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# Consultation – Proposal to amend the Sveriges Riksbank Act

January 2020



# Proposal for a petition to the Riksdag with proposed legal amendments and other measures

A consultation from Sveriges Riksbank, January 2020

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This document describes the proposal for a petition to amend the Sveriges Riksbank Act (1988:1385) to support work with international organisations.

The aim of this consultation is to gather the opinions of other public authorities, financial institutions and other interested parties on the proposals and standpoints put forward.

Any comments on the proposals and standpoints presented in this consultation can be submitted to the Riksbank at [registratorn@riksbank.se](mailto:registratorn@riksbank.se) or sent to “Sveriges Riksbank, 103 37 Stockholm” by no later than 13 February 2020.

A summary of responses to the consultation will be compiled and published on [www.riksbank.se](http://www.riksbank.se).

Thank you for your participation!

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## Summary

Developments in technological financial innovations are moving rapidly and the payment market in Sweden is undergoing major changes. A clear sign of this is the rapid decline in the use of cash, which is proceeding at faster pace in Sweden than anywhere else in the world. The marginalisation of cash challenges the role of the state on the payment market and the Riksbank's ability to uphold its mandate of promoting a safe and efficient payment system.<sup>1</sup> The Riksbank is following developments closely and working actively – both nationally and internationally – to develop and adapt its activities to the new technical solutions.

The rapid change makes it important, both in Sweden and globally, to analyse how one can maintain general social policy objectives and supply financial services that are efficient, safe and inclusive for all. It has also become clearer than ever that central banks around the world need to cooperate to meet the challenges that exist and to take advantage of the opportunities digitalisation offers to the global financial system. The Riksbank actively participates in these collaborations.

The Bank for International Settlements, BIS, has recently begun to establish innovation hubs in a few countries to work at an in-depth level on analysing technological financial innovation. The Riksbank wishes to be a candidate for the BIS to establish an innovation hub in Sweden and needs to partially finance the activities of the hub. Since the Riksbank is not allowed to finance such activities, the Riksbank proposes an amendment to the Sveriges Riksbank Act, which would entail the approval of the Riksdag to finance such activities in Sweden.

Moreover, Sweden would need to meet the BIS requirements regarding immunity for these activities and for BIS employees in Sweden. This requires certain measures to be taken by the Government. The Riksbank proposes that the Riksdag supports the Riksbank's petition regarding the need for certain measures and that the Riksdag informs the Government about this.

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<sup>1</sup> See the Riksbank's petition to the Riksdag, 2018/19:RB3, on the need to investigate the state's role on the payment market.

## Proposal for decision by the Riksdag

The Riksbank proposes that:

1. The Riksdag adopts the Riksbank's proposal for an act to amend the Sveriges Riksbank Act (1988:1385).
2. The Riksdag approves that the Riksbank, for a period of five years and at a maximum cost of SEK 30 million a year, may finance such activities as driven by the Bank for International Settlements (BIS) from an innovation hub established in Sweden, if the BIS chooses to establish such in Sweden.
3. The Riksdag supports the Riksbank's request that the Government should enter into a host country agreement with the BIS and notifies the Government of this.
4. The Riksdag supports the Riksbank's request that the Government should revert to the Riksdag with a proposal for an act to amend the Act on Immunity and Privileges in Certain Cases (1976:661) and that the Riksdag shall announce this to the Government.

Stockholm, X March 2020

On behalf of the Executive Board

STEFAN INGVES

/XX

[...]

Report presented by XX.

## Wording of the act

The Riksbank has the following proposal for the wording of the act.

### An act on a change in the Sveriges Riksbank Act (1988:1385)

It is hereby prescribed that a new paragraph be introduced into the Sveriges Riksbank Act (1988:1385), in Chapter 8, Article 7 with the following wording.

#### **Chapter 8**

Article 7 The Riksbank may, after receiving the approval of the Riksdag, finance the activities of international organisations if they are connected to the Riksbank's activities.

## Proposed legal amendments and other measures

**The Riksbank's proposal:** The Riksbank proposes that the Riksdag adopts the Riksbank's proposal that the Sveriges Riksbank Act (1988:1385) be amended to give the Riksbank the right, following the approval of the Riksdag, to finance the activities of international organisations if they are connected to the Riksbank's activities. At the same time, the Riksdag is proposed to give its approval to the Riksbank for financing the activities of the BIS with regard to establishing an innovation hub in Sweden. The consent will apply on condition that the BIS chooses to establish an innovation hub in Sweden.

In addition, it is proposed that the Riksdag supports the Riksbank's request that the Government should enter into a host country agreement with the BIS and that the Riksdag notifies the Government of this.

Finally, the Riksbank proposes that the Riksdag supports the Riksbank's request that the Government should revert to the Riksdag with a proposal for amendments to the Act on Immunity and Privileges in Certain Cases (1976:661) and that the Riksdag shall announce this to the Government.

The amendments to the legal acts should enter into force as soon as possible.

### 1. Background

#### 1.1 Rapid developments in technological financial innovations

Developments in technological financial innovations are moving rapidly and the payment market in Sweden is undergoing major changes. A clear sign of this is the rapid decline in the use of cash, which is proceeding at faster pace in Sweden than anywhere else in the world. This development, which is partly due to the digitalisation of payment services, combined with much of the retail trade refusing to accept cash, means that the general public is not able to use cash. Instead, private banks take on a larger role in that they offer private money, primarily in the form of deposits in bank accounts. The marginalisation of cash challenges the role of the state on the payment market and the Riksbank's ability to continue to uphold its mandate of promoting a safe and efficient payment system in Sweden.<sup>2</sup>

The rapid digital developments are a challenge to the work of central banks around the world. Many central banks have, for instance, begun to investigate digital central bank money as a complement to cash. After Facebook announced its intention to introduce a global digital currency – Libra – together with a large number of companies<sup>3</sup>, central banks around the world have understood that there is even greater need to cooperate to meet the challenges faced and take advantage of the opportunities offered by digitalisation to the global financial system.

The rapid change makes it important, both in Sweden and globally, to analyse how one can maintain general social policy objectives and supply financial services that are efficient, safe and inclusive for all, and which facilitate cross-border transactions. Furthermore, the Council of the European Union and the European Commission issued a joint statement in 2019 welcoming cooperation between central banks and other agents with regard to the opportunity to produce efficient, rapid and inexpensive solutions for cross-border payments.<sup>4</sup>

It is important for the Riksbank to ensure that it has the capacity to follow this technology shift, to understand the opportunities and risks entailed and where necessary to take appropriate measures. The BIS has now taken the initiative to this type of work at global level and the Riksbank is interested in contributing.

<sup>2</sup> See the Riksbank's petition to the Riksdag, 2018/19:RB3, on the need to investigate the state's role on the payment market.

<sup>3</sup> Including Swedish Spotify.

<sup>4</sup> Press release 792/19 from the Council of the European Union on 5 December 2019.

## 1.2 The Bank for International Settlements (BIS)

The BIS<sup>5</sup> is an international organisation and a body for cooperation between central banks and was established in 1930, with the aim of regulating war damages between member states following the First World War.<sup>6</sup> It is a public limited company domiciled in Switzerland and is owned by 60 central banks, from countries that together account for around 95 per cent of global GDP. BIS owners include the Riksbank (since 1930) and all of the other Nordic and Baltic countries' central banks.<sup>7</sup>

The primary task of the BIS is now to promote international monetary and financial cooperation between the participating central banks and assist the central banks in various ways in international financial issues. The latter task entails, for instance, the BIS functioning in different aspects as an intermediary for the member banks. It can thus be primarily regarded as a cooperative body for central banks.<sup>8</sup>

The BIS also functions as a discussion forum for central banks and also provides support for a number of committees and groups working as global standard-setters, including the Basel Committee for Banking Supervision and the Financial Stability Board (FSB).

The BIS also has a Committee on Payments and Market Infrastructures (the CPMI)<sup>9</sup> which was formed in 1980 and of which the Riksbank is a member. One of the tasks of the CPMI is to promote safety and efficiency in connection with payment, clearing, settlement and related arrangements. There are a number of working groups under the CPMI that work on issues such as technological innovation and digital currencies, and in which the Riksbank takes an active part.

## 1.3 BIS is establishing innovation hubs – opportunity for Sweden to be a host

During 2019 the BIS began to establish innovation hubs (centres for innovation) in various parts of the world. These have the task of promoting international cooperation on innovative financial technology that is relevant to central banks. By focusing research on this area, the functioning and efficiency of the international financial system can be improved, as can central banks' capacity to manage these innovations.

The BIS innovation hubs have the following mandate:

1. Identify in a structured and systematic way critical trends in technology affecting central banks and develop in-depth analyses and insights on these technologies.
2. Develop public goods in the technology space geared towards improving the functioning of the global financial system.
3. Serve as a focal point for a network of central bank experts on innovation, with regular events to promote an exchange of opinions and ideas.

### *Organisation*

The secretariat for the BIS Innovation Hub will be located in Basel, with some regional hubs located at strategic places around the world. To begin with these will be located in Hong Kong, Switzerland and Singapore, but further hubs are expected to be established within the near future. The Riksbank consider this to be a great opportunity for Sweden and would like to be a candidate for one of the hubs to be established in Sweden.

The Board of Directors of the BIS (of which Riksbank Governor Stefan Ingves is a member) will be ultimately responsible for the BIS innovation hub with regard to allocation of resources. The Economic Consultative Committee (ECC) is responsible for the hubs' overall strategy and priorities, with the BIS General Manager having ultimate executive responsibility. The hubs will

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<sup>5</sup> [https://www.bis.org/about/profile\\_en.pdf](https://www.bis.org/about/profile_en.pdf)

<sup>6</sup> The BIS was established within the framework of the so-called Young Plan, which was adopted on 20 January 1930 at the Hague Conference.

<sup>7</sup> See SOU 2019:46, p. 1141, A new Sveriges Riksbank Act.

<sup>8</sup> General Council of the Riksbank proposal 1984/85:17, p. 3.

<sup>9</sup> See <https://www.bis.org/cpmi/charter.pdf>



also have an advisory committee that will review and discuss the work of the innovation hubs. Each hub will have an executive head who will ensure that the hub's work plan is followed and that the hub has a close collaboration with public and private actors, academics and central banks in the region.

## 2. Considerations and proposals

### 2.1 The Riksbank wishes to host a BIS innovation hub

Sweden is a leading innovation nation.<sup>10</sup> In this capacity, the Riksbank could contribute to global developments. The Riksbank considers that a BIS innovation hub could provide a positive contribution to Sweden remaining in the forefront of technical financial services. This is why the Riksbank wishes to be a candidate for the BIS to establish an innovation hub in Sweden. In addition to Sweden, there are a number of other central banks in the world that are also interested in hosting a BIS innovation hub. In other words, there is stiff competition for where the BIS should locate the additional hubs.

There is close collaboration between the countries in the Nordic-Baltic region, which are all members of the BIS. Given the collaborations that already exist in most central bank-related areas and the strong financial integration in the region, the Riksbank considers that a candidacy with a Nordic-Baltic perspective would be preferable. Moreover, the region as a whole is strong with regard to driving technological financial innovations and the hub in Sweden could raise questions that are relevant to the entire region and draw on the competence within the region.

#### *What issues would a potential Swedish hub work with?*

With regard to the topics the different hubs work with, priority is given to questions that are relevant for central banks' responsibilities and where the host country has special competence. If Sweden were to become host for a hub, the Riksbank proposes that questions concerning how confidence in money, resilience and competitiveness in the payment market can be retained in the digital era should be analysed. As the Riksbank's analyses of digital central bank money and the work on the e-krona pilot have aroused such interest internationally, particularly with regard to the speed of transformation of the payment market in Sweden, the hub could also work on these issues, as the Riksbank has a comparative advantage here in relation to other central banks. Given that the Riksbank has already come a long way in analysing digital central bank money, it can, just as the BIS requires from a hub, quickly supply analyses on the basis of already established collaboration between the public sector, private sector, academics and other central banks. Moreover, the Riksbank proposes that the hub work with technological solutions and a road map to enable real-time payments across national boundaries.

#### *Why is it important that the BIS establishes an innovation hub in Sweden?*

If the BIS chooses to establish an innovation hub in Sweden it would entail a major recognition for Sweden as a prominent innovation nation and further strengthen Sweden's international attractiveness. Such recognition would also be valuable for the Swedish economy and especially for the continued development of the Fintech sector. Additionally, it would give Sweden the opportunity to be part of an international collaboration where we connect to a unique global knowledge base and actively participate in the global reform agenda. This would in turn benefit Sweden's work on maintaining monetary and financial stability in an increasingly digitalised society. An innovation hub could also support the inquiry "The role of the state in the payment market", which the Riksdag has asked the Government to appoint.

<sup>10</sup> According to Eurostat, Sweden was the EU innovation leader 2019. Many other ratings also show that Sweden is in the forefront with regard to technological innovations and that we have a prominent Fintech centre.

If the BIS establishes an innovation hub in Sweden that represents the Nordic-Baltic countries, it could mean that the region becomes more important to the BIS in the future.

#### *Budget*

To support its bid, the Riksbank proposes to contribute a maximum of SEK 30 million per year over a five-year period. This amount would cover the cost of full-time employees, secondments and other contract-based employees, as well as physical and technical infrastructure (premises, IT, security, etc.). This amount would be in addition to any contributions which the BIS may make. A contribution of SEK 30 million per year would correspond to less than three per cent of the Riksbank's budgeted administration costs 2020 and around half of the annual dividend the Riksbank normally receives from its shareholdings in the BIS.

#### **2.2 Need for legislative amendments and other measures**

The Riksbank may only conduct or participate in such activities for which it has been authorised by Swedish law. The Sveriges Riksbank Act states that the Riksbank shall promote a safe and efficient payment system. One of the ways the Riksbank does this is by following developments on the financial markets and developments in general and by overseeing the financial system. The financial system and its stability and efficiency also affect monetary policy target attainment. The Riksbank also takes part in international collaboration that is connected to its activities as a central bank, including collaboration regarding the digitalisation of currencies. International collaboration contributes to broadening the Riksbank's knowledge of international tendencies and measures to manage them.

However, the Riksbank is not permitted without legislative support to allocate funds or in any other way finance other institutions' – for instance, international bodies' – activities in Sweden. Pursuant to Chapter 8, Article 2 of the Sveriges Riksbank Act, it is permitted for the Riksbank as part of its activities as central bank to acquire equity, shares in economic associations and similar rights and to take on the obligations associated with these rights. This provision can be applied to the acquisition of shares in the BIS and some obligations connected with this. However, allocating special financing to an innovation hub established by the BIS in Sweden would not be covered by this provision. This is a special commitment. There is no other legislative support for this financing, either. If the Riksbank is to be able to finance an innovation hub established by the BIS in Sweden, an amendment to the law is required.

The Riksbank therefore proposes that a provision be inserted into the Sveriges Riksbank Act stating that the Riksbank, after approval from the Riksdag, may finance the activities of international bodies if they are connected to the Riksbank's activities. The Riksbank thus assesses it is not appropriate to limit the wording to the exact current situation, that is, the establishment of an innovation hub by the BIS. A similar need to finance the establishment of special offices could arise in the future in other areas where there is a need for central banks to cooperate. Instead, the provision should be given a general wording, at the same time as the funding is conditional on the Riksdag giving its approval in each individual case. Moreover, the financing may only concern such activities as are linked to the Riksbank's activities.

As the amendment to the law means that the Riksbank is not able to finance the BIS activities without the approval of the Riksdag, the Riksbank further proposes that the Riksdag shall give its approval for the Riksbank to finance, for a period of five years and a maximum amount of SEK 30 million a year, BIS activities entailing an innovation hub in Sweden. The Riksbank further concludes that it is not impossible that the financing might need to be extended.

In addition, Sweden needs to meet the BIS requirements regarding immunity through an amendment to the Act on Immunity and Privileges in Certain Cases (1976:661). Here an amendment to the act needs to be made so that the BIS is listed in the appendix of international bodies that can enjoy immunity in Sweden. The Riksdag therefore needs to ask the Government to enter into a host nation agreement with the BIS, which the Riksdag proposes

to support, and to produce proposals for amendments to the Act on Immunity and Privileges in Certain Cases.

### **2.3 Impact analysis**

The legal amendments and measures proposed in this petition to the Riksdag mean that Sweden via the Riksbank will have greater possibilities to cooperate with international bodies and thereby be active in issues concerning the financial sector. The approval the Riksbank seeks from the Riksdag to finance BIS activities with regard to establishing an innovation hub will enable Sweden to be in the forefront of research into financial technological developments. At the same time, Sweden will have the opportunity to influence the international reform agenda created by digitalisation. For Sweden, an innovation hub would entail a greater exchange of knowledge with public and private agents, and with academics and central banks in other countries. This collaboration has positive consequences for research, the financial industry and public sector. Sweden is thus expected to experience considerable benefits from an innovation hub being established in Sweden.

At the same time, the establishment of an innovation hub entails a cost to the Riksbank of at most SEK 30 million a year, which the Riksbank must undertake to finance for at least five years. This in turn means that the Riksbank's dividend payments to the state, which in 2018 amounted to SEK 3.8 billion, would be affected. If Sweden is not selected to host a BIS innovation hub, there will still remain a need to analyse financial technology developments on the payment market, which means that the Riksbank will nevertheless have substantial costs for this work.

### **2.4 Legislative comments**

#### **Proposal for act to amend the Sveriges Riksbank Act (1988:1385)**

##### **Chapter 8, Article**

This paragraph, which is new, regulates the Riksbank's possibility to finance the activities of international organisations in Sweden. On condition that the Riksdag gives its approval, the Riksbank will be able to finance such activities as are connected to the Riksbank's activities.

### **2.5 Time for implementation**

As time is of the essence regarding this issue, it is urgent that the proposed measures are taken as quickly as possible.

## Referral bodies

Agency for Digital Government  
Association of Swedish Finance Houses  
Bankgirocentralen AB  
Bankomat AB  
Finansförbundet (financial sector trade union)  
Finansiell ID-teknik BID AB (BankID)  
Finansinspektionen (Swedish financial supervisory authority)  
Getswish AB  
Konkurrensverket (Swedish Competition Authority)  
Konsumentverket (Swedish Consumer Agency)  
Parliamentary Ombudsmen  
Royal Institute of Technology  
Skatteverket (Swedish Tax Agency)  
Sparbankernas Riksförbund (Swedish savings bank association)  
Stockholm School of Economics  
Svensk Handel (Swedish Trade Federation)  
Svenska Bankföreningen (Swedish Bankers' Association)  
Sveriges Kommuner och Regioner (Swedish Association of Local Authorities and Regions)  
Sveriges Konsumenter (Swedish Consumers' Association)  
Swedish Agency for Economic and Regional Growth  
Swedish Civil Contingencies Agency  
Swedish Commission on Security and Integrity Protection  
Swedish Data Protection Authority  
Swedish FinTech Association  
Swedish National Audit Office  
Swedish National Debt Office  
Swedish Post and Telecom Authority (PTS)  
Swedish Security Service  
Swedish Standards Institute  
The Dalarna County Administrative Board  
The Swedish Agency for Growth Policy Analysis  
The Swedish Agency for Participation  
The Swedish Securities Dealers Association  
University of Gothenburg School of Business, Economics and Law  
University of Lund, Faculty of Law  
University of Lund, School of Economic and Management  
University of Stockholm, Department of Political Science  
University of Stockholm, Institute for International Economic Studies (IIES)  
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