work of national authorities and international regulatory bodies in the field of financial stability. Sweden is not a member, but representatives of the Riksbank occasionally participate in various working groups.

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.

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 the development of the 190 countries that are members. The organisation also provides technical assistance and lends money to countries carrying out economic adjustment programmes. The IMF's Board of Directors consists of representatives of the IMF's 24 constituencies, where each constituency covers one country or group of countries.

IMFC, International Monetary and Financial Committee

Committee within the IMF that, in practice (but not formally) determines the main direction of the IMF's work in the short and medium terms. Just like the IMF's Board of Directors, the committee consists of one representative from each constituency, totalling 24. The IMFC meets twice a year.

Inflation

Increase of the general level of prices that simultaneously means a decrease in the value of money. Inflation is most usually measured as the change in the 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 payment ability, which is to say the ability to provide **liquid funds** rapidly. The word can be used for individual companies or organisations, or for the financial system as a whole. It can also be used as a synonym for liquid funds. Finally, it is also 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 newspaper, 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 one percentage point.

Monetary policy

Measures adopted by a central bank to maintain **price stability**. The Riksbank's main tool for this is the **repo rate**. Monetary policy also aims to support the objectives of general economic policy, which are to achieve sustainable growth and high employment.

Monetary policy operations

The Riksbank conducts various monetary policy operations to implement 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.

NBMF, Nordic-Baltic Macroprudential Forum

Informal group consisting of central bank governors and heads of supervisory authorities in the Nordic and Baltic regions. The NBMF meets twice a year to discuss possible risks threatening financial stability and macroprudential policy measures to manage these.

NBSG, Nordic-Baltic Stability Group

Nordic-Baltic cooperation on financial stability, with a focus on crisis management issues. Ministries of finance, central banks and supervisory and resolution authorities in the Nordic and Baltic countries cooperate in this. The NBSG meets once a year. Regular crisis exercises are also held.

Net interest income

Interest income from lending less interest expenditure for funding and deposits.

Nominal amount

The amount at which a security is issued. For an interest-bearing security, it is the amount that the holder receives back upon maturity. For banknotes and coins, it is the amount specified on the banknote or coin.

NPL, non-performing loan

Loan where the borrower has stopped paying the agreed interest or amortisation. Sometimes also called a distressed loan. In most countries, a loan is classed as non-performing if payment is 90 days past due. See also **problem loans**.

Policy rate

Interest rate that a central bank sets for monetary policy purposes. The Riksbank's policy rate is the **repo rate**.

Post trade

Activities that take place after ordering and closing in a securities trade and include settlement of the securities transaction, among other things.

Price stability

Condition where the prices of goods and services increase only moderately or not at all. The target of price stability is defined by the Riksbank as **inflation**, measured as an increase in the **CPIF**, of 2 per cent.

Problem loans

Loans where the probability of credit losses is heightened. What is included in the term is not precisely defined. The term is often used synonymously with **NPL (non-performing loans)**, but it can also be used more generally for loans that have not been classified as NPLs.

Protective security

Protective security concerns protecting the information and the activities that are of importance for Sweden's national security against espionage, sabotage, terrorist offences and certain other threats.

Provision

Amounts that are reserved in the accounts for future costs.

Reference rate

Common benchmark in the pricing of financial contracts that should reflect the general development of interest rates. 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.

Repo rate

The Riksbank's **policy rate**.

Repo-rate path

The Riksbank's forecast for the **repo rate**.

Resolution

Reconstruction or settlement of a bank in distress in an orderly manner. Resolution is used by the government as an alternative to bankruptcy for banks that are deemed 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. According to the European Bank Recovery and Resolution Directive, each EU country must appoint a special resolution authority with responsibility for managing distressed 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. 14 authorities and private operators with important roles in the payment market participate in the retail payments council.

Riksbank certificate

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.

A Riksbank Certificate acts as a kind of borrowing. The interest received by the counterparty when it invests money in Riksbank Certificates is the **repo 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-value payments in real time. Participants in RIX include banks, clearing organisations, the Swedish National Debt Office and the Riksbank.

Settlement

Final regulation of debts 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.

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

Accounts for deposits and loans overnight that can be used by the Riksbank's monetary policy counterparties. The standing facilities give the counterparties the possibility of managing their **liquidity**, at the same time as they act as a monetary policy instrument. By setting the deposit rate just below the **repo 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 repo rate. (In recent years, when the banking system has had a surplus of liquidity, the lending rate has become less important. The deposit rate, however, 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 interest) in Swedish kronor. Available on several maturities from tomorrow-next to six months. This abbreviation stands for Stockholm Interbank Offered Rate.

Stress test

Analysis of different scenarios to assess the resilience of banks, for example, to unexpected and negative events.

Swap agreement

Derivative instrument entailing an agreement between two parties, over a certain period, to exchange interest flows (see **interest rate swap**) or currencies (see **currency swap**) with each other.

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 firm 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.

Too-Big-To-Fail (TBTF)

Also known as systemically important. This expression is used for banks that are considered so large and intricately interlinked with the rest of the financial system that they cannot fail without there being very serious consequences for the economy. For these banks, the market can expect that the government will intervene and rescue the bank if it encounters problems. This is problematical as it can lead to the bank becoming more inclined to take risks and to the bank's risks not being priced correctly.

Transmission mechanism

The process through which **monetary policy** affects **inflation** and the economy in general. This takes place by market rates and the banks' willingness to issue loans being influenced and by the krona appreciating or depreciating.

Value day

Regarding the transaction-based reference rate **SWESTR**, the date on which the underlying transactions are executed. SWESTR reflects the interest rate situation on the money market on this day.