

# Submission to the Riksdag 2022/23:RB2

## The General Council of the Riksbank's proposal for the allocation of profit 2022 and so forth

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### Summary

The General Council's account of activities for 2022 reports that the Council has met on 17 occasions during the year and gives an overall description of the matters discussed and the information the General Council has received at these. The account of activities also outlines how the General Council has exercised its controlling function.

Under Chapter 10, Section 3 of the Sveriges Riksbank Act (1988:1385), the General Council shall present proposals to the Riksdag (the Swedish Parliament) and the Swedish National Audit Office regarding the allocation of the Riksbank's profits.

For several years, the General Council has applied a principle for the allocations of profit that, in brief, states that 80 per cent of the past five years' average profit shall be transferred to the Treasury. The profit is calculated excluding exchange rate and gold value effects, but including the price effects reported in the revaluation account on the balance sheet. This is the last time that the General Council will apply this principle for the allocation of profit, in accordance with the transitional provisions of the new Sveriges Riksbank Act.

The Riksbank's strongly negative financial result for 2022 means that no profit will be transferred to the Treasury this year.

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# Proposal for Riksdag decision

The Riksbank's profit for 2022 amounts to SEK -80,734 million. The General Council proposes that the Riksdag adopt the following proposal for the allocation of the Riksbank's profit for the financial year 2022:

- No profit to be transferred to the Treasury.
- SEK 22,552 million to be transferred from the Riksbank's retained profit.
- SEK 40,000 million to be transferred from the Riksbank's primary capital.
- The remaining part of the loss, SEK 18,182 million, is to be recorded as a negative balance to the Riksbank's retained profit.

Stockholm, 17 February 2023

On behalf of the General Council:

BO BROMAN

/Moa Bergqvist

Bo Broman (Chairperson), Tomas Eneroth (Vice Chairperson), Susanne Ackum, Martin Kinnunen, Annelie Karlsson, Malin Löfsjögård, Hans Hoff, Andrea Kronvall, Jonas Jacobsson Gjørtler, Mathias Tegnér and Mats Odell took part in this decision.

The presenters were Eva Julin and Henrik Gardholm.

## Proposal for the allocation of profits for 2022

When reviewing the Riksbank's management for the year 2021 (report 2021/22: FiU23), the Riksdag approved the General Council of the Riksbank's proposal that the allocation of net income for the year be based on the 1988 principle for the allocation of net income with the supplements to the principle made since then. In brief, this principle entails that 80 per cent of the past five years' average profit shall be transferred to the Treasury. The profit is calculated excluding exchange rate and gold value effects, but including the price effects reported in the revaluation account on the balance sheet. For 2022, the General Council applies the same method of calculation with regard to the amount to be delivered to the Treasury, but the proposal regarding how the loss for the year is to be offset against the Riksbank's equity has been adapted to its own capital structure, which, according to the new Sveriges Riksbank Act, will apply from 1 January 2023. The new Sveriges Riksbank Act's rules on the calculation of dividend payments will be applied for the first time for the 2023 result.

The General Council has received a report for the 2022 financial year from the Executive Board (in accordance with Chapter 10, Article 3 of the Sveriges Riksbank Act [1988:1385]). The General Council notes that the Riksbank reports a loss of SEK 80,734 million for 2022. The entire financial risk provision of SEK 5,000 million has been reversed in the result and thus recognised as revenue. In accordance with the principle for the allocation of profits, the following adjustments are made when calculating the profit/loss used as a basis for the transfer:

- The reported profit has been positively affected by an exchange rate gain of SEK 9,646 million. This profit is excluded when calculating, which lowers the adjusted profit.
- The accounting profit was not affected by any gold value effect and therefore no adjustment was made for such an effect.
- A loss of SEK 8,997 million was recorded as a price effect decrease in the revaluation account on the balance sheet. The General Council has included this loss when calculating the allocation of the net income.

After the adjustments to the reported result, the profit/loss used as a basis for the transfer for 2022 amounts to SEK -99,377 million, which means that 80 per cent of the average profit for the last five years amounts to SEK -12,236 million. The General Council therefore proposes that no profit be delivered to the Treasury for 2022.

The General Council also proposes that the reported loss of SEK -80,734 million be offset against the Riksbank's retained profit and primary capital by SEK 22,552 million and SEK 40,000 million respectively, and that the remaining part of the loss of SEK 18,182 million be recorded as a negative balance

to retained profit. After this allocation of profit, the Riksbank's equity will be negative and will amount to SEK -18,182 million. The calculation on which the proposed allocation of profit is based can be found in the Appendix.

In conjunction with its annual examination of the Riksbank's annual report, the National Audit Office has also examined the proposed allocation of profit, even though the National Audit Office has no obligation to comment in the proposal itself. The National Audit Office has not noted any deviations from the applied principle for the allocation of profit.

Profit for 2022 amounts to SEK -80,734 million. The General Council decided, on 17 February 2023, to submit the following proposal for the allocation of the Riksbank's financial result:

- No profit to be transferred to the Treasury.
- SEK 22,552 million to be transferred from the Riksbank's retained profit.
- SEK 40,000 million to be transferred from the Riksbank's primary capital.
- The remaining part of the loss, SEK 18,182 million, is to be recorded as a negative balance to the Riksbank's retained profit.

# Annual report of the General Council

The General Council consists of eleven members and as many deputies. Following general elections, the Riksdag appoints members and deputies for a term of office of four years. The General Council selects a Chairperson and a Vice Chairperson from among its members.

Until 10 October, the Executive Board 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 (until 4 February), Mia Sydow Mölleby (from 6 May), Chris Heister, Mikael Eskilandersson and Caroline Helmersson Olsson. Deputy members over the same period were Agneta Gille, Jonas Jacobsson Gjörtler, Thomas Strand, Malin Löfsjögård, Josef Fransson, Mathias Tegnér, Roger Tiefensee, ClasGöran Carlsson, Maria Plass, Sammy Almedal and Agneta Börjesson.

On 11 October, new members were appointed by the Riksdag and, at the end of the year, the General Council consisted of the following members: Bo Broman (Chairperson), Tomas Eneroth (Vice Chairperson as of 19 October), Susanne Ackum, Martin Kinnunen, Annelie Karlsson, Hans Birger Ekström, Hans Hoff, Mattias Karlsson, Jonas Jacobsson Gjörtler, Emma Lennartsson and Mats Odell. Deputy members over the same period were Andrea Kronvall, Mathias Tegnér, Malin Löfsjögård, Linda Lindberg, Ulla Andersson, Maria Plass, Peter Helander, Erik Kristow, Katarina Brännström, Rasmus Ling and Hanne Clivemo (from 12 December).

On 21 October, an introduction day was held at the Riksbank for the General Council with a presentation of the Riksbank's operations and regulations, organisation and history.

## 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. Until the end of 2022, the General Council also adopted the formal work plan for the Riksbank, which specified the Riksbank's overall organisation, and regulated certain managerial and decision-making matters. As of 1 January 2023, when the new Sveriges Riksbank Act came into force, the Executive Board determines the work plan. As of the same date, some organisational issues that, under the new Act, fall within the General Council's area of responsibility are determined by the General Council in the Rules of Procedure. 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 (until the end of the financial year 2022) and

makes a recommendation to the Riksdag with regard to the discharge from liability of the members of the Executive Board.

The General Council also has a controlling function which monitors and scrutinises the work of the Executive Board. The Chairperson and Vice Chairperson may attend and speak at the Executive Board's meetings, but they do not have the right to vote or make proposals. The General Council 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 Chairman and Vice Chairman usually submit an account of the General Council's work to the Riksdag Committee on Finance twice per year.

## The General Council's activities in 2022

The General Council met on 17 occasions during the year.

### **The coronavirus pandemic**

Information on measures taken due to the coronavirus pandemic have been a recurring item on the General Council's agenda pandemic since the outbreak of the pandemic. In 2022, work was able to return to a more normal situation. The restrictions were changed at the beginning of the year and, as of 1 March, the office once again became the main place of work for all employees at the Riksbank.

The first meeting of the year was held as a hybrid meeting due to the pandemic restrictions, but subsequent meetings could be held at the Riksbank's premises.

### **Members of the Executive Board**

At its meeting on 6 June, the General Council decided to relieve First Deputy Governor Cecilia Skingsley of her duties from 1 September 2022, at her own request. Skingsley had been offered a position as Global Head of the BIS Innovation Hub in Basel. On 2 September, the General Council resolved to appoint Anna Breman as new First Deputy Governor, with effect from 2 September 2022, until her period of office expires on 30 November 2025.

Stefan Ingves' appointment as Governor of the Riksbank expired at the end of the year. At the meeting on 17 June, the General Council decided to appoint Erik Thedéen as new Governor of the Riksbank with a term of office of six years from 1 January 2023.

At the meeting on 2 September, the General Council decided to appoint Aino Bunge as a new member of the Executive Board with a term of office of six years from 1 December 2022.

The General Council made decisions during the year on the terms of employment and external assignments of the members of the Executive Board.

### **Submissions to the Riksdag**

At its meeting on 2 September, the General Council was informed of issues relating to a petition to the Riksdag regarding lending to the IMF (PRGT<sup>1</sup> and RST<sup>2</sup>).

### **Consultation responses**

The General Council may submit opinions on consultation documents concerning the General Council's area of responsibility. The General Council did not submit any consultation responses in 2022.

### **A new Sveriges Riksbank Act**

A new Sveriges Riksbank Act was adopted by the Riksdag on 23 November and entered into force on 1 January 2023. During the year, the General Council received information on the Riksbank's work on managing the changes to the Riksbank's operations required by the new Act. In addition, during the year, the General Council worked on preparations more specifically concerning the responsibilities of the General Council. This includes the general Council's scrutiny model and the development of a formal work plan, as decided by the General Council in December 2022.

### **The Riksbank's work plan**

At its meeting on 27 October, the General Council decided on changes to the work plan concerning the organisation of the Riksbank. These changes entered into force on 1 November.

### **Monitoring the work of the Executive Board**

The General Council performed part of its controlling function in that the Chairperson and Vice Chairperson monitored the work of the Executive Board during the year, for example by exercising their right to attend meetings of the Executive Board.

The General Council also scrutinised the Executive Board via its audit function. KPMG AB has undertaken the assignment on behalf of the General

<sup>1</sup> Poverty Reduction and Growth Trust.

<sup>2</sup> Resilience and Sustainability Trust.

Council since 2019. In 2021, this agreement was extended for a further two years, until 20 August 2023. [In December, the General Council decided to start a new procurement of consultants for the audit function.]

The General Council annually establishes a plan for the audit function's work. Over the year, KPMG reported its review of the Executive Board's exercise of duty and compliance with the work plan. KPMG did not find any material shortcomings in any of these audits. In addition, KPMG carried out an examination of the Riksbank's governance and follow-up of work on sustainability issues and made some recommendations for further work. In addition, KPMG has submitted a report on its examination of how the Executive Board ensures that the Riksbank has an appropriate process to deal with the changes that the new Sveriges Riksbank Act will entail. Here too, no material shortcomings have been identified. The audit function has also worked on producing recommendations on a new scrutiny model to adapt the audit to the new Sveriges Riksbank Act.

The General Council was also informed about the Swedish National Audit Office's annual examination of the Riksbank's activities. The Swedish National Audit Office reported its results to the General Council both ahead of and in conjunction with the General Council's decision on its proposal for the allocation of profits. When the Swedish National Audit Office completed its audit, the General Council receives a copy of the auditor's report.

In addition, the Chairperson and Vice Chairperson had regular contact with the Riksbank's internal audit department.

The members of the Executive Board participated regularly in General Council meetings and gave accounts of important decisions and events in the Riksbank's activities. For example, they described current monetary policy and the work of overseeing the stability of the financial system. The General Council was also informed of the Riksdag's review of monetary policy. The Executive Board also provided information on the state of the financial markets, in Sweden, in Europe and globally. The General Council was also informed about the security situation and the Riksbank's decision on wartime deployments for its own staff. The General Council also received information on the Executive Board's decision on changes to the Riksbank's instructions and on work on revisions to the Riksbank's ethical regulations.

The General Council was informed about issues related to redemption and the Riksbank's depot services, as well as other issues related to cash management. The Executive Board also provided the General Council with information on the Payment Report.

Furthermore, the General Council received regular information on the follow-up of the Riksbank's budget and business plan, on the follow-up of financial and operational risks, on the results of asset management and on the outcome of activities in other respects, and on the activities of the internal audit department. The Executive Board also provided information about the Riksbank's self-financing of the foreign currency reserves and about work on a reformed operational framework for the implementation of monetary policy.

The General Council also received information on the Executive Board's decision concerning financial risk provisions.

The General Council received information about the Riksbank's work with a new organisation for its work on information security, as well as about the classification of information and about regulations for the management of different types of information.

The General Council was informed of changes in the organisation of the General Secretariat, the Payments Department and the Corporate Services Department, which led to the General Council changing the work plan as described above.

In order to provide in-depth information on current issues, the Executive Board has invited the General Council to a number of theme lunches during the year. The themes discussed at these were the Riksbank's work on technical assistance, the possible economic consequences of the war between Russia and Ukraine, the status of work on the e-krona and the ongoing government Payments Inquiry.

After the new General Council took office in October, two theme lunches were held, in which the Financial Stability Department and the Monetary Policy Department gave a presentation of their departments and their work at the Riksbank. Similar theme lunches will be arranged in 2023, at which the Riksbank's departments will inform the General Council about their work.

## ANNEX

# Calculation of the Riksbank's allocation of profit 2022

## 1 Calculation of the Riksbank's transfer to the Treasury

*SEK million*

### Adjustment of the year's profit

Profit for 2022	-80,734
Less exchange gain recorded in the profit and loss account	-9,646
Price loss recorded on the balance sheet	-8,997
<b>Adjusted profit for 2022</b>	<b>-99,377</b>

*SEK million*

### Calculation of average adjusted profit

Adjusted profit for 2018	6,460
Adjusted profit for 2019	18,387
Adjusted profit for 2020	7,782
Adjusted profit for 2021	-9,729
Adjusted profit for 2022	-99,377
<b>Total adjusted profit for the past five years</b>	<b>-76,477</b>
<b>Average adjusted profit for the past five years</b>	<b>-15,295</b>

*SEK million*

### Calculation of transfer amount

80% of the average adjusted profit	-12,236
<b>Transfer 2022</b>	<b>0</b>

## 2 Allocation of losses

*SEK million*

### The Riksbank's retained profit

Balance before allocation of profit for 2022	22,552
The entire balance of retained profit is transferred	-22,552
The remaining portion of the loss is recognised as retained earnings	-18,182
<b>Total</b>	<b>-18,182</b>

*SEK million***The Riksbank's primary capital**

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Balance before allocation of profit for 2022	40,000
The entire balance of primary capital is transferred	-40,000
<b>Total</b>	<b>0</b>

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