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### **Consultation response regarding The state and payments (SOU 2023:16)**

The Riksbank shall, pursuant to the Sveriges Riksbank Act, contribute to the stability and efficiency of the financial system, including the ability of the public to make payments. The ability to make payments should also be available in peacetime crisis situations and in times of elevated preparedness. It is part of the fundamental responsibility of the state to ensure that the payment market functions and meets the needs of society. However, there is also a significant responsibility on private actors to ensure the availability of an infrastructure for payments and payment services and the functioning of essential activities in the payment market. The state needs to be more active in cases where the market fails to create solutions that favour competition or where the objectives of efficiency, safety and accessibility are not met.

The Payment Inquiry has conducted a thorough survey of the current state of the payments market. The survey shows that too many people lack access to both digital and cash payments and that the state needs to take further measures to make digital systems more accessible, less vulnerable and more reliable. Furthermore, the Inquiry has made some proposals to address the challenges and shortcomings identified in the survey. The Riksbank supports several of the proposals. However, the Riksbank does not share all of the Inquiry's assessments and considers that there are problems on the Swedish payment market that require clearer and sharper measures than those now proposed. The Riksbank considers that the Inquiry has not gone far enough in its proposals for a future state role in the payment system. The state needs to be forward-looking to ensure that the payment market is efficient, secure and accessible in the long term.

Below are the views that the Riksbank wishes to highlight in particular. Further comments are provided under the respective chapters.

- The Riksbank considers that legislation to safeguard the status of cash and access to cash services must be tightened immediately. Cash is essential for digitally and financially excluded consumers. Cash is also the only payment instrument that can be used independently of electricity and telecommunications and is therefore important for Sweden's emergency preparedness. There is no reason or time to wait for a new review, as the Inquiry infers. There is a considerable risk that cash will be further marginalised and that in the near future it can no longer be used for essential purchases. The Riksbank therefore

proposes legislative amendments regarding the possibility of paying cash for essential goods and an obligation for banks to accept cash deposits from consumers.

- The Riksbank supports the Inquiry's proposal that the banks should offer accounts with limited functionality, or strengthen the monitoring of accounts, in the event of an increased risk of money laundering. The Riksbank considers that the single most important factor in improving inclusion on the payment market is to ensure that consumers and companies have access to payment accounts with related payment services. In addition, the Riksbank considers that credit institutions providing payment accounts should offer payment services that are adapted to consumers who have difficulties using digital services. This could include, for example, over-the-counter and postal giro payments. Such services should be available at reasonable prices. The state also need to take greater responsibility and possibly offer payment services to those who are unwilling or unable to pay digitally, for example through state service centres. It is also important to enable municipalities and regions to offer the possibility of making payments at, for example, citizens' centres.
- The Riksbank also considers it essential to ensure that digital payments work even if electricity supply and telecommunications do not. The Inquiry's proposals on state guarantees for offline card payments and on changing the application of cash registers in a crisis situation are important steps to achieve this. However, this is not enough to ensure offline payments. In addition, technical and regulatory conditions are required. Card companies, other payment service providers, retailers and the state all need to work together to urgently develop secure and standardised features for offline digital payments. If such functions cannot be achieved on a voluntary basis, the state should consider regulation.
- The Riksbank also considers that the work on producing legislation for a possible e-krona must begin now. Market developments, as well as the work of the European Central Bank (ECB) to prepare for a digital euro, and the European Commission's legislative proposal on a digital euro, are accelerating the need to prepare Swedish legislation for the issuance of an e-krona. Sweden must be prepared if other countries in our neighbourhood go ahead with the introduction of a central bank digital currency. This will shorten the implementation period in the event of a decision by the Riksdag to issue an e-krona. It is not a question of deciding whether an e-krona should be issued or not, but of being prepared to be able to launch an e-krona without too long a lead time.
- The Riksbank considers that there is a need to modernise the Swedish payment market beyond what follows from the need to enable the possible issue of an e-krona. There is also a need to modernise by developing and regulating instant and cross-border payments in Swedish kronor in line with proposals in the EU/EEA.

### **The role of the state on the payment market (Chapter 3)**

The Riksbank shares the Inquiry's assessment that the state needs to take a more active role on the payment market to ensure that payments are safe, efficient and accessible. However, the Riksbank does not consider that the Inquiry's proposals are sufficient to enable the state, in the short and long term, to take responsibility for a well-functioning payment market and to ensure that the general public can make and receive payments. There are no adequate

legislative proposals to, for example, preserve the status of cash as legal tender and to enable the issuance of a possible future e-krona in the longer term.

The Riksbank considers that the public sector, especially the state, has the ultimate responsibility for ensuring that payments function and meet the needs of the general public in normal times as well as in peacetime crises and during periods of elevated preparedness. This does not mean that private actors do not have a responsibility and a central role to play. The payment system is based on private-public co-operation.

The state needs to be active where the market fails to create solutions that favour competition or where the objectives of efficiency, safety and accessibility are not met. The payment market is characterised by network effects and economies of scale, which can make it difficult for new players to enter. This risks hampering innovation and increasing costs.

The state needs to have a long-term perspective to manage the development of the payment market and the future risks that may arise. The state has various tools at its disposal to fulfil its responsibilities. One way is to regulate the market and enforce the regulations. Another is to influence market developments through coordination and dialogue. Another way is for the state itself to provide services. The scale of such efforts will depend on the extent to which the market itself is able to respond to the needs of the public.

If the market itself cannot meet the needs of the public, the state may need to provide payment services or operate infrastructure beyond what it does today. This could be the case, for example, if the market does not provide instant or cross-border payment services in a competition-neutral and efficient manner. The state may also need to provide services for other reasons, such as emergency preparedness.

## **Everyone's ability to pay and access to payment services (Chapter 5)**

The Riksbank supports the proposal to broaden the state's initiatives for basic payment services<sup>1</sup> and to give them a technology-neutral objective of enabling everyone to make payments. However, it is not clear what the report means by everyone being able to make payments *regardless of the payment method*. The expressed intention is not consistent with the limited statutory protection proposed by the Inquiry with regard to cash (see the section on Legal tender in Sweden). As the Inquiry's report correctly notes, the existence of network effects is an important feature of the payments market. If the obligation to accept cash is limited to a few instances, the marginalisation of cash will continue – not everyone will be able to pay regardless of the payment method.

The Riksbank considers that the Inquiry's proposal that the state's efforts should continue to support access to basic payment services is contradictory. On the one hand, it is proposed that the concept of *basic payment services* be replaced by the new formulation of the objective that *everyone in Sweden should have the opportunity to make payments at reasonable cost, regardless of the payment method*. On the other hand, the report proposes that state intervention should continue to support access to *basic payment services*, including cash withdrawals and deposits of daily takings. The new wording of the objective needs to be clarified so that it is clear that cash services are also included in the possibility for everyone to make payments at reasonable costs.

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<sup>1</sup> The basic payment services are defined as payment mediation, such as over-the-counter payments of bills, cash withdrawals, and management of daily takings for businesses and non-profit organisations.

The Riksbank also wishes to emphasise that it is already impossible, or at least very difficult, for the state to find private actors willing to undertake to carry out some of the payment services required to achieve the objective of enabling everyone to make payments.<sup>2</sup> According to the county administrative boards' report, 15 out of 21 county administrative boards assessed that access to basic payment services is not satisfactory for individuals in general.<sup>3</sup> According to the Inquiry's own assessment, around one million people in Sweden do not have a mobile phone or online bank. This is far from being a satisfactory situation in a digitalised payment market. The state needs to take greater responsibility and possibly offer payment services to those who are unwilling or unable to pay digitally, for example through state service centres. It is also important to enable municipalities and regions to offer the possibility of making payments at, for example, citizens' centres.

## Access to a payment services account (Chapter 6)

The Riksbank is in favour of several of the Inquiry's proposals, but thinks that the legislator needs to go further, for example with regard to consumers' opportunities to make manual payments.

The Riksbank is in favour of the Inquiry's proposal to introduce a provision in the Payment Services Act stating that credit institutions and branches of foreign credit institutions shall assess whether an increased risk of money laundering or terrorist financing can be managed by offering an account with limited functionality (low-risk account) to consumers, or by strengthening the monitoring of the payment account, before deciding on termination. This is because ensuring that consumers and businesses have access to payment accounts with basic functionalities is the single most important factor in improving payment market inclusion. It is also important for Finansinspektionen to monitor and evaluate the application of the provisions of the Payment Services Act. If Finansinspektionen considers that this application is not satisfactory, further legislative measures need to be considered.

The Riksbank is also in favour of the Inquiry's proposal to clarify the obligation to contract<sup>4</sup> in the Deposit Insurance Act and is therefore in favour of the proposal that the Government or the authority it designates should be able to issue regulations on the possibility for natural persons and legal entities to open and hold bank accounts under the Deposit Insurance Act. The Government or the authority designated by the Government shall be able to require that applications for deposit accounts and related payment services be processed expeditiously. Decisions to refuse, terminate or restrict accounts must be clearly justified and can be appealed. If a credit institution assesses that there is a heightened risk of money laundering or terrorist financing, it should also be able to address this by restricting the functionality of the payment account or strengthening the monitoring of the account.

The measures proposed by the Payments Inquiry are a step in the right direction to enable financial inclusion. However, in the Riksbank's view, the proposals are not sufficient to ensure

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<sup>2</sup> The Swedish Post and Telecom Agency can finance private providers of, for example, cash bill payments or other manual payment services, but has so far found it difficult to find private operators willing to provide these services.

<sup>3</sup> Länsstyrelsernas rapport (2022:13) om Bevakning av grundläggande betaltjänster 2022 (County Administrative Boards report on Monitoring of basic payment services).

<sup>4</sup> The obligation to contract means that banks and other credit institutions are obliged to open an account for anyone who wishes to open one unless there are objective grounds for refusal, for example if it would be contrary to the Act (2017:630) on Measures against Money Laundering and Terrorist Financing or if there are special reasons.

digital inclusion on the payment market. People who have access to a payment account with basic functionalities, but who for various reasons are unable or unwilling to use digital payment services, also need to be able to make payments efficiently and securely at reasonable fees. The Riksbank therefore considers that credit institutions providing such payment accounts should offer payment services adapted to consumers who have difficulties in using digital services. This could include, for example, over-the-counter and postal giro payments.

In the Riksbank's opinion, certain banks and other credit institutions<sup>5</sup>, in addition to the obligation to provide services for cash withdrawals and deposits of daily takings, should also be obliged to provide services for cash deposits to consumers, see the proposed legislation in Annex 1. In this context, the Riksbank wishes to emphasise the importance of also ensuring that the needs of companies and associations to deposit daily takings are adequately covered and that banks providing payment accounts fulfil their obligations under Chapter 9 of the Payment Services Act.

## **Trust and privacy in the digital payments market, etc. (Chapter 8)**

The Riksbank shares the Inquiry's assessment that a state e-identity card at the highest security level needs to be introduced as soon as possible. The state has a responsibility to ensure that the public has the possibility to identify themselves electronically. The state cannot rely solely on private actors for electronic identification, especially in the current situation where one actor dominates a large number of payments and other socially important areas such as identification at the Swedish Social Insurance Agency and the Swedish Tax Agency.

## **Competition in the payments ecosystem (Chapter 9)**

The Riksbank supports the Inquiry's proposal that the Government or the authority the Government designates shall be authorised to issue regulations on what constitutes payment account services and on how credit institutions shall receive and manage a request for access to payment account services.

The Riksbank shares the Inquiry's assessment that new or revised regulations in the payment area should be designed in a way that both enables more efficient and secure payments and increases competition in the payment area. The Riksbank considers it important from a competition point of view that payment service providers have access to infrastructures for payments and payment accounts to be able to run their operations efficiently. The Riksbank therefore welcomes the fact that the European Commission presented a proposal for a third payment services directive in June 2023, which means that payment institutions can become participants in settlement systems and that payment service providers' access to payment accounts is strengthened.

In addition, the Riksbank shares the Inquiry's assessment that an in-depth analysis of competition in the payment ecosystem in Sweden is needed. However, the Riksbank considers that such an analysis should not only be done once, but should be carried out regularly.

## **The payment infrastructure in Sweden (Chapter 10)**

The Riksbank shares the Inquiry's conclusions that it is important that, when a foreign platform is used for the Riksbank's services, the Riksbank can maintain continuity requirements and

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<sup>5</sup> See Government bill 2019/20:23 on the Obligation for credit institutions to provide cash services.

that the operation of a common platform fulfils Swedish security protection legislation. Platform sharing must not hamper the implementation of monetary policy or contribute to instability in the financial system. At the same time, there are benefits of platform sharing that need to be emphasised. This concerns both efficiency and safety aspects. The existence of economies of scale in payment systems results in lower unit costs the higher the volume of transactions in the system. Platform sharing also contributes to increased standardisation, which is a prerequisite for cross-border payments. The security of the system is also strengthened if the platform is developed by an institution with considerable resources.

The Riksbank also shares the Inquiry's assessment that it is urgent to modernise the legislation on clearing and settlement so that it is adapted to the new payment ecosystem.<sup>6</sup>

The Riksbank is in favour of the Inquiry's proposal to introduce a provision in the Banking and Financing Business Act stating that the Government or the authority appointed by the Government may issue regulations on which payment systems are to be general payment systems. It is important that the criteria on which the assessment of which systems are general payment systems<sup>7</sup> is based are clarified.

In October 2022, the European Commission presented a proposal for a new regulation to increase access to instant payments in euros. It is important that Swedish legislation is adapted to include an obligation to provide instant payments in Swedish kronor. This is because businesses and consumers expect payments to be made quickly and securely and to keep up with developments in international payment markets. The Government should consider any necessary legislative changes to ensure that payments in Sweden are not slower than in the euro area.

## **Civil preparedness in the payments ecosystem (Chapter 11)**

The Riksbank agrees with the Inquiry's assessment that the division of responsibilities and forms of cooperation between Finansinspektionen and the Riksbank need to be clarified, but has views on the Inquiry's assessments that, among other things, the Riksbank shall be obliged to consult with or inform Finansinspektionen during peacetime crisis situations and elevated preparedness.

A joint effort is underway within the sector to develop and establish a collaborative structure for the sector's work on civil preparedness. In addition, the Riksbank and Finansinspektionen have signed an agreement that clarifies the division of responsibilities and forms of co-operation between the authorities. The Riksbank therefore considers that there is no reason in the first instance to consider an amendment to the Sveriges Riksbank Act regarding the Riksbank's obligation to consult with or inform Finansinspektionen. Secondly, a legal obligation to consult or inform needs to apply to both authorities.

The Riksbank agrees with the Inquiry's assessment that traders who provide vital goods and services should, as a starting point, accept several methods of payment, including those that

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<sup>6</sup> See the Riksbank's consultation response to the Ministry of Finance's memorandum on increased resilience in the payment system (ref. no. 2022-01004).

<sup>7</sup> According to Chapter 1, Section 3 of the Banking and Financing Act (2004:297), a general payment system is defined as a system for the mediation of payments from a large number of independent payers intended to reach a large number of independent final payment recipients. Examples of general payment systems are RIX and Bankgirot's payment system.

work in the event of major disruptions to the electricity supply or electronic communications, as this means increased resilience.

The Riksbank supports the Inquiry's proposal regarding cash registers and a state credit guarantee to enable digital offline payments for the purchase of vital goods and services during peacetime crisis situations or during elevated preparedness. The Riksbank shares the Inquiry's view that further measures are required to enable offline payments within the framework of the existing card infrastructure, for example with regard to amount limits, technical conditions and regulations. It is also important that POS systems in shops work offline. Card companies, other payment service providers, retailers and the state need to work together to urgently develop secure and standardised features for offline digital payments. If such functions cannot be achieved on a voluntary basis, the state should consider regulation.

The Riksbank has previously informed the Government that there is a need to review and modernise the so-called authorisation laws that regulate the payment system during war or the threat of war.<sup>8</sup> Some of these laws are outdated and not adapted to today's society. This includes, for example, references to authorities that no longer exist. The question is whether these laws have any function and, if so, how they need to be modernised. The Inquiry has discussed the authorisation laws in the report, but has not made any legislative proposals. Therefore, the need for such a review remains. Given the current international situation, the Riksbank considers that a review of the authorisation laws should be carried out immediately.

## Legal tender in Sweden (Chapter 13)

The Riksbank does not share the Inquiry's assessment that, with regard to legal tender, the legislator can wait to introduce even stronger obligations to accept cash until a new review of the status of cash and access to cash has been carried out. In the Riksbank's opinion, the Inquiry should have submitted legislative proposals that strengthen the position of cash even more.

One consequence of digitalisation is that cash is being used less and less in Sweden. The Riksbank has previously expressed concern that in the not too distant future, cash risks becoming irrelevant in Sweden, because retailers will stop accepting it. This assessment remains unchanged. Even if cash does not completely disappear, a situation in which cash is no longer generally accepted as a means of payment would be tantamount to a cashless society. Due to network effects, the minimum threshold for the viability of cash as a means of payment may soon be reached. Maintaining the functionality of cash payments at an acceptable level is therefore very important. It is not enough to simply take measures to strengthen the availability of cash through withdrawal requirements and new depots, it must also be usable.

Digitalisation has also made us more dependent on electricity and communication networks. In a situation where we cannot pay digitally, cash can serve as a backup, but only if we already have it available. The declining use of cash by the public and a vulnerable cash infrastructure have weakened the role of cash as a fallback solution for digital payments. This development comes at a time when our focus on, and need for, strengthening Sweden's preparedness and improving the continuity of critical infrastructure is greater than it has been for decades.

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<sup>8</sup> See petition on the modernisation of older laws that affect the Riksbank's crisis preparedness responsibilities (ref. no. 2016-00486).

Cash, in its physical form, is a way of maintaining the ability to carry out transactions even in a situation where communication or electricity networks are not functioning normally. However, it should be emphasised that cash payments require the functioning of several other systems, such as ATMs, POS systems, distribution and logistics. In addition to the necessary functions required for cash to be available in society, cash payment services need to be maintained at points of sale. When points of sale switch to cashless payments, the ability to make payments with cash as a fallback solution in case of, for example, power or communication disruptions is reduced. For cash to be a real alternative for making payments if society is exposed to challenges and elevated preparedness, a basic infrastructure must be in place even in normal times.

Digitalisation has not benefited everyone. Many people in Sweden find it difficult to use digital payment methods and have found it harder to pay as traditional and manual payment services have been shut down. Some people are not able to use digital payment services, for example because of various disabilities or because they do not have access to a payment account with a bank. There are also those who, for various reasons, do not want to use digital payment services and prefer to pay with cash.

In the Riksbank's opinion, the Inquiry's review shows that there are already such problems with cash and cash handling that there is reason to immediately tighten legislation to safeguard the position of cash and access to cash services. If the state waits until cash and cash services are further phased out, this could lead to a situation where it is too late to take action, or there is a risk that operators will be forced to go back and reinvest in equipment and systems.

Given this, the Riksbank considers that the obligation to accept cash should not be limited to taxes, fees and prescription drugs. In the Riksbank's opinion, traders providing essential goods and services, such as food, fuel and pharmacy products, should as a general rule be obliged to accept cash at physical points of sale. A general obligation to accept cash at physical points of sale could be introduced in the new legal act on means of payment, see proposal in Annex 2. However, a proportionality assessment and specification of which payees should be obliged to accept cash should be possible. The Government or the authority designated by the Government should therefore be authorised to issue regulations on which traders will be covered and the exemptions from the obligation. Establishing these requirements now would not significantly interfere with the activities of the relevant traders as most of them still accept cash.

In this context, it can be noted that the European Commission has presented a legislative proposal that is more far-reaching than the Payment Inquiry's proposal and which, with certain exceptions, means that it will be mandatory to accept euro cash for payments in euro countries. Rules on the obligation to accept cash can also be found in, for example, Danish and Norwegian legislation.

The Danish Payment Services Act (81 § lov om betalinger) contains a provision that obliges both private traders and public institutions to accept cash payments (the cash regulation) between 06.00 and 22.00 hours. This applies where the payee accepts payment instruments covered by the law, for example in the form of card payments. Exceptions are made for payments that are subject to anti-money laundering regulations. The cash regulation does not apply to remote sales, unmanned self-service stations or, in some cases, to sales at markets and similar events, and if the payer is not a consumer. Payment recipients located in areas with a high risk of cash handling robberies are also not obliged to accept cash between 20:00 and 22:00. The areas concerned are determined by the Danish Ministry of Industry, Business and Financial Affairs (Erhvervsministeriet) and are published on the Ministry's website. It may



also establish rules requiring certain types of payees to accept cash at all times. Thus, in most cases, traders are prohibited from refusing to accept cash payments. Violation of the rule is punishable by a fine.

In Norway, there are similar provisions in the Norwegian Financial Contracts Act (Finansavtaleloven) that give a consumer the right to pay in cash. In a letter dated 31 January 2019 to the Norwegian Ministry of Finance, Norges Bank has stated that the legislation needs to be clarified and that companies that refuse to accept cash should be subject to a violation fee. In September 2022, the Norwegian Ministry of Justice (Justis- og beredskapsdepartementet) circulated a proposal for amendments to the Financial Contracts Act aimed at strengthening consumers' right to pay with cash. The proposal has not yet led to any legislation.

The handling of cash carries certain risks for payees, such as the risk of robbery or of being used by criminals to launder money. It is increasingly common for physical points of sale to go completely cashless, for this and other reasons. If retailers stop accepting cash, including small amounts, this will mainly affect law-abiding people who need to use cash for their payments. This is not a desirable development. Cashless shops do not solve the problem of crime, which is often simply moved elsewhere. There are also risks linked to digital payments. In the digital world, very large amounts of money can be quickly transferred between accounts and fraud can be carried out. The Riksbank considers it important that money laundering checks are carried out, but the risk of robbery and money laundering must not lead merchants to stop accepting cash payments altogether, especially for essential goods and services.

Furthermore, the provision defining legal tender should not be removed from Chapter 4, Section 12 of the Sveriges Riksbank Act, as the provision is based on the Riksbank's activities and area of responsibility. Instead, the new act on means of payment can refer to Chapter 4, Section 12 of the Sveriges Riksbank Act as regards the definition of legal tender. The Riksbank also considers that the proposed act on means of payment should contain provisions on the responsible authority, oversight and possible sanctions. The Riksbank also considers that all means of payment issued by the Riksbank should be legal tender, regardless of whether they are physical or digital.

## **Crypto-assets (Chapter 14)**

The Riksbank shares the Inquiry's assessment that crypto-assets entail potential risks, primarily to financial stability, but also to consumer and investor protection. Like the Inquiry, the Riksbank considers that a regulatory framework is needed that manages these risks as far as possible and that these rules should be based on international principles and standards. Such a framework is important to ensure consumer protection and to reduce the risks of instability in cryptomarkets spreading to the traditional financial system and the monetary system as a whole. The introduction of the MiCA Regulation<sup>9</sup> is a step in the right direction.

For the payment market, it is primarily stablecoins that are important to monitor, i.e. a type of crypto-asset that is backed one-to-one by liquid assets such as bank deposits and treasury bills, etc. After the Inquiry's report was published in March 2023, PayPal launched a stablecoin linked to the US dollar. The launch raises important questions. This is not least because the US currently lacks a harmonised regulation of crypto-assets. The ECB has also stated that this increases the need for a digital euro. Stablecoins can certainly bring efficiency gains to the

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<sup>9</sup> Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937.

payment market, not least for cross-border payments, but also give rise to risks. Large players with global reach have the potential to become global private monopolies and this can lead to a fragmented payment market. Stablecoins are similar to, for example, electronic money issued by e-money institutions and should therefore be regulated on an equal footing. For smaller countries with their own currencies, there is also an increased risk of currency marginalisation if unregulated global stablecoins compete with local payment instruments in national currencies. It is therefore important that regulatory frameworks for crypto-assets take into account cross-border effects.

## **The need for a central bank digital currency in Sweden (Chapter 16)**

The Riksbank shares the Inquiry's assessment that the Riksbank should continue preparations for an e-krona, but is critical of the fact that the Inquiry does not propose the legislative amendments that would be required prior to any authorisation by the Riksdag to issue an e-krona. It is not a question of deciding whether an e-krona should be issued or not, but of being prepared to be able to launch an e-krona without too long a lead time.

Digitalisation will continue in Sweden and abroad, which will require new payment solutions. For example, in June 2023 the European Commission proposed legislation for a digital euro and the ECB is working on preparing for a digital euro.<sup>10</sup>

The Riksbank considers, like the Inquiry, that a possible digital euro or the development of other national central bank money could in the long term mean that Sweden sees reason to introduce an e-krona. The same applies if, for example, the use of stablecoins linked to foreign currencies becomes commonplace. If other central bank money or means of payment such as stablecoins were to become widely used in Sweden, this could lead to fewer people using the Swedish krona. Ultimately, as the Inquiry argues, this could have negative consequences for the ability to implement Swedish monetary policy and for financial stability. The Riksbank would be better able to deal with such consequences if there was an e-krona established on the market. Moreover, central bank digital currencies open up new opportunities for cross-border payments, which is one of the reasons cited in favour of a digital euro.

Regardless of the international work on central bank digital currencies, there is, in the Riksbank's opinion, reason to continue the preparations for an e-krona. The rapid transformation and digitalisation of the payment market – with new players, new technologies and changing payment habits – requires central banks to adapt their service offerings and transform their systems. In a future where virtually all payments are made digitally, there may be a need for state money to be digitalised if it is to remain relevant. The alternative is that there is no longer a state alternative to private money and we lose the anchor of our monetary system. The anchor of our monetary system means that the interchangeability between state money and commercial money is one-to-one. This helps the public to have confidence that a krona is a krona no matter where the money is.

Moreover, if government money is easily accessible and attractive, the risk of unregulated actors attracting customers is reduced. In this way, modern state money can reduce the emergence of less reliable money and protect the integrity of the financial system.

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<sup>10</sup> The ECB Governing Council decided on 18 October 2023 to move to the next phase of the digital euro project, known as the preparatory phase. The preparatory phase starts on 1 November 2023 and will initially last two years. After two years, the Governing Council will decide whether to proceed to the next stage of preparation for the possible future issuance and launch of a digital euro.

Historically, state money has also offered a choice to the public and increased the resilience of the payment market. In case of disruptions in the private systems, it has still been possible to pay in cash. An e-krona would fulfil that function in a digitalised society (the preparedness function). The preparedness function could be maintained if the e-krona is built on an infrastructure that is as far as possible independent of that of the banks.

The e-krona could also be designed to create conditions for competition and innovation in the payment market. For example, a standardised platform can simplify onboarding for payment service providers and create a level playing field. Also in the area of cross-currency payments, the e-krona could contribute to innovation and competition by offering a possibility to link the e-krona with other central bank digital currencies. If the government needs to take a greater role in improving inclusion in the payment market, it is possible that an e-krona could help build the necessary services.

The Riksbank considers that Sweden needs to prepare to issue an e-krona and start the process of developing a regulatory framework. This may involve changes in private or public law, such as the Bankruptcy Act, the Payment Services Act, the Sveriges Riksbank Act and money laundering regulations. If the Riksdag decides that the Riksbank may issue an e-krona, the lead time cannot be too long.

The Riksbank shares the Inquiry's assessment that public confidence is absolutely crucial for any e-krona to be accepted and used and that the Riksbank's work with the e-krona should therefore be characterised by transparency. The process prescribed by the Sveriges Riksbank Act, which requires the consent of the Riksdag if an e-krona is to be introduced, ensures that any future e-krona issue will be subject to proper democratic scrutiny. In addition, the Riksbank intends to regularly inform the Riksdag of its assessments and analyses.

## **State payments (Chapter 17)**

The Riksbank supports the Inquiry's proposal regarding state payments to individuals. The proposal provides for payments to be made primarily to the payee's bank account. If this is not possible, the payment shall be made via reloadable card services. Only if this is not possible may payment be made by means of an advice note or equivalent.

In order to enable efficient and secure management of national, regional and municipal payments, not least for preparedness purposes, coordination between paying authorities is also required. The Riksbank considers that the private sector also needs to ensure that payments, such as salaries or insurance benefits, are made so that all payees can receive them in a simple and secure manner.

On behalf of the Executive Board:

Erik Thedéen

Sofia Kåhre

The decision has been taken by the Executive Board (Governor Erik Thedéen, First Deputy Governor Anna Breman and Deputy Governors Per Jansson, Martin Flodén) following a presentation by Deputy Head of Department Henrik Jönsson and Legal Adviser Monika Johansson. Head of Department Christina Wejshammar participated in the final processing of the matter.

## Annex 1

### Obligation to provide services enabling the deposit of cash into payment accounts

#### Proposal for legislation to amend the Payment Services Act (2010:751)

It is hereby prescribed, with reference to the Payment Services Act (2010:751),

*firstly*, that Chapter 2, Section 19 and Chapter 9, Section 1 will have the following wording,

*secondly*, that Chapter 9, Section 1 shall have the following wording

#### **Cash withdrawal and deposit points**

*Proposal to amend Chapter 9, Section 1:*

Section 1 Such credit institutions and branches of foreign credit institutions that provide payment accounts with basic functions to consumers shall provide services that make it possible to withdraw **cash from, and deposit** cash **into** these accounts (cash withdrawal **and deposit** points) to an adequate extent throughout the country.

Such credit institutions and branches of foreign credit institutions that provide payment accounts to companies must provide services that enable cash to be deposited in these accounts (daily takings deposit points) to an adequate extent throughout the country.

The first and second paragraphs only apply to institutions and branches that on 1 July of the previous year had more than SEK 70 billion in deposits from the public.

**Comments:** This paragraph regulates the obligation for credit institutions to provide consumers with cash withdrawal and deposit points and companies with daily takings deposit points.

The *first paragraph* has been amended so that cash deposit points must also be made available to consumers to an adequate extent throughout the country. The distance and accessibility of the nearest cash deposit point can be regulated in the same way as the possibility of cash withdrawals.

Consequential amendments are also required in Chapter 9, Sections 3, 6, 7 and 13 of the Payment Services Act.

## Annex 2

### Obligation to accept cash

#### Proposal for an addendum to the draft Means of Payment Act (2024:000)

Section X Notwithstanding what is stated in Sections 4 and 5, a payee<sup>11</sup> who accepts payment instruments<sup>12</sup> covered by the Payment Services Act (2010:751) and who provides goods and services to consumers is obliged to accept legal tender at a physical point of sale unless otherwise provided for in another law or statute.

The first paragraph does not apply if in an individual case it would be contrary to the Act (2017:630) on Measures against Money Laundering and Terrorist Financing or if there are special grounds.

**Comments:** This section regulates the obligation for payees who accept payment instruments covered by the Payment Services Act (2010:751) to accept legal tender. The provision is mandatory, which means that it cannot be waived. Payees who do not accept payment instruments – e.g. payees who only accept payment by invoice – are thus exempted from the obligation to accept legal tender. The obligation to accept legal tender applies only at physical points of sale and only to consumers. Payments for goods or services purchased remotely, including online, are thus excluded from this field of application.

This provision means that a payee providing goods and services to consumers must, as a main rule, accept legal tender. However, there are exceptions to this main rule if it would be contrary to the Act (2017:630) on Measures against Money Laundering and Terrorist Financing or if there are special grounds, for example if the payee has no or insufficient change on a single occasion or if the value of the banknote is not proportionate to the amount to be paid.

The government or the authority designated by the government should be authorised to decide on exceptions to the obligation to accept legal tender.

#### Authorisation

Section X The Government, or the authority designated by the Government, may issue regulations on limitations to the obligation under Section X to accept cash<sup>13</sup>.

**Comments:** This section authorises the Government or the authority designated by the Government to issue regulations on limitations to the obligation to accept cash. When assessing which payees should be obliged to accept cash, a proportionality assessment should be made. The exemptions may relate, for example, to the activity to be covered, the turnover of the activity, the opening hours, the amount and the location of the point of sale.

In addition, possible sanctions need to be considered in case payees do not fulfil the requirements.

<sup>11</sup> 'Payee' means a natural or legal person who is the intended recipient of funds in a payment transaction.

<sup>12</sup> 'Payment instrument' means a credit card or any other personal instrument or routine that is contractually used to initiate a payment order.

<sup>13</sup> See the Commission's proposal for an EU regulation on the legal tender status of euro banknotes and coins and Commission Recommendation on the scope and effects of legal tender of euro banknotes and coins.