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Vision 2022: An inventive, highly prepared and responsive central bank

Strategic plan
The Riksbank 2019-2022

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Introduction



The Riksbank adopts a new strategic plan every 3 to 5 years. The plan describes the Riksbank's overall objectives and focus for the coming years. A separate internal policy document, "Strategy 2019-2022, objectives and road map" adds more concrete form to these objectives and the way forward in the form of action plans and indicators that will tell us whether we are on the right path. Based on this document, we monitor the progress of our development work and check whether it leads to the results we expect. In the annual operational plan and budget, we adopt priorities and resources for the year in question, based on the strategy and road map.

This current strategic plan has been established in the year the Riksbank, the world's oldest central bank, is celebrating its 350th anniversary. The core of the Riksbank's operations has always been to promote a strong and secure economy, or as it is inscribed on our Horn of Plenty, "Hinc Robur et Securitas" (From here, strength and security), but our focus and approach have varied as the world around us has changed. Periods of stable conditions are followed by periods of more comprehensive change.

We are currently facing a relatively major shift as a result of the structural transformation that is currently taking place in the global financial system, not least in the area of payments. A parliamentary committee is currently performing a review of the Riksbank's mandate and organisation, but it will take a few years before new legislation is in place. In the meantime, we have formulated our objectives and focus in this document based on our current mandate: to maintain price stability and promote a safe and efficient payment system.

The world around us



International dependence is gradually increasing, not least for a small, open economy like Sweden. Developments are characterised by trends such as globalisation, driven by rapid digitalisation, but also by counter-forces in the form of greater protectionism and the consequences of climate change. An elevated level of preparedness in general requires increased crisis

preparedness, for example regarding protection against cyber-attacks and other threats that often have to be managed in cooperation with others.

In the countries in our immediate vicinity, we see rapid changes with new players and business models in the financial system, digitalisation and artificial intelligence (AI) in banks and public authority services. For a long time, central bank money in the form of cash has faced greater competition from digital money created in the banking system. This creates challenges for a central bank: how shall price stability be maintained and safety and efficiency in the payment system be promoted if central bank money becomes less and less significant. The Riksbank is one of the first central banks approaching a crossroads as developments on the payment market are progressing more rapidly here than in most other countries.

According to our forecasts, we are slowly approaching a more normal interest rate level. And this is happening in what is partly a new monetary policy environment. Developments abroad may lead to setbacks, and here at home there are other risks, such as those associated with household indebtedness.

All these are issues that have a significant impact on the general public. The Riksbank has a responsibility to communicate the changes we see before us and how we intend to strive towards solutions that are in the best interest of the general public. Communication is one of the Riksbank's most important tools. Our ability to reach out with our messages and create confidence in the Riksbank and the financial system as a whole is crucial to how well we will succeed in achieving our objectives. For example, when the media landscape changes and an increasing number of citizens obtain their information from channels other than traditional media, we have to adapt our forms of dialogue and be present in the arenas where our readers and audience wish to communicate with and about us.

All in all, we are operating in a changeable and uncertain landscape and need to be prepared for several different future scenarios. We have to protect Sweden's economy against increased risks and have the ability to adapt our operations based on changes in the world around us. At the same time, we need to ensure that our workplace keeps pace with developments and that we derive benefit from the opportunities provided by, for example, advances in technology. In a nutshell, we can summarise it all as follows: An inventive, highly prepared and responsive central bank.

The Riksbank's objectives 2019-2022¹



For a strong and secure economy on behalf of the citizens

We strive for a strong and secure economy. Our remit from the citizens is to contribute to this and to this end we have formulated three overall objectives: maintain *price stability*, promote *safe and efficient payments* and contribute to a *stable financial system*. A key success factor for our overall objectives is that there is *confidence* in the financial system in general, and in the inflation target and the payment system in particular. We can contribute to this by ensuring that there is confidence in the Riksbank.

In order to earn this confidence and to reach our overall objectives when the conditions for the Riksbank's work are constantly changing, we will base our efforts over the next few years on the following vision and strategic priorities.

An inventive, highly prepared and responsive central bank

- **Inventive – in our services, by means of digitalisation and in our communication:** In our operations in general and in the payments area in particular, we must innovate and adapt our range of services and working methods to how the world changes. We shall utilise the opportunities created by new technology and new information. We need to be inventive not least in order to reach out with our communication in a new media landscape.
- **Highly prepared – operationally, financially and in our analysis:** A major, resource-demanding challenge is to maintain a high level of security and preparedness in our critical systems. In addition, we must ensure that we are well prepared and constantly ready both financially and operationally to take the necessary measures in the event of a crisis. Furthermore, our analysis needs to rest on robust foundations, be based on research and be at the cutting-edge, with a high level of preparedness so that it can be rapidly deployed to meet new challenges.

¹ In an internal document (appendix to the strategic plan), "Strategic plan 2019-2022, objectives and road map", we gradually add more concrete form our desired results with indicators, which we constantly monitor and use as a basis to discuss any reallocation of priorities.

Strategic priorities 2019-2022

To achieve our objectives, we have identified five areas in which we need to forge new paths or take greater steps forward over the next few years in order to improve our operations. The first three involve clear strategic shifts while the last two relate to developments we always need to make to be able to perform successfully.

1. Strengthened preparedness

The Riksbank's operations include critical functions and systems that must have a strong and constantly updated protection against disruptions, this applies not least to our system for payment settlement. We now need to meet tougher requirements of preparedness and security to manage both an increase in potential threats in the form of, for instance, cyber threats and other threats, and the risk of other shocks to the economic system. Many of the risks are of a cross-border nature, so measures must be taken with regard to the ongoing internationalisation, which offers both possibilities and challenges. Strategic initiatives:

- **Higher level of information security/cyber security:** We shall further reinforce our own protection against cyber threats and other external threats. In addition, we shall develop a Swedish framework based on the European model that aims to test the resilience of the financial system to cyber risks.
- **Internal crisis preparedness/continuity:** We shall strengthen continuity in the form of redundancy, contingency sites and contingency routines.
- **Meet higher requirements of the total defence:** We need to respond to the higher requirements identified in analyses of the bank's part in the total defence.
- **Maintain a high preparedness for financial crisis:** Our work on promoting financial stability includes overseeing the build-up of risk in both the financial infrastructure and the financial system as a whole. Moreover, we must ensure that we are always operational and financially prepared to take the measures required to manage shocks to the financial system.

2. The Riksbank and a future payment market

The payments field is facing strong pressure to transform in Sweden. The demand for cash is declining and there is an expectation that it should be possible to make large and small payments digitally and in real time. The general public's access to central bank money could disappear for the first time in 350 years if the use of cash continues to decline. We need to have a wide-scale, general and political debate on the consequences of this. Developments mean that the functions the Riksbank fulfils in the payments area need to be reviewed and adapted. This will be one of the more important and fundamental questions we have faced for a long time. The road map for the Riksbank includes the following strategic initiatives:

- **Developed analysis of the payments market:** The changes in the payments market and the role of the Riksbank there require in-depth analysis that should also be communicated externally. We shall do so in a new annual report.
- **The future payments infrastructure:** During 2018 we began work on investigating the possibility for financial institutions to settle retail payments in real time in accounts with the Riksbank, primarily through a platform shared with the ECB. This work will continue and a system for this will most probably be implemented during the period. Work also began during 2018 on extending the RIX system opening

hours with the aim of harmonising the opening hours in 2019 with those applying in Europe. The question of whether Sweden should join T2S (European platform for central securities depositories) will also arise again.

- **RIX upgrade:** RIX is being upgraded to make the above possible and to develop the use of the system, e.g. enable liquidity supply for the settlement of real-time payments across Riksbank accounts and greater scope to use the transaction information the system contains. Moreover, it will be necessary to look at how/when we should change over to the new international message standard.
- **The role of the Riksbank in supplying cash:** The Riksbank inquiry is looking into the Riksbank's responsibility regarding cash management. We will also make our own analysis of the need for change, given the decline in commercial capacity for cash and the need for cash in a crisis. We do not know what this will entail, but we shall prepare for various alternatives.
- **E-krona:** The project on digital central bank money is entering a new phase, to develop a concrete pilot regarding the design and function of a potential e-krona – to enable a future decision on whether it should be introduced. Parallel to this we are continuing to analyse what effects an e-krona would have on monetary policy, on the Riksbank's other tasks and on the financial system as a whole.

3. Communication in new forms

We are facing an historical shift in payment techniques that affects the general public's impression of what the Riksbank should do and how we execute our task of promoting a safe and efficient payment system. There is also a need for a reminder of the fundamental economic relationships determining price stability and which tools the Riksbank has at its disposal to maintain it. The need is probably particularly great for a new generation that has not experienced "normal" interest rate levels.

In addition, there is a debate on central banks' mandate and legitimacy being conducted all over the world since the financial crisis. An increasing number of citizens obtain their information on these issues directly via various social media and not solely through traditional media or experts on the financial markets, which have typically been the target groups for central banks' communication. We would therefore like to find new forms for a direct dialogue with the general public, which we will achieve through:

- **The right type of information to the right target groups:** We work to simplify the ways that users, organisers and the general public can get in contact with us. We carry out target group analyses to find new ways of monitoring our communication. We are introducing new ways of measuring social media impact in our work on finding new windows of communication.
- **Increased presence in social media:** We use new forms to reach a broader general public directly through social media. We call this layered communication; short messages aimed at a broader general public (moving images, infographics, targeted newsletters) as a complement to the in-depth analyses and speeches requested by the more informed. The flagship reports will be designed in formats enabling them to be shared on social media. We will start with the new payments report in 2019.
- **New meeting places:** We shall take with us the best from our anniversary year, open up the building for guided tours/lectures for the general public, at the same time as we continue to build on our new Open Forum debates for politicians, opinion makers and media. A podcast can serve as a complement for those wishing to know more but are unable to travel to the Riksbank.

- **More “Riksbank ambassadors”:** To add weight to our investment in communication with the general public, we will get more managers and staff involved in giving lectures to teachers, university students and upper-secondary school pupils – in both personal meetings and via digital tools. The aim is that more people will give talks on the role of the Riksbank both in the building and externally. Coaching in plain language and responding to questions from the general public also contribute to creating a learning and developmental workplace (see below).

4. Updated and agile analysis

Global factors such as climate threats, migration, increased geopolitical instability, a deepening of the EU collaboration at the same time as it is being called into question, in the form of, for instance, the banking union and Brexit, increased protectionism and reduced multilateralism, digitalisation and so on – these are questions that are difficult to manage with the normal apparatus for analysis in central banks. The structural transformation means that the environment in which we conduct our monetary policy has changed and that the financial system’s opportunities and risks are changing at a rapid pace. Various security risks require increased focus. All of this makes demands of access to new data (for instance, micro data) and of our capacity to adapt our analysis to the new conditions. The development work includes the following strategic initiatives:

- **Monetary policy towards normalisation in a new environment:** A changed environment, for instance, with a long period of low real interest rates and high indebtedness requires monetary policy to develop. To enable this we will continue to deepen our analysis of the conditions and tools for monetary policy. Sweden’s international dependence through financial channels and trade channels has at the same time increased and this also affects the conditions for monetary policy.
- **Financial stability in a new financial landscape:** The map of the financial system is being redrawn, with new participants and business models, driven by, for instance, technological advances, the forces for and against international integration and by new, often international, regulations. We shall adapt our contribution in the form of oversight and analysis to the changing conditions.
- **The central bank and sustainability:** The Riksbank contributes to a sustainable development of society by promoting a strong and secure economy. The risks to stability are not only linked to fluctuations in economic activity and financial imbalances, but also to more long-term and overall changes such as climate change, the consequences of which need to be analysed further. Moreover, the internal work on reducing our own climate impact will continue.
- **Upgraded data supply:** We shall implement our data strategy with new ways of working and efficient management of the growing need for (and access to) new data for our analyses.

5. A developmental workplace

It is the employees who make the Riksbank and their work involves a commitment to society – for a strong and secure economy on behalf of the citizens of Sweden. To fulfil our task here, our aim is to be a developmental workplace where both our operations and our employees can develop.

The structural transformation in society and working life, with digitalisation at an increasingly rapid pace, gives us new challenges and new opportunities in our way of working. We need to be both inventive and agile in our delivery without reducing the high security requirements and thorough analysis.

We are taking our work to the next level in four perspectives in the coming years. To begin with, we need to be an *inclusive workplace* – so that we can benefit from different competences, experiences and perspectives. The *ways of working* need to be both efficient, so that our resources are used in the best possible way, and sustainable, so that our long-term goals are not counteracted by short-term goals. A *modern IT support* is an important condition for all of this. We also need to have a strategic perspective in our recruitment of new *competence* and to develop the competence we have.

- **Efficient and sustainable ways of working:** The Riksbank has played a key role in the financial system for centuries. However, the way the work is carried out has changed as a result of developments in the world around us. In the coming years, we want to review our ways of working from several perspectives; how we work in projects, our meeting forms, how often and by what means we travel, how we work on constantly improving the day-to-day activities and how we can create more efficient drafting processes marked by trust and clear responsibility.
- **Modern and efficient IT support:** Through various digitalisation initiatives we will make use of the opportunities provided by new technology in various perspectives; find where we can create scope and reduce risks by automating/robotising processes, using modern tools in our work and information exchange, making use of new technology in our communication – and by creating the conditions for further innovation in general.
- **Inventive and inclusive working environment:** An inclusive working environment where we feel confidence and trust in one another and where we make the best use of different experiences and perspectives, will give us the conditions to think in new ways, take a holistic view and take active responsibility. We should therefore continue to work on our core values, what we stand for and how we want to be. This work starts from the state's core values and the Riksbank's current guiding principles: results, initiative, competence, cooperation and job satisfaction.
- **Strategic competence supply:** See the next section on Competence.

Competence



The Riksbank's capacity to produce high quality material on which decisions are based, that can be communicated both internally and externally is largely based on competence in the form of in-depth education in economics. Since the crisis in the 1990s, the banks has increased the number of employees with PhDs from a few to around seventy. We need to retain and develop in-depth expertise in all of our areas; a critical mass of competence, to ensure that our analysis benefits from new advances and has a solid foundation.

To meet future changes and challenges, we need to have a broad competence, for instance in IT and technology, to benefit from the new opportunities offered by digitalisation and innovation. New data and information technology make it possible to develop both analysis and operational work.

We also need to mix different competences in the teams we create and promote internal mobility to make the best use of all of our potential and resolve the new challenges. The combination of in-depth factual knowledge, skills, attitude and dedication is a decisive factor.

For the Riksbank it is important to learn from others' analyses and experiences, and at the same time to share our own, as we are a small central bank in an international

perspective. We take part in international contexts where our focus areas are discussed. This also applies to the individual level, we are all trying to build up personal networks with colleagues abroad and in Sweden to keep up-to-date with developments in our different fields of work. Our methods of working are based on sharing and disseminating competence, experience and ideas.

Resources



The Riksbank's work is financed through the return on our asset management. Moreover, the Riksbank charges fees for the payments system and receives income from cash management. If there is a profit, the Riksbank transfers this to the Treasury.

Since the 1990s crisis, the Riksbank has reformed, modernised and made its operations more efficient, which is reflected for instance in the fact that we have reduced our staff from more than 1,100 FTEs in the mid-1990s (including the wholly-owned companies we had then) to around 320 today, excluding temporary reinforcements for the banknote and coin changeover. In international terms, the Riksbank is a small central bank that has endeavoured to conduct its operations as efficiently as possible. This is how we should continue to work in the future.

The strategic prioritisation we now need to make requires resources, however. Cost increases as a result of stronger preparedness – upgrading to a safer IT infrastructure, new continuity solutions, investment in meeting the requirements for a reinforced total defence, and so on – cannot be funded solely by giving lower priority to existing activities. Moreover, there will be major investments in a reformed payments market (for instance, the e-krona pilot and the infrastructure investments), which are necessary investments to enable the Riksbank to manage its tasks of maintaining price stability and promoting a safe and efficient payment system.

We will finance these investments partly through reprioritisation with regard to our normal activities, in line with how the Riksbank has managed other needs for change in recent decades, but in addition we will need to allocate new resources during the lifetime of the strategic plan to meet the unusually large challenges we are facing with regard to our large shifts; stronger preparedness and our role in the future payments market.

SVERIGES RIKSBANK

– for a strong and secure economy on behalf of the citizens of Sweden

