

# The Riksbank's organisation and operations – a look back through history

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The Riksbank's operations are usually described in terms of the monetary policy objective of price stability and promoting a safe and efficient payment system. However, these are just a few of all the operations conducted at the bank. In this article, we provide a broader description of the work carried out at the Riksbank, and how the internal organisation has been changed and adapted in recent decades, in line with the changes in the bank's task and surrounding conditions. The article also provides a history of how the Riksbank has been organised since it was founded in 1668. Through this, we wish to provide an overall depiction of how the various policy areas have been put into practice in the actual operations, and analyse the factors that have influenced the Riksbank's organisation in recent decades.

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## 1 Introduction

The Riksbank's tasks are usually expressed, in brief, as it is worded in the Sveriges Riksbank Act from 1999. It is stated therein that the Riksbank shall maintain price stability and promote a safe and efficient payment system. Descriptions of how these tasks are put into practice in the daily operations are few, and mentions of all the other operations that the Riksbank and its approximate 350 employees work with on a daily basis are even rarer. This article is an attempt to provide such a comprehensive portrayal of all the Riksbank's spheres of responsibility, and of how the operations have been conducted and organised in recent decades to the present time. Focusing on the bank's internal organisation, the article describes how the Riksbank's operations have changed in line with changes in the bank's task and role – from the broad and comprehensive task of credit and foreign exchange control, and a fixed exchange rate in the 1970s, to today's task of price stability and financial stability. Although the Riksbank's operations and organisation have changed as its tasks have changed, a number of elements have endured for a long time, ever since the bank was founded in 1668. In the introductory section of the article, the early organisation and operations are described, and how this has left its mark on subsequent developments. Looking back through history, it is also possible to explain to some extent changes in the Riksbank's organisation and operations based on external and internal events and processes that have had a direct or indirect impact on the bank.

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The question as to how a central bank should best organise its operations to fulfil its objectives is always pertinent, but perhaps more so now than in a long time. Financial markets are undergoing major change, not least in the field of payments, which could affect the type of organisation and operations needed by central banks. Also, in Sweden, a parliamentary inquiry has been under way for a few years on potential changes to the Riksbank's tasks, which could of course also affect how the daily operations should be run. The main purpose of the article, however, is to provide interested readers with an insight into how work at the Riksbank has been organised and changed in recent decades.

In the article, we wish to add some new knowledge by describing how the Riksbank has worked internally with its tasks, and by describing and attempting to put all the operations and tasks with which the bank works on a daily basis into concrete terms. The article also emphasises, more than previous studies, the scope that the Riksbank has, and must have, to interpret and reinterpret its role and its tasks in some respects and at certain times. Institutional frameworks provide the bank's managers with a certain degree of such scope, but our study also points to the importance of individuals to such reinterpretation.

There are relatively few studies on the Riksbank's daily operations and internal organisation, particularly beyond the field of economic history research. An explanation for this could of course be that the question as to how well the Riksbank has succeeded with its main objectives of maintaining price stability and an efficient payment system is not necessarily affected by how the operations are organised within the bank. If we are only interested in these operational objectives, this could be a reasonable assumption. In the three external evaluations of the Riksbank performed by international authorities on monetary policy and central banks, these main objectives have been in focus too (see Giavazzi and Mishkin 2006, Goodhart and Rochet 2011, and Goodfriend and King 2016). However, as mentioned above, in that case a large part of the bank's other operations and areas of responsibility are overlooked, which could lead to a lack of understanding of what the Riksbank and other central banks do. And, since focus on the price stability objective is largely built on, and reinforced by, academic understanding of what central banks do, there is an obvious risk of neglecting or underestimating the challenges in putting these kinds of objective into practice. Like in all other organisations, it is reasonable to assume that the ability of even a central bank to attain its operational objectives is dependent on how the operations are conducted and organised, who carries out the work and how the bank is managed.

The article is primarily based on materials from the Riksbank's archives. For the organisational changes, documents such as the Riksbank's rules of procedures, instructions, annual reports and registers have been important sources. These have also clarified the operations for which the Riksbank is responsible and how daily work has been conducted for each of these areas of responsibility. For explanations of organisational changes, internal inquiries and reports have also provided important information, which has been possible to supplement and validate with the experience and recollection of one of the authors in particular following a long career at the Riksbank. For the description of the external events and processes that have affected the Riksbank's operations and organisation in a longer-term historical perspective and from the 1970s onwards, the article has relied on earlier research which, in different ways, describes Swedish economic and monetary policy history.

In his accounts of the Riksbank's inception and early history, Brisman (1918, 1931) writes about the Riksbank's internal organisation and operations. These sources form the basis of the article's account of the Riksbank's early history, which we describe in section 3. Also, Wetterberg (2009), which is largely based on Brisman, raises interesting aspects of the bank's operations and organisation in a historical perspective. In three collections of essays recently published by the Riksbank, there are also a number of articles describing the operations of

the Riksbank (and other central banks) from angles of interest to us, see Edvinsson et al. (2010, 2014 and 2018).<sup>1,2</sup>

This introduction is followed by a section on terms that are used and have been used to describe the Riksbank's operations. The terminology discussion is not exhaustive, but underscores how, for instance, the meaning and interpretation of terms such as 'monetary policy' have changed over time. A section then follows on the Riksbank's development since it was founded in 1668 until the end of the 1960s. After that comes a section with a more detailed account of the Riksbank's organisation and functions during the period 1970–2019, which makes up the main part of the article. Thematic sections on how monetary policy is conducted, how a safe and efficient payment system is promoted, and how the Riksbank works internationally then follow, as well as a comparison of the Riksbank today with what it was like in 1976 and 1999, respectively, when the new order was introduced for the Executive Board. The article ends with a brief summary of our observations.

## 2 The Riksbank's functions – a categorisation

The Riksbank thus conducts many different types of operations. Describing them has necessitated some kind of categorisation, which of course is not straightforward. Some types of operations can be 'booked' under several different operational objectives, and it is not always clear how one certain activity within the bank is linked to others, or to a clear operational objective.

Few researchers are of course spared from making this type of decision, and here we content ourselves with clarifying that the categorisation of the internal operations has been based on our materials about and from the Riksbank, and that we are aware that the breakdown does not fully reflect the breakdown that has existed in the practical everyday work within the Riksbank. The categorisation and identification of the functions are, as already mentioned, based on our interpretation of the Riksbank's formal tasks in law, rules of procedure and other formal sources, and different categorisation is possible.

The functions we have identified for the entire period are: (1) credit regulation; (2) foreign exchange regulation; (3) price stability; (4) open market operations; (5) foreign exchange operations; (6) currency reserve management; (7) payment systems; (8), cash provision; (9) analyses, reports and statistics; (10) financial stability; and (11) international work. The areas (3) and (10) differ from the others in the sense that these are objectives at which the Riksbank's entire operations are aimed, while the other functions are instruments used to attain these two objectives. Area (9) – analyses, reports and statistics – is for instance conducted to attain the price stability and financial stability objectives (among others). An important point to mention in this context is that we have noted that many of these operations have remained 'on paper' throughout all or large parts of the studied period. However, with our focus on the internal organisation and daily work, we have been able to see how prioritisation between these operations has changed over time. Some functions, such as those concerning credit and foreign exchange regulation, disappeared entirely during the studied period, while other areas, such as the international operations, have continually increased in scope. In Table A1 in the appendix, we have attempted to link the operational categories above to the departments that during 1974–2018 have held responsibility for the

1 See in particular Fregert's study of the Riksbank's balance sheet since 1668, Fregert (2014).

2 There are also articles on the operations published by the Riksbank. However, as a rule, these are about parts of the operations. Daltung and Ericson (2004) describe the Riksbank's work with cash provision from the 1980s and onwards, which is an important piece of history for understanding the Riksbank's organisational changes since. The monetary policy drafting process, and how the Executive Board makes monetary policy decisions, is described in Hallsten and Tägtström (2009) and Nyman and Söderström (2016). How Executive Board members have voted on the repo rate between 1999 and 2009 is described in Ekici (2009), and continuous updates are available in an Excel file on the Riksbank's website. Georgsson, Vredin and Åsberg Sommar (2015) discuss what the mandate of central banks, and of the Riksbank, has been and how it has changed in a historical perspective. Persson (2018) describes the 350-year history of the Riksbank using modern institutional economics as a starting point.

operations, and in the main text we attempt to describe the 'prioritisation' of each function over time.

As regards terms describing the Riksbank's operations, it is interesting to note that even the most common terms used today to describe what the Riksbank – and other central banks – work with and aim for, have generally been very vague and varying. Also, over time, the meaning of many terms has changed. For example, the term 'monetary policy' is linked today to operations for achieving price stability. The understanding of this term was different a few decades ago. In the so-called credit policy inquiry in 1982, for example, 'monetary policy' was understood to be an element of 'credit policy' which, at that time, was described as one of the Riksbank's two main tasks along with exchange-rate policy (SOU 1982:52, p. 10). The term 'credit policy' itself had many objectives other than price stability at the beginning of the 1980s, as shown not least in the directive that formed the basis of the inquiry itself. According to the directive, the task of the credit policy inquiry was to investigate the extent to which credit policy had contributed to attaining the objectives 'full employment, high growth, a low rate of inflation, balanced international payments, regional balance and a fair distribution of income' and 'to facilitate housing construction, finance the state budget deficit, promote certain regional policy objectives or facilitate the operations of small and medium-sized enterprises'.<sup>3</sup>

The meaning of the term 'central bank' has also varied. In the inquiry preceding the Sveriges Riksbank Act from 1988, 'The Riksbank and the National Debt Office', there is a discussion on what a central bank is and how its operations and areas of responsibility are to be described (see SOU 1986:22). The inquirers actually find that a definition must be based on what the bank does – that is to say, its operations and tasks. The question of operations and organisation will thus be central also in the question as to what a central bank is. These inquirers too discuss the term 'monetary policy', and conclude that entities other than a central bank can also be considered to conduct it, depending on how the term is defined. If for instance the purchase and sale of government securities and other securities is encompassed by the term, the present National Debt Office, for example, can be considered to conduct monetary policy along with the Riksbank.<sup>4</sup>

The 1988 Sveriges Riksbank Act listed the Riksbank's main tasks: (1) provision of banknotes and coins, (2) following developments on the currency and credit markets, (3) taking requisite monetary policy and foreign exchange policy measures, (4) managing the gold and foreign exchange reserves, (5) serving as the bank of the government, and (6) serving as the bank of banks. In our categorisation, these operations have been somewhat rehashed based on how the Riksbank's internal organisation has been. Matters of principle pertaining to the bank's role as the bank of the government and of banks were addressed, until the credit deregulation at the end of the 1980s, by for instance the Credit Policy Department, which also held overall responsibility internally for all matters pertaining to credit regulation. It ought to be clarified in this context that, even though the government and its agencies have the right to hold an account with the Riksbank, this possibility has hardly not been used since 1984. The banks have been able to offer a better service, and neither has the Riksbank worked to promote the government and its agencies holding accounts with the Riksbank. Besides the principles regarding central banks' political independence and public finances, there are operational reasons for why the state should not hold accounts with the Riksbank. Because the state, including the National Debt Office, does not hold funds overnight at the Riksbank, the latter's market operations are facilitated, because consideration need not be given to any movements in such accounts in order to calculate the state of liquidity in the payment system.<sup>5</sup>

3 Quote from the directive, as reproduced in SOU (1986:22), page 9.

4 The discussion also concerns the overarching question of what a central bank is and which tasks it has, see SOU (1986:22), pages 59–63.

5 For a description of the Riksbank's operational framework for the implementation of monetary policy, and how, using market operations, liquidity is supplied to or withdrawn from the banking system, see Nessén et al. (2011).

The term 'credit policy' ceased being used at the end of the 1980s at the same time that the above-mentioned objectives started to be considered far too comprehensive to achieve. Instead, 'monetary policy' came to be used, and then in a much broader sense than previously. Less than two decades after the 1982 credit policy inquiry, the government found for example (prop. 1997/98:40), with the Riksbank's concurrence, that 'exchange-rate policy can be seen as part of monetary policy' (see Sveriges Riksbank 2001). Thus, until the new millennium, operations such as foreign exchange operations were encompassed in the term 'monetary policy', but as such operations became increasingly uncommon, the term 'monetary policy' came to have the meaning it has today, which emphasizes actions taken to change interest rates.

#### **Important inquiries in the 1970s, 1980s and 1990s in the Riksbank's areas**

As of the end of the 1970s, a number of inquiries were launched that reviewed the credit markets' functioning, the Riksbank, National Debt Office, etc. The reason was that the strongly regulated credit market that had emerged after the Second World War was exhibiting tremendous internal tension and inefficiency, and an overhaul was unavoidable. The most important inquiries include "More effective credit policy" (SOU 1982:52), "Review of foreign exchange regulation" (SOU 1985:52), "The Riksbank and the National Debt Office" (SOU 1986:22), and "The Riksbank and price stability" (SOU 1993:20).

There are more operations whose meaning and scope have changed over time, such as work on financial stability, the international operations, cash handling and the Riksbank's communication, which we will discuss further on in this article.

One important type of operation for which the Riksbank is responsible in different ways is that which is conducted during financial crises. Ever since the trade war in Europe in 1772–1773, the Riksbank has, in difficult conditions, intervened as an important entity in managing crises in the banking system. The role of lender of last resort has also come to be considered internationally as an obvious part of a central bank's tasks. At the Riksbank, however, that operation has never taken the form of a permanent internal crisis organisation, but has been shaped depending on the specific circumstances surrounding each individual crisis, and on the other entities that have been part of managing it. Because our focus is on daily work at the Riksbank, we have therefore chosen to not include the Riksbank's organisation during various financial crises. However, this does not mean to say that such a study would not be of interest.<sup>6</sup>

## **3 The Riksbank's organisation and operations in a longer historical perspective**

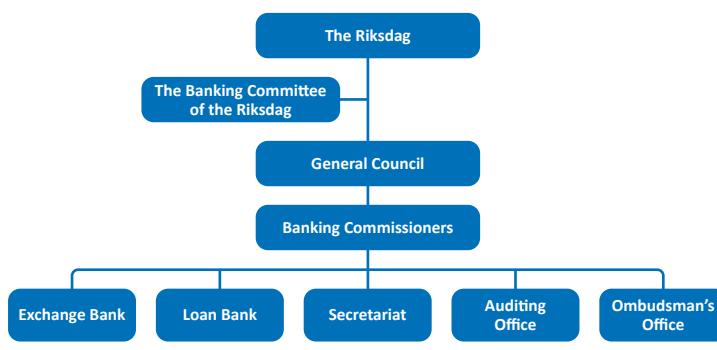
In this section, we briefly describe the Riksbank's early history to show that parts of the organisational and institutional structure of the bank today date all the way back to the 17th and 18th centuries. At the same time, looking back through history shows that the balance of power between the government/king, the banking committee of the Riksdag, the general council of the Riksbank and the bank's management has varied over the Riksbank's long history, and that these conditions have shaped the bank's goals and operations.

When, in 1668, the Estates of the Realm ('Riksens ständer') decided to take over the charter of Palmstruch's bank Stockholms Banco from 1656, a decision was also made to largely take over the wound-up bank's business model and organisational structure. Riksens

<sup>6</sup> For a description of the Riksbank's measures during the latest financial crisis, see for example Johansson et al. (2018) and the references therein.

Ständers Bank was thus divided up into two business areas, in part an exchange bank, in part a loan bank, as well as a secretariat (see Figure 1). The 'new' bank thus continued as a commercial bank which, although owned by the state, was also run for a profit. The organisational separation into an exchange and a loan bank was done to strengthen the confidence of customers and the owners in the bank. The funds of depositors in the exchange bank were thus not to be used in the operations of the loan bank. On deposits in the loan bank, interest was paid, while accounts in the exchange bank did not pay interest, but offered the possibility of withdrawing the funds at any time, in the currency and denomination in which they had been deposited (Fregert 2014, Wetterberg 2009).

Figure 1. Riksen's Ständers Bank, organisation in 1718



Source: The Riksbank

In the exchange arm of the bank, exchange services were offered for both the general public and business proprietors. There was a great need for this type of service because there was a plethora of different coins in the Swedish economy, of silver and gold as well as copper, minted both in Sweden and in other countries. In the loan arm of the bank, deposit and lending operations were conducted, whereby both small- and large-scale customers could deposit saved funds or take out loans against different types of collateral (such as objects in precious metals, chattels, real estate or a guarantor).

The original charter had been granted by Karl X Gustav of Sweden in the 1650s to promote trade and counteract profiteering, but also to promote price stability. The operational objectives for the bank's activities were to offer depositing and lending, and do so at a profit and with small credit losses, and to ensure that the exchange bank, at which withdrawals and exchanging could be carried out on demand, could always pay out what the bank's customers were entitled to (Brisman 1918). In the following centuries the bank succeeded relatively well with these undertakings, even though on several occasions it had to suspend depositing or lending or both, and limit the services of the exchange bank.

### The management of Riksen's Ständers Bank

As early as when Palmstruch ran Stockholms Banco, the state (that is to say, the king) had great interests in the bank, not least as a source of income. More than half of Stockholms Banco's profit was to be paid to the crown and to the City of Stockholm, and to look after these interests the king appointed a superintendent and several banking commissioners, who were placed in the bank's internal organisation.

When the Riksdag took over the bank in 1668, no new superintendent was appointed, although the number of commissioners was increased and the banking committee of the Riksdag was established, which was the first permanent parliamentary committee in the history of Sweden, and a forerunner of today's Riksdag Committee on Finance. A substantial part of the bank's profits was still to be paid into the treasury. Also, the bank soon became

a major lender to the crown, mainly for financing the wars at the end of the 17th century and beginning of the 18th century. This function as ‘bank of the state’ can be considered to be one of the first central-bank-like functions that the Riksbank assumed, albeit reluctantly. However, the institutional independence in relation to the king enabled, at least to some extent, obtaining interest and repayment instalments on these loans, even though in practice it was not possible to treat the king like any old customer.<sup>7</sup>

At the beginning of the 18th century, the daily operations were managed under the joint management of 21 banking commissioners (see Figure 1).<sup>8</sup> A governor, in today’s sense, did not exist. Rather, operational decisions were taken jointly by the banking commissioners (Wetterberg 2009). They were appointed by the general council of the bank, whose members were appointed by the three estates of the Riksdag which, together, had taken over the bank – the nobility, the clergy and the burghers. The estate of the land-owning peasants had, when the bank was taken over, declined to participate in controlling it, and would not do so until the year 1800.

The general council consisted first of two, then three members from each of the nobility, burghers and clergy, and came to form the actual management of the bank, even though the charter and the banking regulation had bestowed upon the general council more the function of a board of directors. Changes in the regulation of the bank and its operations were decided by the Riksdags (parliaments) which, until the abolition of the Riksdag of the Estates in 1866, convened at three-to-five-year intervals.

### 3.1 Issuing banknotes gains momentum, and the branch network is extended

The Riksbank’s issuance of banknotes gained momentum quite early on in the bank’s history, despite the formal ban since the spectacular collapse of Stockholms Banco in 1663–1664. From the 1670s, more and more banknote-like means of payments emerged, such as assignments, transport bills and bank receipts (see Wetterberg 2009 for a description of these banknote substitutes), and during the so-called Age of Liberty in the mid-18th century, banknotes made their breakthrough as the primary means of payment in the Swedish economy. The advantages with banknotes in trade and transactions, compared with the increasingly larger and more cumbersome copper coins, had been the reason for Palmstruch’s highly successful introduction of banknotes in 1661, and when the memory of the crisis faded (almost a hundred years later), demand resurfaced for the paper-light means of payment.

The Riksbank’s internal organisation remained relatively unchanged until the beginning of the 19th century. However, the bank grew in size, from 43 employees in 1721 to 163 in 1765, which was a reason for why the organisational structure, which was rather vaguely devised from the outset, became increasingly sluggish and inefficient (Wetterberg 2009).

Competition with the National Debt Office, which also issued banknotes and financed the crown, was so fierce at the end of the 18th century that the Riksbank came close to being wound up. The decision to start withdrawing the banknotes of the National Debt Office as of 1800 was probably crucial for the Riksbank to be able to continue its operations (Brisman 1931). Slowly, the Riksbank took over the debt office’s banknote issuance and lending, through the privately-publicly owned, but Riksbank-controlled, National Discount

<sup>7</sup> The Riksbank (or Riksdag) managed to resist Gustav III when he requested financing for his war against Russia in 1788. However, the king managed to persuade the Riksdag to arrange financing through setting up the National Debt Office in 1789, which in turn financed the loan by issuing its own banknotes and coins. This led to the use of two state-issued currencies in Sweden. At the beginning of the 19th century, some of the banknotes issued by the National Debt Office were redeemed, but it took until 1858 for riksdaler riksgålds, as they were known, to be entirely abolished.

<sup>8</sup> How the banking commissioners were placed in the organisation became less clear in the following centuries. Today, they can be compared with senior advisors. The title banking commissioner lived on into the 1990s, and at that time corresponded in terms of seniority to the position of department head.

Office (Riksdiskonten), even though the latter's banknotes remained in circulation and were accepted as a means of payment until the currency reform of 1858.<sup>9</sup>

In the 19th century, competition with the National Debt Office was replaced by competition with new types of private bank; initially the discounters in the 1810s, then from the 1820s the savings banks and the private banknote-issuing commercial banks, branch banks from the 1850s and then the limited-liability company banks in the second half of the 19th century. Like the Riksbank, these banks offered deposit and lending services, but were not as limited as the Riksbank in their business models and organisation.<sup>10</sup> The Riksbank started out as a Stockholm-based bank, while the rest of the country was gradually covered by the other types of banks. As the banking system spread across Sweden, however, the Riksdag saw a need to expand the Riksbank's branch network to cover the whole of Sweden. Despite resistance from the bank council ('bankofullmäktige'), in 1824 a branch was opened in each of Gothenburg and Malmö. Between 1872 and 1910, Riksbank branches were also established in all of the county towns of that time (23) and in Sundsvall and Norrköping. These branches could offer certain deposit and lending services and were responsible for the local supply of payment means, but were otherwise kept on a tight rein by the bank council. The types of loan offered far into the 20th century included fishing-equipment loans, agricultural loans, closed-end loans and mortgages.<sup>11</sup> The branches also bought and sold the premium bonds of the National Debt Office, monitored and paid out winnings on them, and also formed bond consortia for interested parties. When the branches engaged in managing loans in this manner, each branch had its own board, which included the head of the branch, but which was otherwise politically appointed.

When the Riksbank finally gained the monopoly in banknote issuance through the Sveriges Riksbank Act of 1897, the regional branches were given a clearer mandate for a time to supply the economy and society with the means of payment demanded.<sup>12</sup> However, because of the strong growth of the private banking system at the beginning of the 20th century, managing means of payment would soon largely be done by the commercial banks, savings banks and the state post office savings bank. The Riksbank branches would instead serve as banknote and coin repositories for the regional economy and places where the banks' could deposit/take out their surplus/deficit means of payment.

### 3.2 Towards a modern central bank

In the second half of the 19th century, several of the functions that are associated with central banks today gradually emerged, such as being the sole issuer of means of payment, the bank of banks, lender of last resort and crisis manager. Most of the activities that we also consider to be specific to central banks, such as interest-rate adjustments, changes in money supply and open market operations, were also developed around the turn of the century. The central bank's distinct role and operations emerged both as a consequence of critical events, such as the financial crises at the end of the 19th century, and the sharp expansion of the private banking system. The reforms of the state apparatus and the breakthrough of parliamentarism also contributed to forming the Riksbank's new role.

The question of giving the Riksbank the monopoly on issuing banknotes was addressed recurrently in the Riksdag from the 1870s and onwards. It was not until the 1897 Sveriges Riksbank Act that the issue was resolved. The Riksbank was given the exclusive right to issue

<sup>9</sup> Initially, debt office banknotes (riksdaler riksgälds) were exchanged for riksdaler banco notes at two-thirds of the value, but the exchange rate was then changed to 1 1/2 riksdaler riksgäld for one riksdaler banco.

<sup>10</sup> The law, in the form of the Commercial Code from 1734, set a limit of 6 per cent on what the Riksbank could charge in interest. The Riksdag still made decisions on interest-rate changes, which made for slow adaptation to changed economic conditions.

<sup>11</sup> A kind of state loan was also administered, the settlement loan, which could amount to a maximum of SEK 10,000. They were needs-tested and given to young couples who planned to set up a home, or to single parents.

<sup>12</sup> The Riksbank became responsible for banknote issuance by law, although the government retained the right to mint coins. This was changed in 1986 when the Riksbank was given the responsibility for issuing both banknotes and coins, which is unusual in an international perspective.

banknotes, and the private banknotes had to be redeemed by 1903 at the latest. Issuing coins remained a government monopoly, and this continued to be the case until 1986.<sup>13</sup>

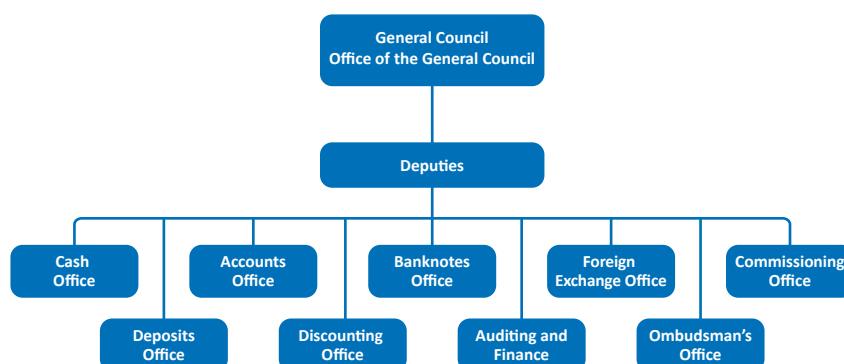
With the Riksbank's monopoly on banknotes, all of the private banks had to switch over to a deposit-based funding model (the banknote issuance of the private banks having previously served as a means of obtaining funding). Because of these changes, the Riksbank's function as a clearing centre developed, while at the same time the need to offer an exchange service for different domestic banknotes disappeared. The clearing function, in which the banks and other entities could manage the payments and transactions between them, had been developed under private auspices from the mid-19th century. Also, the Riksbank had to some extent had a clearing function previously through administrating the various banknote substitutes, although over the years this management had become increasingly complex in terms of administration, particularly compared with the new banks. Under the management of the future governor of the Riksbank, Karl Langenskiöld, Skandinaviska kreditaktiebolaget (founded in 1864) built up its successful business model. This was founded on the very process of offering clearing to other banks, by accepting their banknotes (particularly those of the smaller banks) in return for issuing liquidity loans to them.

## New form of management

The rapid developments in the banking system in the second half of the 19th century, and the heightened competition, required reforms of the Riksbank's operations and organisation. The relatively indistinct organisation and management structure had given rise to a large and cumbersome administration, outdated procedures and ambiguous decision paths, which paved the way for new entities. In the 1860s, however, a number of changes were made to address these shortcomings (see Figure 2).

In 1860, the general council was extended to include a deputy for the internal administration, Albert Wilhelm Björck, who was responsible for the daily operations of the bank. It could be said that, through this position, the Riksbank gained its first governor.<sup>14</sup> While the mandate and sphere of responsibility of this position remained relatively unspecific in the formal sense, in practice the Riksbank gained for the first time an internal decision-making hierarchy with one manager at the top.

Figure 2. The Riksbank's organisation in 1863



Source: The Rikshank

13 See Söderberg (2018) for a discussion of the banknote monopoly in a historical and international perspective.

<sup>14</sup> See Table A2 in the Appendix for a list of governors of the Riksbank and chairs of the general council since 1858.

A number of organisational units were merged and the number of employees was reduced, from around 120 in 1860 to around 70 in 1875 (Wetterberg 2009). When the Riksdag of the Estates was abolished in 1866, the bank changed names from Riksens Ständers Bank to Sveriges Riksbank.

In the final decades of the 19th century, the Riksbank gradually started actively attempting to influence liquidity, lending and interest-rate levels using changes in setting the interest rate, purchasing currency bills and other active management of the bank's reserves of foreign currency and precious metals (Wetterberg 2009, p. 215). These activities can be seen as early attempts by the Riksbank to help manage the crises and economic downturns that occurred in the 1870s, 1880s and 1890s, and soon, this became a more or less permanent feature of the bank's operations.

At the turn of the century, the Riksbank was given responsibility for managing the country's gold and currency reserve, which comes under the responsibility of central banks in most countries today. Already since the beginning in 1668, the Riksbank had managed a reserve of precious metals, banknotes and securities, although so had the National Debt Office and the privately owned commercial banks. Through the Act of 1897, the Riksbank was given full responsibility for managing the Swedish foreign exchange and precious metal reserves. The gold reserve was also needed, in accordance with the main rule of the gold standard, in order to stand prepared at any time to enable holders of banknotes to exchange them for physical gold. The foreign exchange reserves largely consisted of German Reichmarks in the form of treasury bills, because Germany had become an increasingly important trade partner for Sweden during the late industrialisation period, and there was a great need for redeeming payments in German currency.

The gold standard, which in 1855 replaced the prior silver standard, would endure as Sweden's exchange-rate system until the 1930s, with the exception of a few years' interruption, and was important in setting the direction of the Riksbank's operations and organisation throughout this long period of time. In other words, the operations became focused on keeping the value of the Swedish currency stable in relation to gold. This was achieved by controlling banknote issuance and overall liquidity in the economy, and also by buying and selling gold and other countries' currencies on international markets. The stock of banknotes was linked to the holding of metal, that is to say, an outflow of gold gave fewer banknotes in circulation, and vice versa. The difficulty presented by transporting physical precious metals between countries was also quickly resolved through employing intra-bank lending in gold-standard countries.

### 3.3 The commercial banking operations are wound up

After just over 230 years of operation, the greatest reform of both the Riksbank's task and its organisation came when in 1897, the Riksdag, after decades of deliberations, decided on a new Sveriges Riksbank Act. Through the new Act, the Riksbank, as described above, gained the monopoly over banknote issuance. At the same time, the bank was obliged to wind up most of its commercial banking operations focusing on the general public.<sup>15</sup>

Commercial banking operations were now transferred entirely to the private banks, which were obliged to wind up their own banknote issuance, hold an account with the Riksbank, and deposit some of their liquidity there. The accounts bore interest, and by adjusting this interest rate, the Riksbank could influence the banks' interest-rate setting. Thus, at this point, we can discern the embryo of today's interest rate steering system (read more in Sellin 2018).

The Riksbank's responsibility for serving as the lender of last resort was not formulated in the Act of 1897, but when the bank managed many of the banking and financial crises

<sup>15</sup> Some kinds of loans and other services were also offered after the Act of 1897, actually up until the latter part of the 20th century.

that struck Sweden at the end of the 19th and beginning of the 20th centuries, by serving as guarantor, creditor or both, this central-bank function was also established.

### Management

The Sveriges Riksbank Act of 1897 gave the government greater influence over the Riksbank, in that the chairman of the general council was to be appointed by the government, and not the Riksdag (parliament), as was previously the case. Through the new Act, the general council gained seven members, one of whom was the governor of the Riksbank (see SFS1897:27).

The governor of the Riksbank, who was then known as the first deputy, was, like before the 1897 Act, on the general council as the vice chair. The banking committee of Riksdag dealt with recruiting for the position, which meant that appointment was affected by the balance of power in the Riksdag, but also that it was based on relevant subject knowledge and experience from the sphere of banking. The first deputy was ultimately responsible for the Riksbank's operations, even though this responsibility and his powers were still relatively vaguely worded in the law.

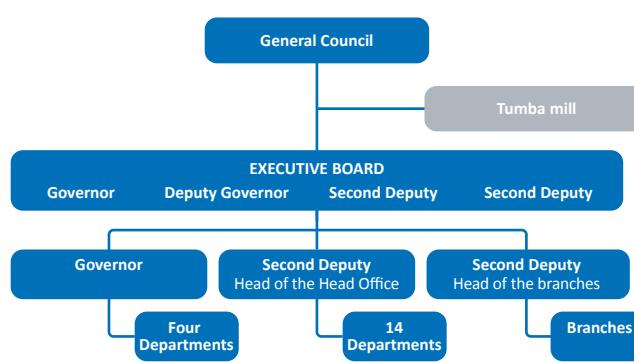
An important channel between the general council and the bank's daily operations was the office of the general council, which was headed by the bank secretary, who was also a key person in the daily management of the bank's operations. Besides the office of the general council, the bank secretary also headed the ombudsman's office, which had the task, among others, of verifying the Riksbank's loan collateral.

### 3.4 New Sveriges Riksbank Act in 1934 and increased political influence

A new Sveriges Riksbank Act came in 1934. On paper, it was mainly an update of the Act of 1897, and did not lead to any substantial formal changes to the Riksbank or its operations. In practice, however, the government's influence over the Riksbank would increase, particularly as of the Second World War.

Like under the former Act, the government had the right to appoint the chair (and deputy) of the general council of the Riksbank, and the Riksdag had the right to appoint six ordinary members (plus deputies). One of these members was nominated to the position of governor of the Riksbank, and was hence appointed by the Riksdag. The appointment of the governor of the Riksbank was dealt with through the banking committee of the Riksdag following negotiations between the parties in the two chambers of the Riksdag.

Figure 3. The Riksbank's organisation in 1935



Source: The Riksbank

The chairman of the general council led the meetings, but did not have stronger voting rights than anyone else. As a rule, it was the governor of the Riksbank who set the agenda and the topics to be addressed by the meeting, although he did not hold more than one vote in the general council either. All members of the general council had a term of office that was the same as that of the Riksdag, an order that was established as early as when Riksens Ständers Bank was founded in 1668. The common terms of office probably facilitated the coordination of monetary policy and fiscal policy that would exist for the next half century or so.

#### **An increasingly regulated credit and foreign exchange market**

The Sveriges Riksbank Act of 1934 (SFS 1934:437) would last over fifty years which, bearing in mind its strong resemblance to the Act of 1897, could be interpreted as a very long period of unchanged governance and regulation of the Riksbank. That was not the case, however. In connection with the Second World War, a number of emergency powers acts were put in place that strongly limited the Swedish banking and financial system, such as the Currency Act (SFS 1939:350). These acts prescribed that the Riksbank implement these restrictions, which would endure in more or less restrictive form right up until the deregulation of the 1980s. There were a number of reasons for why the emergency powers acts were maintained after the war. Perhaps the most important was the altered view of the role of the state in relation to the market. The Great Depression of the 1930s convinced many decision-makers of the need to control the most severe fluctuations of the economic cycle, and that to this end, both fiscal and monetary policy needed to be coordinated. And, in order to limit volatility of financial markets, a need was seen for various types of regulation.

To start with, foreign exchange regulation was conducted by the Foreign Exchange Office, which was under the Ministry of Finance. The Foreign Exchange Office operated between 1940 and 1957 and thus had the task of administering the foreign exchange regulation that was introduced during the war. In 1957, this responsibility was transferred to the Riksbank, where a Foreign Exchange Board and an Exchange Control Department were then established.<sup>16</sup>

Foreign exchange regulation was conducted by 'mutual understanding' with the commercial banks, and mutual understanding was also attained in the introduction of interest-rate caps, liquidity ratios, bond loans and reserve ratios (introduced during the years 1951–1952) which would subsequently be reworked into legal requirements (see Larsson and Söderberg 2017). These different forms of regulation, which were to promote financial stability and accommodate fiscal policy, were administered by the Riksbank.

This strict 'regulation regime' would persist until the beginning of the 1980s, when the legal restrictions on banks and markets were gradually eased or entirely eliminated. An interesting aspect is that the entire imposition of regulation in the 1950s, and large parts of the deregulation of the 1980s, occurred without changes to the Sveriges Riksbank Act. It was not until the beginning of the 1980s that work on a new Sveriges Riksbank Act commenced.

#### **The Riksbank's management structure**

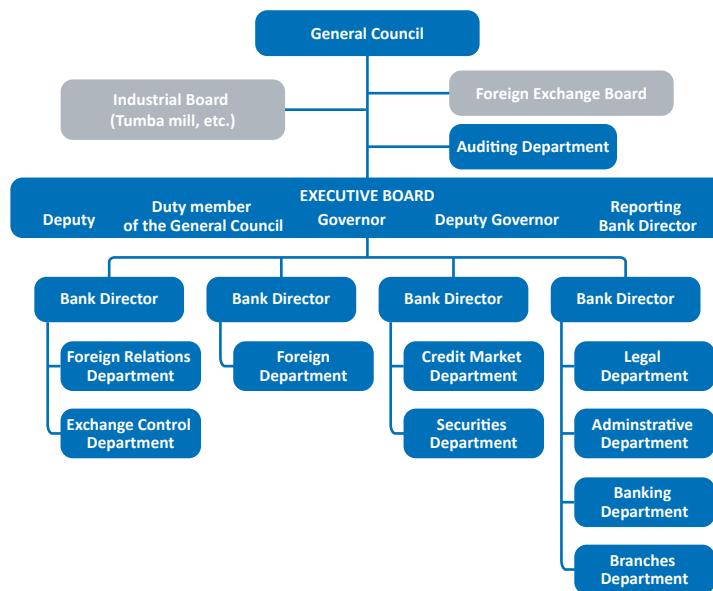
In 1939, the Riksbank had an executive board consisting of the governor of the Riksbank (Ivar Rooth, who subsequently became the head of the International Monetary Fund), a deputy governor, a deputy for the branch offices and a deputy for the head office (see Figure 3). Tumba paper mill, which since 1755 had printed the Riksbank's banknotes, was a subsidiary of the bank and was beyond the sphere of responsibility of the executive board, and was managed by two inspectors appointed by the general council.

At the beginning of the 1950s, the title of 'bank director' was introduced. To start with, there were three, but at the end of the decade this number was increased to four (see

<sup>16</sup> Note that the Exchange Control Department was thus a regulatory department, and it was abolished when foreign exchange regulations ended. Operations on the foreign exchange market were run by the Foreign Department.

Figure 4). The bank directors could be responsible for up to four departments, but on the Executive Board they had the right to vote only on matters that concerned their own area. The General Council was still highly involved in the running of the bank. When, at the end of the 1950s, the Riksbank took over the duties of the Foreign Exchange Office, major changes to the internal organisation followed. Taking over the Foreign Exchange Office's duties and responsibility for the Foreign Exchange Board, which issued rules and decided on permits for foreign exchange transactions, also prompted a sharp increase in the number of employees. Executing foreign exchange regulation became one of the Riksbank's more important activities because it was to underpin the fixed exchange-rate regime, and also complement credit regulation.

Figure 4. The Riksbank's organisation in 1961



Source: The Riksbank

Measured in terms of employee numbers, the Riksbank grew sharply from the mid-1950s to the beginning of the 1970s, from a total of around 480 employees in 1955 to around 800 in 1970, half of whom worked at the local branches. Work at the head office was conducted in nine departments, with the Banking Department and the Exchange Control Department being the largest in terms of staff numbers. In Figure 4 one can also see the Credit Market Department and the Securities Department, departments that would become increasingly important in the following decades. The organisational structure as it was in 1961 lasted for more than a decade, with only small changes.<sup>17</sup>

## 4 The Riksbank's operations and organisation since the 1970s

This section describes in relative detail how the Riksbank's internal organisation has changed since the mid-1970s, before so-called deregulation, until today. The main focus is on how the policy-related operations have been organised. This means that the more administrative operations, including audit, HR, IT, security staff and property maintenance are not discussed

<sup>17</sup> For example, responsibility for the Foreign Relations Department was transferred from the bank director who was responsible for the Exchange Control Department, to the bank director who was responsible for the Foreign Department.

to the same extent. The policy-related operations include, as we have mentioned before, far more than those usually mentioned in descriptions of the Riksbank's work and tasks.

Some operations have lasted but taken on a new form during the almost five decades that we study here. One example of this is the central-bank clearing between the banks, which has gone from being settlement between intrabank receivables and liabilities at the Riksbank, with physical presence of the banks' officials, to IT-based clearing in the Riksbank's payment system, RIX. Other operations have disappeared entirely, such as the implementation of the foreign exchange and credit regulations, which were wound up in the 1980s. Some policy areas, such as promoting a safe and efficient payment system (financial stability) have been developed considerably since the mid-1990s and now constitute one of the bank's core functions. The Riksbank had worked to promote financial stability beforehand too, but then it was through various regulations regarding the credit market and foreign exchange market. A new feature in the 1990s was that the Riksbank commenced more systematic analysis of stability on the financial markets and at the major Swedish banks.

Following this chronological review of the Riksbank's organisational change since the 1970s we add a couple of thematic sections to the story.

#### 4.1 Organisational review in 1974

A substantial organisational review was carried out in 1974, probably partly because a new governor, Krister Wickman, had taken over after Per Åsbrink who had been governor of the Riksbank for a full 18 years between 1955 and 1973. The organisational review, which led to changes in 1976, had two primary purposes: to improve the Riksbank's conditions for carrying out its duties, and to increase opportunities for employees to feel a sense of work satisfaction. Another reason was that the new Riksbank building at Brunkebergstorg was to be completed at the beginning of 1976, and there was a need to adapt space planning as far as possible to the future organisation. Another purpose of the inquiry was to modernise the bank, and it also brought up which issues the management of the bank (called the Executive Board) should focus on. The latter included the need to increase the Riksbank's analytical and investigative capacity, and build up better administrative and organisational capacity.

The Executive Board at that time consisted of the governor of the Riksbank, deputy governor of the Riksbank and (one of) the four Riksbank directors (that title having been changed from bank director in 1975). The Executive Board also included the deputy who was a General Council member belonging to the political majority, and who had been appointed by the General Council to be an Executive Board member for the General Council's entire term of office. There was also a duty deputy who alternated between the different political affiliations. Besides running the bank, the Executive Board had the task of preparing matters on which the General Council was to decide.

In the inquiry on the organisational structure, the proposal was made to switch to a system where the duty deputy came from the political minority, instead of having a duty deputy that alternated between the political majority and minority in the General Council, thus also only participating for short periods of time. The purpose of the change was to promote a more efficient way of putting proposals before the General Council – proposals prepared with both a deputy belonging to the political majority, and a duty deputy from the political minority. That way, the Executive Board could assume, with a certain degree of certainty, that the General Council would approve submitted proposals.

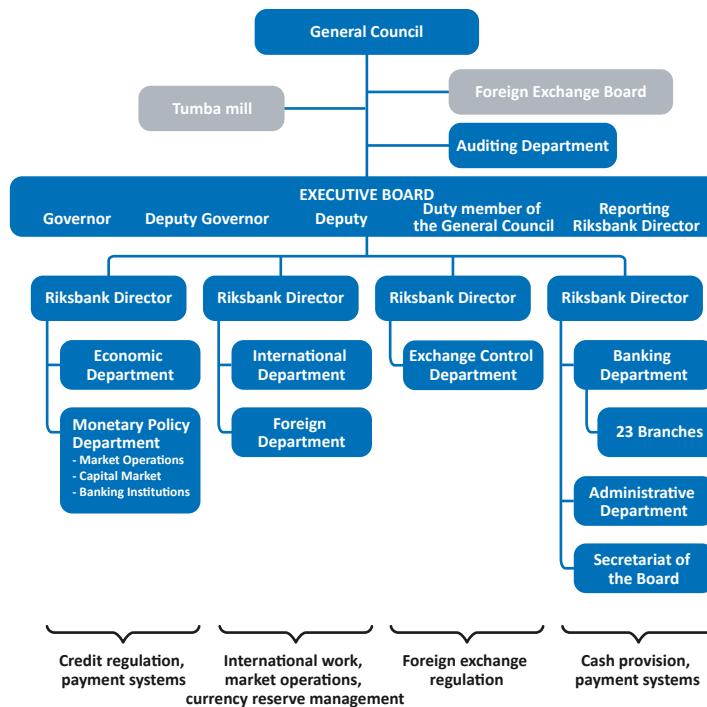
The inquiry also determined that there was a need to substantially increase resources in the economic policy arm of the bank's field of work.<sup>18</sup> It mainly consisted of planning, coordination and information regarding the credit and foreign-exchange policy operations, economic analysis and analysis of the balance of payments, and production of statistics.

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<sup>18</sup> It was as a result of this inquiry that the Riksbank started to recruit academics with PhDs.

The inquiry therefore proposed that an economics department be established, that would take over the tasks of the Credit Market department, which were of a more general nature. It was also proposed that the Securities Department, which managed the Riksbank's bond operations, should change names to Market Operations group and be transferred to the Credit Market department which, at the same time, changed name to the Monetary Policy department (see Figure 5).

Figure 5. The Riksbank's organisation in 1976



Note. The Riksbank director who was responsible for the Exchange Control Department was the reporting clerk in the Foreign Exchange Board. The English translations of department names have been taken from an annual report in 1976.  
Source: The Riksbank

The inquiry also proposed that a new department, called the Banking Department, should take over all tasks within the field of means of payment and lending activities. For the Administrative Department, no major changes to the organisation were proposed, although greater initiatives were suggested, especially in terms of personnel policy and organisational matters. Initiatives were to be taken in the areas of promotion and salary, and personnel development. One purpose of this was so that the Riksbank could hire and retain qualified employees, who were coveted on the private market.

In the Exchange Control Department, only certain organisational changes were proposed. However, the big question was how to manage the increased inflow of foreign-exchange requests, which had occurred on the back of the internationalisation of the Swedish economy. These requests, which numbered around 40,000 each year, concerned permits to invest abroad, credits and other commercial and financial transactions, as well as the international transactions of private individuals, including the purchase of travel currency over a certain amount. The number of cases had in the preceding four years increased by 13 per cent annually on average. Besides additional resources to the department the introduction of an integrated ADP system was proposed for register entry, granting permits,

controls and statistics.<sup>19</sup> The foreign exchange statistics included compilations of granted and rejected applications for permits, permit utilisation, and so on. These were to be used for the control operations in the Exchange Control Department. Together with other foreign exchange-related information, such as foreign exchange notifications of transfers not subject to an authorisation obligation, they would also provide better input for the analysis of the balance of payments to be performed by the new Economics Department.

The proposal for a new departmental organisation, entailing a small reduction in the number of departments, would reinforce and rationalise the organisation, such that each department had its natural boundaries and was justified as an organisational unit by the significance and scope of its duties and staffing. Thereby, the inquiry believed that there should be improved conditions for the departments to function as relatively autonomous working units, to which decisions could be delegated to a greater extent. At the same time, it was to create greater scope for three of the four bank directors, who were responsible for several departments, to engage in more externally oriented and policy- and planning focused initiatives, rather than on routine and managerial tasks.

In conclusion, the inquiry proposed an inquiry on the branch offices, with a focus on creating larger regional offices, which would take over the tasks of the branch offices, and also that there should be branches that only worked with cash handling. It is interesting to note that there was also a requirement for the inquiry and its proposals to entail that all employees at the branch offices could continue to work either at the head office or at branches located across Sweden.

## 4.2 The Riksbank's organisation around 1980

The extensive credit and foreign exchange regulation established after the Second World War continued to characterise the Riksbank's operations, although a number of substantial changes would follow in the next ten years, as a consequence of the gradual lifting of the state control of financial markets.

Around 1980, the Executive Board of the Riksbank consisted of the governor of the Riksbank, the deputy governor of the Riksbank, two deputies from the General Council and a Riksbank director who was the reporting clerk. The directors informed the governor of the Riksbank of each function, and brought up questions and information for discussion with other functions. To refer back to the categorisation of the operations described in section 2, we can determine that the areas of responsibility of the Riksbank directors corresponded to the functions foreign exchange regulation, credit regulation and payment systems, international operations, market operations and foreign exchange management, and cash provision (see Figure 5).

The fixed exchange-rate policy was managed partly through the interventions of the Foreign Department on the foreign exchange market, and partly through the control exerted over the foreign exchange activities of companies and private individuals during the period when foreign exchange regulation was still in force. The questions dealt with by the Executive Board pertained to the daily operations, recruitment and administrative matters. The Riksbank director (who was also chief legal counsel) who was responsible for the Banking department and the branch offices, etc. was also responsible for the Administration department and the ADP department, and for administration relating to the work and decisions of the Executive Board (the Secretariat of the Executive Board).

### The branch offices and regional offices

At the beginning of the 1980s, the Riksbank still ran the offices across Sweden that had been established a century before.<sup>20</sup> The existence of these branches had been discussed

19 ADP stands for automatic data processing.

20 One change however was that the office in Mariestad was moved to Skövde in 1971.

since the 1940s and developments on the banking market had reduced the need for them. Nonetheless, the staff of these branches made up more than half of the Riksbank's workforce. In 1980, the branches had 559 employees, compared with 552 employees at the head office (see Sveriges Riksbank 1981). Thus, from a cost perspective, the branches constituted a large item, and in the 1980s and even more so in the 1990s, this would be seen as problematic from an efficiency point of view. The fact that it took time to wind up the branches can partly be explained by the fact that the Sveriges Riksbank Act required a decision by the Riksdag to make such an organisational change, and also the question was probably not high on the political agenda. Also, the Riksbank's operations were not charged to the state budget, but were self-financing.

#### **Execution of foreign exchange controls**

Execution of foreign exchange regulation was one of the Riksbank's more important activities because it underpinned the fixed exchange-rate regime, and also complemented credit regulation. To some extent, work with foreign exchange regulation was separate from the rest of the Riksbank's organisation in that decisions regarding foreign exchange matters, in terms of both permit cases and individual applications to exchange currency, were taken by the Foreign Exchange Board. While this was headed by the deputy governor of the Riksbank, its members were otherwise elected by the political parties of the Riksdag. It thus consisted of politicians from the Riksdag or government, but also of representatives of the federation of Swedish industry (Industriförbundet), the Swedish Bankers' Association and the trade union movement. The decisions of the Foreign Exchange Board were executed by the Foreign Exchange Executive Committee, which was subordinate to the board and also separate from the rest of the Riksbank in organisational terms.

The large banks were registered as 'foreign exchange banks' at the Riksbank. This meant that they were required to offer foreign exchange-related services to other financial and non-financial companies. However, the services required the Riksbank's approval. Foreign exchange regulation focused on financial transactions, and foreign exchange permits were thus not required for direct export and import payments. Responsibility for processing all applications, spanning everything from the international investments of large industrial companies, to summer holiday funds in foreign currency of private individuals, rested with the Foreign Exchange Board. Applications for exemptions from the regulation amounted to thousands of cases, but it was only the largest ones that were decided directly by the foreign exchange board. Other transactions were dealt with by the Exchange Control Department, or in more complex cases by the Foreign Exchange Executive Committee.

The controls relating to foreign exchange, as well as the credit policy regulations, were increasingly called into question at the beginning of the 1980s. Internationalisation of the financial markets for capital, currencies and investments put greater pressure on the Riksbank's ability to swiftly process the banks' and companies' applications for permits regarding cross-border investments, property purchases, borrowings and export financing. This work was resource-intensive, and at the beginning of the 1980s the Exchange Control Department was one of the largest departments, consisting of around 80 people, and with just over 100 people at most. The department was divided into three licence groups that were responsible for different types of foreign exchange regulation matters. There was also a control group, a statistics group and a general group in the department. The statistics group dealt with statistics regarding granted permits and rejected applications broken down into different categories, licence utilisation, and so on. The statistics were used as an aid in both granting permits and for the control activities, and also formed some of the input for statistics on the balance of payments, which were compiled and analysed by the economics department.

At the end of the 1980s, the boundaries between the international and domestic capital market had largely been erased – a development that was both explained and fuelled by

phasing out of foreign exchange controls. Over time, this had become less and less effective, one reason being that large companies had established operations abroad too, which meant that they could largely make the financial arrangements they wanted to without regulation affecting them. Ending foreign exchange regulation was initiated by a decision by the General Council of the Riksbank in 1986 and was essentially completed three years later.

When the Exchange Control Department was closed in 1989, the part of the statistics linked to the balance of payments statistics was transferred to the Economics Department for a short period of time before the Balance of Payments Department was formed, taking over both the compilation and the analysis that were deemed necessary for monetary policy (see Figure 6).

#### Credit regulation dismantled

Credit regulation was also gradually dismantled in the 1980s. An important change came in the late autumn of 1985 when the cap on the banks' lending was lifted, although other changes to the game rules were also of great significance, not least to the Riksbank's own operations.

A domestic capital market had been created at the beginning of 1980 when new types of short government securities were issued, while at the same time banks were permitted to issue their own bonds. Gradually, both banks and insurance companies were permitted to start trading in the large depositories of government securities that they had previously been obliged to hold under the so-called reserve ratio rule.<sup>21</sup> For the Riksbank, the new market and internationalisation of the Swedish financial market presented an opportunity to work more actively than before with market operations in Swedish securities.

After Bengt Dennis took over as governor in 1982, a Capital Markets Department was created through splitting off the Capital Markets group and Market Operations group from the Monetary Policy Department, which was instead given responsibility for banking institution matters. The Market Operations group took over execution of market operations on the emerging domestic capital market. A better link was thus created between these operations and credit regulation matters, permits, and so forth.

Through the new Capital Markets Department, the Riksbank carried out open market operations in order to affect interest rates, and the supply and price of the Swedish krona and government securities, in a way that would make the monetary policy objectives consistent with the credit policy restrictions, which still applied for the Swedish banks. However, already two years later, in 1984, the department was closed down in favour of a Securities Department, which was responsible for market operations, and a Credit Market Department which was responsible for the remaining credit regulation of the time. The order still applied whereby the Foreign Department was responsible for foreign exchange transactions, while the Credit Market Department and Securities Department operated exclusively in domestic markets.

### 4.3 Organisation after the 1988 Sveriges Riksbank Act

A new Sveriges Riksbank Act came into force in 1989, which combined much of the legislation regarding the Riksbank, monetary policy and matters regarding means of payment into one and the same legal text (see SOU 1986:22 and SFS 1988:1835). However, much of the content of the 1934 Sveriges Riksbank Act remained in the new Act, albeit with modernised language. Interestingly, it was not until the Act of 1988 that the Riksbank is formally mentioned as the central bank of Sweden. The Act also reinforced the role of the governor of the Riksbank, who was given a clearer mandate to determine the administration

<sup>21</sup> The reserve ratio rule required commercial banks to purchase government bonds.

of the bank's operations. The term of office was also extended from three to five years so as not to coincide with the political cycle.

Through the new Act, the government's influence over the Riksbank and monetary policy was both diminished and enhanced. On the one hand, the government lost its right, held since 1897, to appoint the chair of the General Council. On the other hand the practice, established the 1940s, was formalised whereby the government was to be informed prior to the Riksbank making important monetary policy decisions (§ 42, SFS 1988:1385).

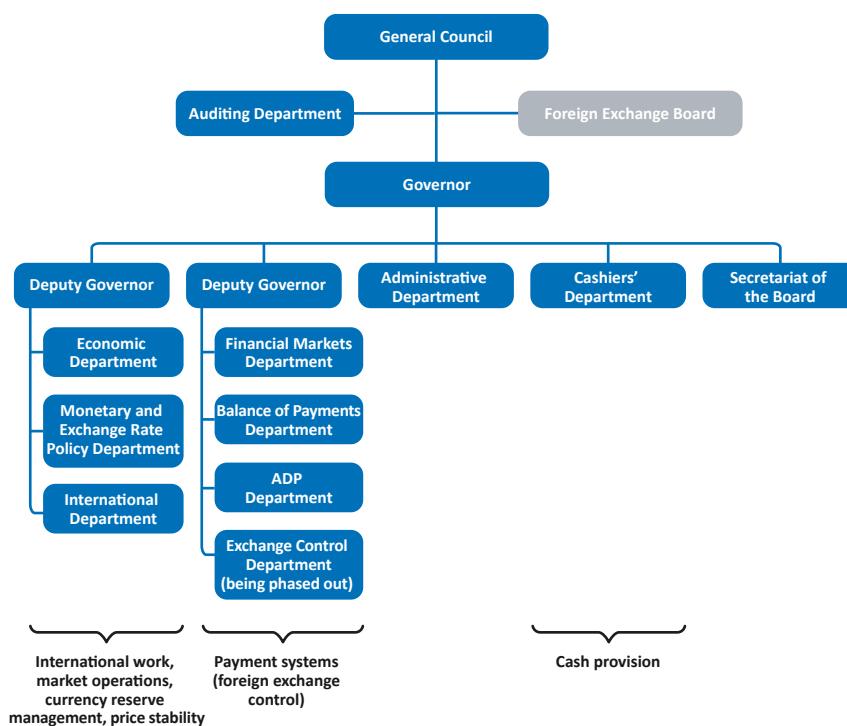
With the new Act, all members of the General Council were nominated by the Riksdag. The General Council now elected a chairman and a governor of the Riksbank from within its number. Like before, the deputy governor was appointed by the General Council on the proposal of the governor of the Riksbank. The Act did not establish how many deputy governors could be appointed, and soon after the Act came into force, two deputy governors were appointed instead of the traditional one.

The number of members of the General Council was increased from seven to eight, with all votes carrying equal weight. This could have created problems in the event of very even voting, although this does not appear to have occurred very often under the Act of 1988. A new feature was also that the Riksbank, and not the Riksdag, had the right to make decisions on the Swedish exchange rate system, that is to say, how or whether the value of the Swedish krona should be pegged to the value of another currency or other currencies.

### New organisation around 1990

When this new Sveriges Riksbank Act came into force a substantial reorganisation was carried out in which almost all operations were subordinated to new organisational units, while at the same time the number of departments increased though several secretariats being made into departments instead (see Figure 6).

Figure 6. The Riksbank's organisation in 1990



Source: The Riksbank

A major change was that the Monetary and Exchange Rate Policy Department was formed in 1989 through the department taking over responsibility for foreign exchange operations and management of the currency reserve from the Foreign Department, and responsibility for the market operations on the growing domestic money market from the Securities Department. That way, the functions that could affect liquidity, and hence also the value of the Swedish krona, were brought together into one and the same department. The Foreign Department and Securities Department were closed down.

One of the deputy governors was given responsibility for the Monetary and Exchange Rate Policy Department, the Economics Department and the International Secretariat. The Economics Department was responsible for producing, and disseminating internally, analyses of economic development and the balance of payments, and for inflation forecasts, which the Riksbank had started to perform after the 1974 inquiry into the organisation. The department was also given responsibility for the financial market statistics produced by the bank.

In 1984, the International Department had been replaced by the much smaller International Secretariat, which had the main task of processing cases regarding the international collaborations of Sweden and the Riksbank. The background to this change was that, at the beginning of the 1980s, the boundaries between national economies and markets started to be erased and an internationally interlinked financial and monetary system started to be developed. A growing number of the Riksbank's functions were affected by developments in other countries, and it no longer seemed evident to give the International Department responsibility for all matters of an international nature. In many areas, the generalist knowledge possessed by the department no longer sufficed either, and it was discussed internally that it might be better for the policy departments to address themselves the matters that fell within their respective specialist areas. These discussions led to the department being converted into a smaller secretariat, and transferring the majority of the department's areas of responsibility to other departments. For more about the international operations, see section 7.

The second deputy governor was responsible for a newly formed Financial Markets Department, the Balance of Payments Department, the ADP department and the Exchange Control Department, which was in the process of being dismantled following the abolition of foreign exchange regulation in 1989. The Credit Market Department was no longer needed either when credit regulation had been largely phased out. The remaining issue controls were taken over by the Financial Market Department, which also compiled and analysed credit market statistics. The issue controls were removed entirely after 1992, and instead the Financial Market Department was tasked with analysing and monitoring both national and international payment systems. This can be seen as an initial step towards greater focus on the field of financial stability. The Financial Market Department was also responsible for analyses of the financial markets, and took over responsibility for the foreign accounts unit from the Foreign Department. The foreign accounts unit was responsible for the Riksbank's payments to and from abroad, as well as the transactions that were caused by the Riksbank's interventions on the foreign exchange market and transactions connected with management of the currency reserve (back office functions).

The governor of the Riksbank was responsible for the Secretariat of the Executive Board, the Administration department, the Cashiers' department and the regional offices. The governor's responsibility for the bank's daily operations, with sole right to make decisions on the matters raised at Executive Board meetings, as well as greater delegation to the department heads (which we write more about below), led to the Executive Board becoming less significant as a decision-making body. At the end of the 1990s, this led to abolishing the previously periodic Executive Board meetings.

#### 4.4 Organisational changes in the 1990s

In the first half of the 1990s, some minor organisational changes were made. The balance of payments statistics were put together with the financial market statistics and were placed in a new department, the Financial Statistics Department. The Balance of Payments Department was closed down. The accounting group in the Administration department became a department in its own right. A planning and budgeting secretariat was created, and in 1993 also an Information secretariat. Now, around twenty five years later, this function – information and communication – has grown tremendously in importance, which we return to in section 8 below.

In 1994 Urban Bäckström took over as governor, which would have a major impact on the Riksbank in many respects. The efficiency of the bank's operations began to be enhanced, and decision-making was delegated down through the organisation, something quite new for the Riksbank's lower management and employees. The reform efforts initiated by Bäckström continued during the terms of office of Lars Heikensten and Stefan Ingves as Riksbank governors, and can be said to have infused the operations for more than 20 years.

Previously, the department heads had always been able to escalate matters to the management of the bank (the governor or deputy governors) for decisions. This was now set to change, such that the department heads themselves could decide also on major issues that would have previously been escalated to the management of the bank for a decision. The background to this was that the management of the bank, quite rightly, found that their knowledge of some matters did not suffice to make decisions – the experts were in the departments. To start with, there was a degree of uncertainty among the department heads about the new order, and many were afraid of coming into direct conflict with the management of the bank in the event of them making a decision that was not quite right. In order to empower the department heads in their decision-making and get them to really believe that the management of the bank could also live with some decisions not being entirely in line with their own wishes, a number of management seminars were carried out.

Efficiency enhancement commenced in 1995, when the HK-95 project was initiated, which had an explicit goal of reducing the number of employees at the head office by 10 per cent (around 40 people) within a year. The decision, which could be described as somewhat of a shock for employees at the head office, had the effect of creating a strong sense of crisis awareness in the bank and that it was time to step up the pace.

The efficiency measures went by the motto, 'The Riksbank shall not do things with public funding that others can do just as well or better'. This motto still applies today. The management found it very important, for the sake of its credibility, that the Riksbank – which is a central government organisation and which itself decides on its budget (unlike other authorities that come under the government) – assumed budget restrictions at least as stringent as those of other central government administration bodies.

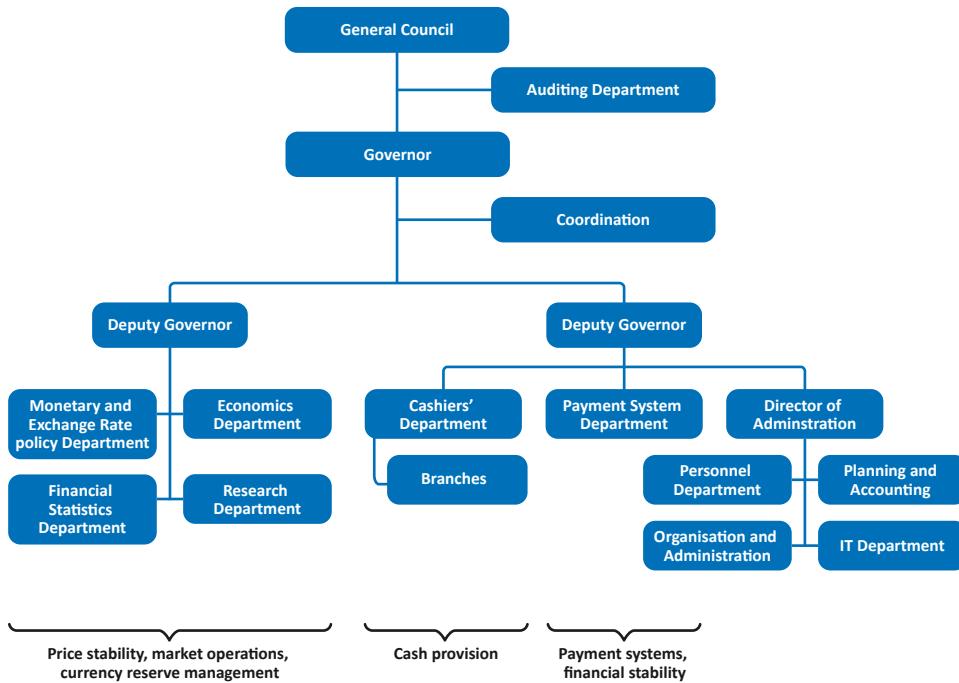
##### **The Executive Board is phased out**

In July 1997, a new managerial structure was introduced, while at the same time the Executive Board was phased out (see Figure 7).<sup>22</sup> The new structure was based on the assumption of most decisions being taken in the line organisation with far-reaching delegation. At that time, there were 11 departments and three coordinating secretariats (the Executive Board Secretariat, the International Secretariat and the Information Secretariat). As a complement, there were also some joint discussion and decision forums. In the governor's decision-making group, the governor made decisions on proposals for the General Council regarding for instance the policy rate, certain policy decisions, guidelines for strategic plans, large investments, and so on. In the Riksbank's management group, the governor, the two

<sup>22</sup> In 1996 the executive board consisted of the governor, the two deputy governors, the administration director and 12 heads of departments or secretariats.

deputy governors and the administration director, as well as the department heads, discussed common issues. There were also subject-focused decision-making and drafting groups, as well as a manager forum for joint discussions and information for all of the bank's managers.<sup>23</sup>

Figure 7. The Riksbank's organisation in 1997



Note. In Coordination was included the Secretariat of the Board, the International Secretariat and the Information Secretariat.  
 Source: The Riksbank

The largest efficiency enhancements would affect mainly the administrative elements, which came to be sharply reduced by many operations such as office services, cleaning and monitoring being procured externally. The Riksbank's cash handling also continued to undergo efficiencies through reductions in the number of branches and, at the end of the decade, an inquiry led to much of the operations being placed in a wholly owned subsidiary of the Riksbank. The incorporation of cash handling was decided in 1998, as was the closure of the remaining branches, see section 6.2 below and Sveriges Riksbank (2006) for more information. In 2002, Tumba Bruk and the Swedish Mint were sold, which meant that production of notes and coins would take place outside of the bank thenceforth.<sup>24</sup> In 2003, Statistics Sweden was tasked with compiling the financial market statistics that the Riksbank had produced internally. A few years later, in 2007, the same change was made in regard to the balance of payments statistics.

The number of employees had, as previously mentioned, also continually been reduced in the 1990s, and in 2000 the Riksbank had around 470 employees (see Sveriges Riksbank 2001). The reduction from over a thousand people twenty years previously was mainly due to the reduced number of branches, while the workforce of the head office had largely been unchanged. However, over the coming years, the number of employees at the head

23 The drafting groups included, for example, the international drafting group (internationella beredningsgruppen IBG), the monetary policy drafting group (penningpolitiska beredningsgruppen PBG) and the administrative drafting group (administrativa beredningsgruppen ABG). The abbreviation PBG is still used today in connection with various meetings during the monetary policy drafting process.

24 Managing coins was taken over by the Riksbank from the Ministry of Finance in 1986. The Riksbank sold the coin operations to the Finnish Mint in 2002.

office also started to decrease, one reason being a decision of principle to cut the workforce by 10 per cent over three years (see Sveriges Riksbank 2004). In 2018, approximately 350 people worked at the Riksbank.

#### 4.5 New Sveriges Riksbank Act in 1999

In the new Sveriges Riksbank Act that came into force in 1999, it was established that the objective of monetary policy is price stability.<sup>25</sup> The new Sveriges Riksbank Act also brought substantial changes to the Riksbank's management structure. Until the end of 1998, the General Council of the Riksbank was the bank's highest decision-making body. The political composition of the General Council reflected then, and still reflects today, the political composition of the Riksdag. The most important change was the transfer of the General Council's decision-making power over all operations, with a few exceptions, to a newly created Executive Board.<sup>26</sup> The General Council was extended to include 11 members, with terms of office that continued to follow that of the Riksdag. The term of office of the governor of the Riksbank was further extended from five to six years and the same term of office also applied for the other five members of the Executive Board.<sup>27</sup> Through the legislative reform in 1999, the General Council's duties were limited, whereby the most important tasks were recruiting members for the Executive Board, including the position of governor, and also following and evaluating the Executive Board members' execution of their duty. The General Council of the Riksbank still also had the task of deciding on the design of new banknotes and coins, and submitting proposals to the Riksdag regarding how the Riksbank's financial result should be managed. Under the new Act, the Executive Board's decisions on changes to interest rates and open market operations became the Riksbank's most important policy activities. The Executive Board members also became jointly responsible for running the organisation.

Through the 1999 Act, the new Executive Board became closely linked to the daily operations, just like the Executive Board prior to the Act of 1988.

The transfer of most of the decision-making from the General Council to the new six-person Executive Board naturally prompted a number of questions for the Riksbank, particularly within the Executive Board. This concerned, for instance, agreement between members on how they would work and cooperate, and distribute any areas of responsibility between themselves.<sup>28</sup> The first Executive Board, appointed in 1998, was given its areas of responsibility by the General Council (see Sveriges Riksbank 1998): research and statistics; payment system matters; means-of-payment matters; international matters and internal and external communication; and monetary and foreign exchange policy.<sup>29, 30</sup> The governor of the Riksbank had no direct drafting or departmental responsibility, apart from over the Secretariat of the Board, which served as a kind of staff function. Discussions regarding how work should be organised have continued, naturally affected by experience from the work, and the fact that new members have been elected onto the Executive Board.

25 In a formal sense it was not a new Act, but substantial amendments to the Sveriges Riksbank Act of 1988 (1988:1385). The amendments were implemented through SFS (1998:1405), SFS (1998:1412) and SFS (1998:1413). As at February 2019, over 60 amendments had been made to the Act of 1988.

26 As explained in previous sections, there was an executive board until the early 1900s. However, this consisted partly of members of the general council appointed by the Riksdag or, until 1988, by the government.

27 The first set of executive board members had different terms of office, of one to six years, so that new nominations would not come all at once thereafter, see table A2 in the appendix. In 2008 the Act was amended so that the terms of office are either five or six years (see SFS 2008:239).

28 In the press release from 17 December 1998 which announced the six members of the new executive board, the work areas of the members were specified, see Sveriges Riksbank (1998).

29 The latter entailed a deputy governor leading the work on preparing proposals for monetary policy decisions, to be decided on by the executive board. However, it was not always the first deputy governor who had this task.

30 In terms of Figure 7, the departments reporting obligation was broken down as follows: The Research Department and the Financial Statistics Department; the Payment System Department; the Cashiers Department and the Internal Audit Department; the Communication Department and the International Department (included in the Coordination Unit); the Monetary and Exchange Rate Policy Department and the Economics Department; and the Secretariat of the Board and the administration director.

### New organisation in 2000

In May 2000 the General Council decided on a reorganisation following a proposal from the Executive Board. The purpose was to create a more efficient organisation with clear areas of responsibility and a strong focus on the bank's objectives and tasks. The bank's previous 16 departments were slimmed down to 11.<sup>31</sup> The Financial Statistics Department was closed down and three new departments focusing on the Riksbank's two primary objectives were formed.

- The Monetary Policy Department (the former Economics Department) was given responsibility for monetary policy analysis, which is the foundation for fulfilling the price stability objective. The department was also once more given responsibility for the balance of payments statistics.
- The Financial Stability Department (the former Payment System Department) was given responsibility for analysing the stability of the financial system, which is the foundation for fulfilling the objective regarding a safe and efficient payment system. The department was also given responsibility for the financial markets statistics.
- The Market Operations Department (formerly the Monetary and Exchange Rate Policy Department) was given responsibility for carrying out the monetary and foreign exchange policy operations and for the tools required for this. The activities of the department supported both of the main objectives. The department also took over responsibility for the RIX system (from the closed-down Payment System Department) and for cash provision. This was considered to be most appropriate as it was an entirely operational department, experienced in working in relation to the banks.

The newly formed Administration Department brought together the former units administrative staff, HR Department, the Organisational and Administration Department and the Planning and accounting Department.

The organisation was kept unchanged until 2004 when three smaller departments, the International Department, the Information Department and the Secretariat of the Board became secretariats instead, while at the same time a new department was formed, the General Secretariat. At the same time, the Research Department was assimilated into the Monetary Policy Department, although it retained its own operational and budgetary responsibility. At the same time, the Risk Control Department became a group in the Financial Stability Department in the hope of generating synergies, as both departments worked with risk-related matters. When the incorporation of cash handling was halted in the same year, parts of cash handling went to the Market Operations Department. The structure of having seven departments is still in place today, and changes since 2004 have more or less occurred within this structure.

### Change to the fields of responsibility of the Executive Board members

In terms of the fields of responsibility of the Executive Board members, it gradually came to light that there were problems in the management structure that had been introduced when the new Executive Board took up office. One was that the department heads naturally became subject to an information requirement and suggestions for measures from all of the Executive Board members, especially regarding the policy areas monetary policy and financial stability, while at the same time all department heads had a deputy governor as immediate manager. Another was that members of the Executive Board, possibly unintentionally, refrained from engaging in various matters beyond their immediate sphere of responsibility, and hence ended up making decisions on matters into which they did not have sufficient insight. This led to the fields of responsibility of the Executive Board

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<sup>31</sup> The former secretariats of the bank had changed names to departments in 1998.

members, from January 2005, changing from concerning specific departments to specific functions, which were in turn dealt with by different departments, but with the Executive Board members chairing various drafting groups.<sup>32</sup>

Over time, however, this management structure also came under criticism. It had emerged that this breakdown made joint drafting, and hence making decisions, difficult. It was also considered that there was a tendency whereby the member who had operational responsibility for a certain specialist area also had the greatest influence over the policy decisions concerning that area, something that did not square with the Executive Board being jointly responsible for all decisions. Another point of contention was that the distribution of the areas of responsibility was considered uneven; for example, the monetary policy specialist area was considered 'more important' and more prestigious than other areas.

### **New management model from 2007**

The discussions ended in a decision being made that the Executive Board members, from 2007, would no longer have any direct managerial responsibility for the internal operations or drafting of policy matters. The Executive Board also decided that the governor would be responsible for following up on the work of the departments, and also bear managerial responsibility for the department heads.

The department heads were given the responsibility of heading the daily work and drafting the matters the Executive Board wanted investigated. Department-wide matters and internal case briefing was dealt with in the Management Group, which had been formed a few years previously and which consisted of all department heads, apart from the head of internal audit.<sup>33</sup> The head of the General Secretariat became, and still is, the chair of the Management Group and, at Executive Board meetings, reports on the important matters that have been discussed and decisions that each department head has made or intends to make. It should be noted that the Management Group does not make any decisions; this is done by each department head.

As part of further improving efficiency in the bank's operations, a number of decisions were taken in 2007. Production and publication of the balance of payment statistics was procured from Statistics Sweden. The production and publication of financial market statistics had been transferred to Statistics Sweden in 2003 already. The Riksbank found that Statistics Sweden was better equipped to carry out the tasks than the Riksbank, and that confidence in the Riksbank would not be harmed by it no longer producing the statistics. However, the Riksbank is still responsible for the content and quality of the statistics.

### **Reorganisation in 2007**

A new reorganisation was carried out in 2007, and in the Market Operations Department (which changed name to the Asset Management Department), all units were gathered that worked with asset management with a view to increasing focus on this activity as well as the RIX payment system. Some units were transferred to other Departments. The Cash Provision unit was transferred from the Asset Management Department to the Administration Department, bringing it closer to the security function, transport and monitoring and the premises unit. The work initiated in 2008 on replacing banknotes and coin series took nine years, and would place heavy demands on the department. The monetary and foreign exchange policy operations were transferred to the Monetary Policy Department. The purpose was to bring the department closer to the markets used to influence interest rates.

<sup>32</sup> Examples that can be mentioned are drafting groups for consultation matters, financial risks in managing the foreign currency reserve, shocks in the financial system, and foreign exchange and monetary policy.

<sup>33</sup> The composition and tasks of the Management Group are regulated in the instructions for the Riksbank, which are decided by the Executive Board (for further discussion see section 4.7). Today, also the head of Communication is a member of the Management Group. According to the instructions, the head of internal audit, the chief legal counsel, the HR manager and the chief risk officer have the right to attend the Management Group's meetings to the extent they consider necessary.

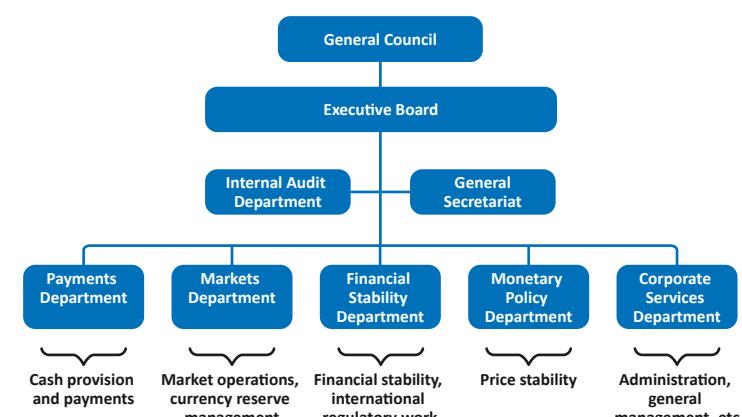
The Monetary Policy Department was also given main responsibility for all analysis of interest rates and exchange rates. Responsibility for the analysis of equity and credit markets was transferred to the Financial Stability Department, as was responsibility for market structure matters, which form a natural part of the analysis of the financial infrastructure. The business support and payment service unit (back office) was transferred from the Administration Department to the Asset Management Department. A new office service centre within the Administration Department was established.

#### 4.6 The Riksbank's organisation from 2014

The latest major reorganisation took place in 2014. One of several purposes of this reorganisation was to emphasize the significance of, and put more management attention on, payment matters, asset management and the Riksbank's balance sheet. Like before, the bank was organised into seven departments, four of which operated within the bank's main functions: price stability, financial stability, asset management and payment systems including cash handling (see Figure 8). The analysis of the Swedish and international economic developments and parts of financial markets would, like before, be dealt with by the Monetary Policy Department and the Financial Stability Department. With a view to improving the bank's ability to quickly understand the performance of, and be able to act on, financial markets, all operational activities that trade on and monitor financial markets were gathered into a new department, the Markets Department. In order to put a greater emphasis on payment matters and the bank's task of being responsible for Sweden's supply of banknotes and coins and the payment system, a separate department was also created for these activities – the Payments System and Cash department (later changed to the Payments Department).

The organisational changes also entailed some internal reallocation of activities between departments, and name changes for some departments and units. At the same time that cash handling was transferred from the Administration department, it changed names to the Corporate Services Department. The department also took over responsibility for the bank's IT operations, most of which had been outsourced in 2013.

**Figure 8. Organisation of the Riksbank's operations in 2019**



Note. In the General Secretariat is included the Executive Board Secretariat, the Communications Division and the Risk Division.  
Source: The Riksbank

#### 4.7 The Riksbank's management and organisation in 2019

The Sveriges Riksbank Act from 1999 implied an essentially new form of management for the Riksbank. Until 1998, the general council of the Riksbank had been the bank's highest decision-making body, in all matters – from decisions on setting interest rates to

various internal administrative matters. Through the new Act, the General Council of the Riksbank changed to having more of a control function, while the Executive Board took over responsibility for monetary policy and other policy-related decisions, as well as the daily running of the bank.

Most of the focus of the new Sveriges Riksbank Act was however on how monetary policy decisions should be taken, and was silent on for example how the operations should be managed. Instead, this has been devised internally at the Riksbank – a process that has taken time, as evidenced by the account above. The most important steering documents in this respect are the rules of procedure, on which the General Council decides, and the instructions, on which the Executive Board decides.<sup>34</sup>

### **The General Council's tasks**

The members of the General Council of the Riksbank are eleven in number and are appointed by the Riksdag. The composition of the General Council reflects the political composition of the Riksdag. The General Council meets around ten times a year. The tasks of the General Council that are usually in focus are the appointment of the Executive Board members and deciding on their terms of remuneration and employment. However, the General Council also has other tasks:

- The General Council adopts the Riksbank's rules of procedure, the document that sets forth the Riksbank's overall organisation and regulates certain managerial and decision-making matters. The rules of procedure specify for instance the tasks of the General Council, the tasks of the Executive Board, how the Executive Board makes decisions (including how the chairman of the Executive Board has the casting vote, which is not stated in the Sveriges Riksbank Act), the departmental structure at the Riksbank, and how auditing at the Riksbank is to be organised. The rules of procedure are periodically reviewed.
- The General Council decides on the design of banknotes and coins. For example, the General Council decided on the appearance of the new coins and banknotes in April 2011.
- The General Council submits proposals to the Riksdag regarding the allocation of the net income of the Riksbank. Decisions regarding the appropriation of profits, and on discharging the General Council and the Executive Board from liability, are taken by the Riksdag.
- The General Council shall regularly monitor the Riksbank's activities and how the Executive Board manages its business. The Sveriges Riksbank Act also sets forth that, at the Riksbank, there shall be an audit function that is managed by the General Council and which shall be focused on matters that are within the areas of responsibility of the General Council. The Act does not specify what is meant by 'within the areas of responsibility of the General Council'. These are set out more clearly in the rules of procedure which reflect the stipulations of the Sveriges Riksbank Act, and also add that the General Council has a control function, and that the General Council shall monitor the operations of the Riksbank (see section 3 of the rules of procedure). The General Council is given administrative support by the General Secretariat.
- The General Council may present opinions within its field of competence on issues officially referred to the Riksbank for consideration (see Chapter 2, section 4 of the Sveriges Riksbank Act). In consultation with the Executive Board, the General Council may present proposals to the Riksdag and the government regarding statutory

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<sup>34</sup> The rules of procedure and the instructions are amended from time to time. The latest versions are available on the Riksbank's webpage.

amendments or other measures in its sphere of responsibility. (See Chapter 4, section 1).

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

### **The Executive Board's tasks**

According to the Instrument of Government, the Riksbank is managed by an Executive Board, which is appointed by the General Council. According to the Sveriges Riksbank Act, the Executive Board of the Riksbank shall consist of six members with terms of office of five or six years. The General Council appoints the Chairman of the Executive Board, who shall, at the same time, be Governor of the Riksbank, and at least one Vice Chairman, who shall, at the same time, be First Deputy Governor of the Riksbank. The Executive Board:

- has, according to the rules of procedure 'responsibility for all the Riksbank's activities, that is monetary policy, the payments system and financial stability, as well as for the bank's administration' (see section 5 of the rules of procedure). According to the rules of procedure, the Executive Board decides on the Instructions for Sveriges Riksbank. The latter is a document that regulates in more detail how the organisation is organised and managed. For instance, the instructions set out how the internal body of regulations is devised; which decisions within monetary policy, financial stability, asset management, payment matters, international matters and overall governance are taken by the Executive Board; the areas of responsibility of the Governor of the Riksbank, the Deputy Governors of the Riksbank, the Management Group, the department heads and other managers; administrative regulations regarding for example register entry and documentation. An appendix to the instructions sets out the areas of responsibility of the various departments. The instructions are periodically reviewed.
- makes decisions, according to section 6 of the instructions, on *inter alia*
  - monetary and foreign exchange policy. According to a decision by the Executive Board, six monetary policy meetings are usually held each year;
  - significant matters in the sphere of financial stability;
  - important positions of principle regarding the management of the Riksbank's financial assets;
  - important positions of principle regarding payment matters;
  - general management and aims for the bank's operations.

The Executive Board is responsible for the operations and makes decisions collectively (see Chapter 9, section 1a of the Sveriges Riksbank Act and section 6 of the rules of procedure). At the same time, the rules of procedure set forth that the Governor of the Riksbank leads and monitors both the day-to-day and long-term operations of the Riksbank (section 10 of the rules of procedure). Section 5 of the Instructions state that 'the Executive Board directs the Riksbank's operations, which entails responsibility for the aims, development and efficiency of these operations.'

### **The role of the Management Group**

According to the instructions, the Management Group shall, amongst other things, compile input for decision-making regarding the overall focus of the Riksbank's operations and strategy for decisions by the Executive Board; prepare proposals for the Riksbank's overall business plan and budget, annual report and annual accounts and organisational change, draft rules, common processes and overarching organisational matters; consult in department-wide important matters of principle or significant matters of principle; and serve

as a crisis management group. The Management Group is chaired by the head of the General Secretariat and meets once a week.

## 5 Implementation of monetary policy

Since it was founded, the Riksbank has had the task of promoting price stability. Through history, this task has been interpreted in different ways, and has been given higher or lower priority among other operational objectives. An important question has for instance been whether this objective should be interpreted as an inflation target (internal price stability) or an exchange-rate target (external price stability). Over long periods of time, Sweden has had a fixed exchange rate system that has been linked to copper, silver, gold or to another currency or a group of other currencies, see Table 1 for a compilation covering the period since the Second World War. Until 1992, it was for instance found that 'the primary objective of monetary policy is to maintain a fixed exchange rate against a trade-weighted basket of foreign currencies' (see for example Sveriges Riksbank 1990). From 1993, the Riksbank has interpreted the price stability objective in terms of an inflation target (see Sveriges Riksbank 1993).

Depending on whether the objective is interpreted as a price stability target or an exchange-rate target, the daily operations can be organised slightly differently with different sets of activities. In times of prioritising 'external' price stability in the form of a stable exchange rate, the Riksbank has for example had to work with foreign exchange operations and different types of foreign exchange controls, which were however abolished at the end of the 1980s. In such times, the Riksbank conducted different types of foreign exchange operations, purchase or sale of foreign currency for Swedish kronor, either in spot or forward transactions, with the purpose of maintaining the fixed exchange rate and the external price stability.<sup>35</sup> Also, the 'interest-rate weapon' was used to protect the value of the Swedish krona. In the 1980s, however, inflation was a problem that was difficult to master for Sweden, but also for the Riksbank, as it was still expected to work to promote low inflation and low unemployment, perform credit and foreign exchange controls, support economic development and maintain the fixed exchange rate. Four devaluations were carried out between 1977 and 1982 to make the Swedish krona cheaper and restore the competitiveness of the Swedish exports industry. Decisions regarding the devaluations were formally decided by the general council, but were initiated by the governments formed after the elections in 1976 and 1982 (see for example Feldt 1983).

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<sup>35</sup> A spot transaction is settled after two days, while a forward transaction is settled after more than two days from the contract date.

Table 1. Sweden's monetary regimes since the Second World War

	Date	Note
<b>Fixed exchange rate</b>		
Member of Bretton Woods	31 August 1951–19 March 1973	The Bretton Woods system was an international currency arrangement with fixed exchange rates versus the US-dollar. It broke down in the early 1970's. See further in Bohlin (2010).
Member of the currency snake	19 March 1973 – 29 August 1977	The currency snake was a multilateral arrangement between western European currencies. Within this arrangement the krona was devalued by 3 per cent in October 1976, 6 per cent in April 1977, 10 per cent in August 1977 in connection with withdrawal.
Currency basket	29 August 1977 – 17 May 1991	The currency basket was a unilateral arrangement versus a basket of European and other currencies. Within this arrangement the krona was devalued by 10 per cent in September 1981, 16 per cent in October 1982.
ECU basket	17 May 1991 – 19 November 1992	The ECU basket was a unilateral arrangement versus a basket of the currencies of the members of the European Monetary System. See Lindberg and Lindenius (1991).
<b>Floating exchange rate</b>	As of 19 November 1992	
Inflation target		See Sveriges Riksbank (1993), the press release announcing the new inflation target.

Following the fall of the fixed exchange rate regime in November 1992, the Riksbank reinterpreted its task into primarily promoting internal price stability (see Sveriges Riksbank 1993). It gave itself two years to reach the target of an average price increase of 2 per cent – a target that was also fulfilled. Out of the many objectives that had steered the Riksbank's operations previously – influencing growth, employment, a fixed exchange rate, foreign exchange control, and so on – not much was left.

A few years later, reforms to the Sveriges Riksbank Act commenced in order to increase the bank's political independence in accordance with the terms regarding full monetary integration within the EU, as undertaken in the Maastricht Treaty from 1993. For the central banks, this mainly implied strengthened institutional and political independence. In the 1999 Sveriges Riksbank Act, this was implemented, as we have mentioned above, by transferring decision-making power from the General Council to the new Executive Board. The new Act also formulated price stability as the Riksbank's explicit operational objective. In the preparatory works for the 1999 Act, it is mentioned that monetary policy shall take into account factors such as employment and productivity without diverging from the priority of price stability.

After the crisis of the 1990s, the previously important functions foreign exchange and credit policy had disappeared, and instead the monetary policy became influential in attaining the price stability objective. The most important instrument for this work was the Executive Board's decisions on interest-rate changes and open market operations in Swedish kronor. Adding to this was also the publication of various analyses and forecasts regarding inflation development in the medium to long term. Hence, the analytical work that forms the basis for decisions regarding policy rates, open market operations and inflation forecasts belongs to monetary policy.

The monetary policy operations, as we understand them today, were also conducted to some extent before the Monetary and Exchange Rate Policy Department was created in 1989

when the operations on the domestic market were put together with the operations on the foreign exchange market. The Economics Department (which changed names in 2000 to the Monetary Policy Department) worked with analyses of the economy and the factors that the Riksbank's policies could – and should – influence, such as inflation, growth, unemployment, current account and foreign exchange movements. The Monetary and Exchange Rate Policy Department then carried out market operations as needed.

#### **Enhanced analyses and forecasts, and greater openness**

At a relatively early stage, the Riksbank headed towards greater transparency, one reason for which was to tackle the credibility problems that had struck the bank after the currency crisis at the beginning of the 1990s. Through the 1999 Sveriges Riksbank Act, publishing reports, analyses and Executive Board meeting minutes became formally important to the review and evaluation of the Riksbank's operations (see also section 8). They also became important policy instruments because they provided market participants with the Riksbank's view of present and future economic and financial development. Also, the Riksbank started to publish the Inflation Report in the mid-1990s (which changed names to the Monetary Policy Report in 2007).

In support of this, an increasing number of people with an advanced academic education, including economists with PhDs, were appointed. This followed an international pattern whereby a growing number of academics within economics were recruited for the central banks (Wendschlag 2018).<sup>36</sup> In the 1990s, a growing number of central banks also created their own research departments, in which non-directed but central-bank-relevant research was to be conducted. This was also the case for the Riksbank which, in 1997, started to build up a research department to conduct independent research that was of interest and relevance to the Riksbank. The department was to be a resource for other policy departments for advanced analyses and model development. However, it soon mainly became a highly attractive research environment for researchers in macroeconomics and econometrics, both in Sweden and internationally. The department contributed to the 'academisation' of the Riksbank as a workplace, and to boosting analytical capabilities. Several researchers have also advanced at the bank into prominent positions.

## **6 The promotion of a safe and efficient payment system**

The Sveriges Riksbank Act formulates the Riksbank's task as 'promoting a safe and efficient payment system' and hence working to promote financial stability. The wording of the law can be considered fairly open to interpretation, which was probably also the purpose.

Banking operations lead to different kinds of risk. This is the case both in the relationship between banks and customers, and between banks. Risks between banks can however grow very large and be a case of pure credit risk, that can arise in connection with banks settling transactions between each other. The payment system also comprises cash, and when the current Sveriges Riksbank Act was written at the end of the 1990s, reinterpretation had started of the Riksbank's responsibility for cash provision.

Financial stability has actually always been part of the Riksbank's field of activity and also had great significance during the era of regulation. However, work with financial stability matters took on a different structure from the mid-1990s with a more active and focused way of acting on the part of the Riksbank. It is the policy area which, over the past few decades, has developed most. The focus on stability issues, both in terms of efficiency and

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<sup>36</sup> Out of just over 350 people who worked at the Riksbank in 2018, around 70 hold PhDs.

risk in the financial system and cash provision, was initiated by Urban Bäckström, who was governor of the Riksbank from 1994 to 2002.<sup>37</sup>

Work on financial stability was allocated to the Payment System Department in the 1990s (see Figure 7). The reason for this was that crises in the financial system are manifested such that if a bank cannot honour its obligations, this causes problems in Sweden's central payment system, RIX, which also encompasses so-called central-bank clearing (see below). The department was tasked with building up and developing the Riksbank's knowledge about risks in the payment system with the objective that the Riksbank would regularly issue reports on the state of the financial system.

## 6.1 The Riksbank's payment system (RIX)

There are several electronic payment systems in Sweden, and the most important is the Riksbank's payment system, RIX, which processes large payments between banks and certain other entities. In 2018 the average daily turnover in RIX was approximately SEK 485 billion (see Sveriges Riksbank 2019). Sweden's gross domestic product (GDP) in 2018 was SEK 4,791 billion, which means that turnover in RIX in one day equalled 10 per cent of the value of Sweden's overall production during one year. RIX is primarily used for banks to settle their financial dealings without a credit risk arising. To this end, the banks each hold an account with the Riksbank. In that the Riksbank is the central bank and owned by the state, which has powers of taxation, the Riksbank cannot, by definition, default. The funds that the banks hold in their accounts with the Riksbank therefore do not carry any credit risk.

When the banks settle their dealings, the term 'central bank clearing' is often used. Before the electronic RIX system was created in the mid-1980s, representatives from the banks came to the Riksbank daily, bringing with them an envelope for each of the other banks that participated in the clearing. The envelope contained the receivables, including receivables in the form of overdrafts that the bank concerned had from each of the other banks. These envelopes were submitted to the Riksbank, which sorted them so that each bank, when clearing was completed, was given the envelopes with claims that other banks had on the bank in question. At the same time, the receivables were entered by the Riksbank in the respective accounts of the banks. If a bank did not have sufficient money in an account, it could borrow from the Riksbank. When RIX was created, the banks agreed to no longer meet to exchange receivables through swapping physical papers; rather, the information would be provided electronically.

Until the beginning of the 1990s, if the banks did not have sufficient funds in their accounts at the Riksbank, they could borrow from the Riksbank on an unsecured basis. However, in connection with the financial turmoil at the beginning of the 1990s, in which a couple of banks collapsed, the Riksbank decided to demand full collateral with a certain margin in order for the banks to obtain loans from the Riksbank.<sup>38</sup>

For many years, central bank clearing had been dealt with by the Banking Department, to which the Accounting Office belonged. One of the tasks of the latter was to manage the actual entries that were made into the banks' accounts at the Riksbank. In 1991 the Accounting Office became a department in its own right, maintaining responsibility for RIX and the Riksbank's accounting. In order to increase focus on stability matters, in 1995 the Accounting Department changed names to the Payment System Department. At the same time, the link was established, which the bank continues to make, between responsibility for the payment system and financial stability. Accounting matters were transferred to a

<sup>37</sup> As newly appointed Secretary of State in the Ministry of Finance, Urban Bäckström found out that a Swedish bank was about to collapse. Bäckström wondered, quite rightly, how this could happen without any government authority having noticed beforehand what was happening. It was against that background that the Riksbank started to allocate major resources to stability matters.

<sup>38</sup> It was not until 1999 that the law stated that the Riksbank could only extend loans against collateral (SFS 1998:1414). The Riksbank began requiring collateral when extending loans before this became the law.

newly appointed group for accounting matters in the Administration Department. The new department was, as mentioned above, tasked with building up and developing the Riksbank's knowledge about risks in the payment system.

It took just over two years before the Riksbank published its first stability report in 1997. The Financial Stability Report is now published twice a year, and describes the Riksbank's assessment of the Swedish financial markets' – and especially the large banks' – stability and risk (see for example Sveriges Riksbank 2018). The Riksbank was the first central bank in the world to publish reports that include opinions on the theme of financial stability. Initially, the Riksbank was subjected to a number of questions and also critical comments from other central banks when it published its first stability report. The questions were mainly about how the Riksbank would act in a situation in which it believed a Swedish bank was in major difficulty – would it dare to say so in that case? Today, we can see that the Riksbank's pioneering activities were highly successful, and many central banks now publish stability reports. Also, once in a while the Riksbank has criticised named banks in its reports.

Building up an entirely new activity must understandably take a certain amount of time, and it is natural that the optimal organisation is not found straight away. The department initially had access to the resources that it considered it needed and could manage, at a time when other departments were under constraints in terms of resources due to the cutbacks at the head office caused by the HK-95 project.

In 1999 the payment system department had around 35 employees, which can be compared with 2018 when a little under 70 people worked in the Financial Stability Department. The department had two initial main tasks: One was to promote financial stability, and this work included overseeing the various payment and settlement systems that existed in Sweden. Also, it was to be responsible for the operation and development of the RIX system.

From 2000, on the suggestion of the Payment System Department, RIX was transferred to the Market Operations Department – an operational department that still had responsibility for executing the Riksbank's market operations. At the same time, the Payment System Department changed names to the Financial Stability Department. The reason for the transfer was that the department did not find it appropriate to have responsibility for the operation and development of RIX, and responsibility for overseeing the system at the same time.

Since 2000, the Financial Stability Department has gradually changed in line with developments in knowledge regarding financial stability matters, and changed needs. New groups have been added, and the responsibility of some groups has changed. The financial crisis of 2008–2009 put even more focus on stability matters and the need to enhance the tools needed by the Riksbank to promote a safe and efficient payments system.

## 6.2 The Riksbank's cash handling

Through the 1897 Sveriges Riksbank Act, the Riksbank gained, as we mentioned above, the monopoly on banknote issuance. In the second half of the 19th century in particular, Riksbank branches were established in all of the 23 county towns of the time and they would mainly come to deal with cash provision, but also a number of government loans and the sale of premium bonds.

Changes in the branch structure and efficiencies in the operations commenced in the 1980s, when a few branches were closed down and banknote depositories were established instead, also in locations where there had not been a branch previously. In 1982 there were 24 branches (including the head office in Stockholm) and 1 depository with 632 full-time employees, in 1987 there were 11 branches and 3 depositories with 540 full-time employees, in 1993 there were 19 branches, no depositories and 443 full-time employees and in 1997 there were 11 branches, 8 depositories and 300 full-time employees (see Sveriges Riksbank 1998).

The cash-related activities had, as we mentioned briefly in section 4 above, come to be viewed increasingly from a cost angle, and less from a ‘public good’ angle. The endeavour from the mid-1990s to sharply enhance the efficiency of the Riksbank would also affect how cash provision was organised, and regional branches were closed down. Also, a decision was made to privatise the majority of cash handling.

One main reason for privatising it was primarily to streamline the two separate functions that the Riksbank had for cash handling. The first function, ensuring that cash was available around the country, is a practical activity that bears much resemblance to the production operations of private companies. It was considered that there were lots of synergies associated with this activity and services on the cash market other than those that the Riksbank considered was its task to offer. By transferring the operations to a company with a clear profitability target, they could be made more efficient and more focused on business development in the cash market. This ought therefore to lead to a reduction in the costs of cash handling of both the Riksbank and the private sector, and hence a socioeconomic gain.

Incorporation would also enable a work environment for employees that was more stimulating and that offered greater advancement. The second function of the Riksbank – being the authority for cash provision – could also be streamlined. By reducing the resources needed to resolve practical problems reminiscent of those involved in business finances, the Riksbank was able to concentrate on performing its task of promoting a safe and efficient payment system as the cash provision authority.

In that spirit, at the end of 1998 the general council decided that a wholly owned limited company, Pengar i Sverige AB (PSAB), would be formed, which would be responsible for all the cash handling operations with which the Riksbank had worked thus far, apart from a small part that could be considered central-bank-specific. The latter was about ensuring that banknotes and coins were produced and that they were of good quality, and storing banknotes and coins and destroying bad banknotes.

The purpose of transferring the operations into a company, besides so that it could bear its own costs and be more efficient, was to illuminate the actual cost of cash handling, which had been impossible to distinguish thus far. The intention was to make the company profitable, and then have the larger banks take it over and run it. However, the company was never profitable and the banks were not interested in taking it over, and already in 2005 both PSAB and Svensk Kontantförsörjning AB were wound up. The latter had been formed in 2002, and one of its purposes had been to take over some of the more central-bank-specific parts of PSAB’s operations and work with attempting to sell all or parts of PSAB.

The remaining cash handling was assimilated back into the Riksbank and went to the Market Operations Department, which still had responsibility for the central-bank-specific part of cash handling.<sup>39</sup> In 2007, as we mentioned above, responsibility for cash handling was transferred to the Administration Department, and in 2014 to the newly formed Payment and Cash Department (which is now called the Payments Department).

## 7 The Riksbank's international operations

The Riksbank's contacts with foreign central banks and organisations have undergone drastic development in the past few decades. At the end of the 1960s, for example, authorisation was required from the head of the Foreign Department if an official was to call a Nordic central bank for any matter, and, with few exceptions, it was the governor or deputy governor who represented the Riksbank internationally.<sup>40</sup> Today, officials themselves

<sup>39</sup> At the time it was about designing and purchasing banknotes and coins, storage as well as supervision of the privatised cash handling.

<sup>40</sup> If somebody needed to make a call to a central bank outside of the Nordic region, the matter had to be raised with the deputy governor.

decide whether they need to contact a counterpart in another country, and most Riksbank employees have recurring international contacts as they conduct their work today.

The main reason for this is that an increasing amount of negotiations and decisions regarding new or amended policies or regulations of banking operations and financial markets are taken internationally, and Sweden must normally follow such decisions. While as early as in the 1950s there were indeed a number of organisations – the IMF, World Bank, some OECD committees and so on – in which the Riksbank negotiated with other countries to influence international solutions, there has been a prominent shift towards seeking international agreements, which then set the frameworks for Sweden and the Riksbank. International work has also led to a sharp improvement in language skills and knowledge about the technical issues under discussion, which is a natural necessity in the ability to influence decisions.

Sweden's development in the last few decades in this respect resembles that in most other countries. The international cooperation between central banks can be linked to the major negotiations after the First World War, in which the central banks participated as technical experts in the delegations of the participating countries. Early formalisation of the central banks' cooperation came in 1931 with the Bank for International Settlements, of which Sweden, represented by the Riksbank, was a founding country. Also, the governor of the Riksbank was Sweden's representative on the board of the International Monetary Fund (a UN organisation) when Sweden joined in 1951, and the G10 in 1961.

In the influential Basel Committee on Banking Supervision, Sweden is represented by both the Riksbank and Finansinspektionen. The committee was formed in 1974 as a relatively informal group for officials in the G10 to discuss and inform each other of issues related to banking regulation and supervision in their own country. The best practice regulations gradually published by the committee in these matters were soon implemented in national legislation worldwide, making the committee one of the most important banking regulation and supervision forums today too. Governor Stefan Ingves was chairman of the Basel Committee from 2011 to 2019.<sup>41</sup>

Although international engagements were long reserved for the Riksbank's highest officials, an international organisation for these kinds of activities was established at an early stage. In the same year that the G10 was formed in 1961, the Foreign Relations Department was formed, which was given responsibility for coordinating and preparing the Riksbank's international work. In 1976 the department changed names to the International Department (see Figures 4 and 5). This department came to serve as the hub for the Riksbank's international engagements, and largely handled all general international groups and meetings. When the Swedish government started to borrow money on the international capital market, the International Department was initially involved as advisor to the Swedish National Debt Office. The Riksbank provided advice on and analysis of the tenders submitted by foreign consortia, because the National Debt Office had not had the time to build up its expertise in the area.

The International Department was divided into a foreign exchange policy group that mainly dealt with matters regarding Sweden's membership in the International Monetary Fund and in the World Bank, and a group for economic cooperation that concerned the OECD's field of work. The department also dealt with matters that came under the Nordic Council in its Nordic Financial Committee group, which prepared various financial and economic matters. It can be noted that matters regarding currencies and exchange rates were entirely dealt with by the Foreign Department, and certain general economics meetings

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<sup>41</sup> Ingves was elected chairman of the Basel Committee in 2011, and was then given the customary three-year term of office. In 2014 he was re-elected for three more years. He then served in practice as chairman until a replacement was appointed in March 2019.

within the bounds of the OECD for example were managed by the head of the Economics Department or equivalent.

Staff of the International Department were mainly generalists and not specialists in the issues to be covered, even though many exceptions can be found, such as institutional matters regarding the International Monetary Fund and the World Bank. The department prepared input for the international meetings of the governors of the Riksbank, and proximity to these people also led to them being engaged in some purely domestic matters. The department also prepared all matters regarding the International Monetary Fund and the World Bank for the Ministry of Finance and the Ministry for Foreign Affairs. It was also responsible for Sweden's coordination in these matters, which is only the case for the International Monetary Fund today. It also prepared certain international lending matters, such as the monetary fund's lending to countries in economic crisis, and matters regarding capital contributions in international development banks. At times, on a rotating schedule, it was also responsible for the Nordic coordination in monetary fund matters and later on in the Baltic-Nordic coordination. The department was also responsible at the time for the instructions sent to the countries' executive director on the board of the International Monetary Fund.

After Sweden joined the EU in 1995, a growing number of the Riksbank's officials would work with inquiries, information and negotiations regarding Sweden's potential membership of the European Monetary Union (EMU) and affiliation with the euro area. Riksbank officials took part in a great number of working groups in Brussels and Frankfurt when the technical and practical design of the currency union was in preparation, together with representatives from the Ministry of Finance and other expert authorities. The Riksbank also became a member of the European System of Central Banks (ESCB) and of the European Monetary Institute (EMI), the forerunner of the European Central Bank (ECB).

From the mid-1990s, the number of international committees and working groups grew sharply at the Riksbank, and specialists would take over a growing proportion of international efforts. The International Department shrunk in size. In the 1970s and 1980s, around 20 people at most worked in the department. It was a secretariat within the General Secretariat before finally being closed down in 2009, and responsibility for coordinating international matters was transferred to the Financial Stability Department. This was because it was considered that the Riksbank's best opportunities for international influence lay in the field of financial stability, for which the Riksbank was at the forefront from an early stage in that it was first to issue reports on risk in the financial system.

Developments in international work in the past 50 years have of course been affected by globalisation. At the Riksbank, international efforts have gone from being under strict management control to being delegated, albeit based on jointly established policies and guidelines. At the same time, in the main groups of the large organisations, the Riksbank was still represented by the Executive Board with specialist support and meeting preparations from the officials. The officials, for their part, participate in a completely different way than before in international working groups beneath the main groups.<sup>42</sup> Everything is coordinated within a number of Riksbank forums in which both the Executive Board and the officials concerned participate. The Nordic cooperation has become Nordic-Baltic and has been sharply limited, compared with the 1980s, to coordinated presence in global organisations such as the IMF. In turn, work with the ECB and EU has expanded considerably.

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42 Examples are BIS/G10, Financial Stability Board (FSB), different groups in the European Central Bank (ECB), the EU, the European Systemic Risk Board (ESRB), Eurostat, IMF, OECD, Nordic-Baltic cooperation, Euroclear, etc.

## 8 The Riksbank in the years 1976, 1999 and 2019 – a comparison

In section 4 we have described how the Riksbank has developed in the past almost 50 years. 1976 was a significant year, when the Riksbank underwent an extensive reorganisation and started to be modernised. While foreign exchange and credit regulation were indeed still fully in force and dominated the Riksbank's operations, steps were taken towards more analytical units, unlike the more supervisory approach resulting from regulation. 1999 was an even more revolutionary year. A new Sveriges Riksbank Act came into force and gave the Riksbank clear objectives, independence and a completely new form of management. Modernisation of the organisation continued and it became increasingly focused on the functions price stability and financial stability. Today, in 2019, new areas are receiving more attention due to changes in the world at large. Examples are operations on financial markets, and on the payment market.

### 1976 compared with 2019

When comparing the Riksbank's organisation of 1976 and 2019, there are several similarities. The Riksbank is still an authority that comes under the Riksdag, there is an Executive Board and relatively few departments and functions, if we equate the Riksbank directors of the 1970s with today's department heads (cf. Figure 5 and 8). However, there are major differences. In the 1970s, two members of the General Council were included in the Executive Board besides the governor, deputy governor and the Riksbank director who was the reporting clerk. Everybody apart from the Riksbank director was politically appointed. Today's Executive Board, appointed by the General Council, runs the Riksbank's operations independently. The operations are also completely different. In the 1970s, management was conducted through different kinds of regulation. Today, the Riksbank works instead with different kinds of market-steering operations. In the 1970s, domestic and foreign matters were often dealt with separately from each other today, they are integrated within each policy area.

### 1999 compared with 2019 increased focus on transparency and communication

20 years have now passed since the 1999 Sveriges Riksbank Act came into force a reform that gave the Riksbank clear objectives and independence for making decisions. In practice, the independence means that the Riksbank's operations may not be governed or influenced by either political leaders in the Riksdag or government, or by other authorities or elements of central government. Naturally, with increased independence came the need for increased openness and transparency, and a lot has happened in this field since 1999.

The gradual journey to a more open central bank had however already begun, after the Swedish financial crisis at the beginning of the 1990s (see Meyersson and Mikiver 2018). Confidence in the Riksbank was low after the autumn of 1992 when the interest rate was hiked to 500 per cent and the fixed exchange rate regime collapsed. For the Riksbank, it was a case of having to recreate confidence in the bank, which was seen as a very closed organisation. The Riksbank therefore gradually started to open up and, in a different way than before, published material produced by employees. During this period, the Riksbank published more and more of the input prepared ahead of, in particular, the interest rate decisions. Publishing the Riksbank's analyses of and forecasts for financial markets and economic development would have tremendous significance.

The Riksbank's increased level of independence in 1999 placed further demands on transparency. With statutory independence for the Riksbank, changes also came that opened up for democratic insight and evaluation. In the Sveriges Riksbank Act, this is expressed in that: The Riksbank shall submit a written report on monetary policy to the

Riksdag Committee on Finance at least twice a year. Furthermore, the Executive Board of the Riksbank is obliged to submit each year an account and report to the Riksdag, the Swedish National Audit Office and the General Council of the Riksbank on conducted monetary policy and how the Riksbank has promoted a safe and efficient payment system.

The increased independence was accompanied by new kinds of evaluation and external control. External control of the Riksbank comes in several forms. Twice a year, the Riksdag Committee on Finance has two open hearings with the Executive Board regarding current monetary policy, and how the bank views future activities. The Committee also conducts an annual evaluation of monetary policy. The Parliamentary Auditors conduct an annual audit of the Riksbank's balance sheet. Once every five years since 2005, the Riksdag has allowed international experts to evaluate monetary policy and work with financial stability in the preceding five years.

In the past 25 years, the Riksbank has gradually enabled external parties to follow, inspect and evaluate the central bank's activities. The Riksbank is considered to be one of the most open central banks in the world. For example, since 1999 the Executive Board has been publishing minutes from the monetary policy meetings, and these have come to be increasingly detailed. The purpose has been to make it easier for the Riksbank's principals to hold the Riksbank to account, and also to provide financial markets with information that is as clear as possible about the Riksbank's positions on and interpretations of economic development. Likewise, the press releases published in connection with the monetary policy meetings have come to contain an increasing volume of information, for instance whether reservations have been entered.

In line with the heightened transparency, growing demands have been placed on the communication capabilities of the organisation. In the 1990s there were a handful of professional communicators employed at the Riksbank, and much of the art of expression was attended to by the experts or executive board members themselves. In 2006 the Riksbank made a number of decisions to make the communication itself clearer and more open. The Information Department, which had previously been a relatively traditional department focusing on the production of publications, was reorganised into a secretariat under the General Secretariat. Several economists from the specialist departments were recruited, and the Information secretariat commenced work on becoming more integrated into the rest of the bank's operations. For example, a communications officer was appointed for each department, and the communicators gained increasing influence over the final wording of texts and messages. In order to address the sometimes complicated and cryptic language used in the Riksbank's speeches, reports and other texts, in 2007 a plain language project commenced for all of the Riksbank's employees. These efforts bore fruit, and the Plain Swedish Crystal award was bestowed upon the Riksbank in 2009.

## 9 Concluding comments

Since it was founded in 1668, the Riksbank has been an authority that comes under the Riksdag. The Riksbank's activities are governed by the 1999 Sveriges Riksbank Act, which sets forth that the Riksbank is the central bank of Sweden, with responsibility for Sweden's monetary policy. However, the Riksbank also conducts other activities that naturally ensue from its role of central bank, primarily as the bank of banks. In this article we have studied how the Riksbank's various functions, management and internal organisation have changed over time, with a focus on developments in the past 50 years.

A clear trend in the Riksbank's organisational development is the progression towards fewer and fewer employees and organisational units. At the same time, a growing number of academics have been recruited, and a greater emphasis has been put on qualified research and analytical work. Since the current Sveriges Riksbank Act came into force in 1999, further

reorganisations have taken place with a view to improving the efficiency of the internal operations and adapting them to changes abroad, such as developments in the European Monetary Union and the increasing interconnectedness of the global financial system. Cash handling has been fundamentally altered. We can note that changes in the Riksbank's operations and its organisation have not clearly coincided with the major institutional changes to the Riksbank's remit and tasks. The Sveriges Riksbank Acts and amendments thereto have, in other words, not always been decisive in how the bank has worked, or which functions have been prioritised. Rather, it has often been changes abroad, such as increasingly integrated financial markets, and people who have served in the Riksbank's management, that have led to changes in the bank's organisation.

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## Appendix

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Table A1. The Riksbank's areas of operation and organisation 1974–2018

	(1) Credit policy and regulation	(2) Foreign exchange controls	(3) Price stability	(4) Open market operations	(5) Foreign exchange operations	(6) Currency reserve management	(7) Payment systems	(8) Cash provision	(9) Analyses, reports and statistics RX BP FM FS <sup>1</sup>				(10) Financial stability	(11) International work
1974	Credit Market Department		Credit Market Department	Securities Department				Branches Department						
1975								Banking Department		CMD <sup>2</sup>				
1976				Monetary Policy Department										
1977					Foreign Department	Foreign Department	Banking Department							
1978				Capital Markets Department										
1979				Securities Department										
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1. RX, interest and exchange rate markets. BP, balance of payments. FM, financial market. FS, financial stability.

2. Credit Market Department.

3. From the mid 1990's all policy departments began to work internationally (see Section 7).

International Department

International Secretariat/General Secretariat<sup>3</sup>

Financial Stability Department

Table A2. Governors<sup>1</sup> of the Riksbank and chairmen of the general council since 1858

	Governors of the Riksbank	Chairmen of the General Council		Governors of the Riksbank	Chairmen of the General Council		Governors of the Riksbank	Chairmen of the General Council		Governors of the Riksbank	Chairmen of the General Council
1858				1898	1883–1901 Johan Wolter Arnberg		1938			1978	
1859				1899			1939			1979	
1860		1858–1860 Carl Bertil Lilliehök		1900			1940			1980	1976–1982 Torsten Bengtsson
1861				1901			1941			1981	
1862				1902			1942	1929–1948 Ivar Rooth		1982	
1863				1903			1943			1983	
1864				1904			1944			1984	1982–1985 Gunnar Sträng
1865		1863–1868 Albert Wilhelm Björk (potentially from 1860)		1905			1945			1985	
1866				1906			1946			1986	
1867				1907			1947			1987	
1868				1908			1948	1948–1951 Klas Böök		1988	
1869				1909			1949			1989	
1870				1910			1950			1990	
1871				1911			1951	1948–1956 Conrad Jonsson		1991	
1872				1912			1952			1992	
1873				1913			1953	1951–1955 Mats Lemne		1993	
1874				1914			1954			1994	
1875				1915			1955			1995	
1876				1916			1956	1956–1957 Per Eckerberg		1996	
1877		1870–1883 Alfred Wilhelm Dufwa		1917			1957			1997	
1878				1918			1958			1998	
1879				1919			1959			1999	
1880				1920			1960			2000	
1881				1921			1961			2001	
1882				1922			1962			2002	
1883				1923			1963	1955–1973 Per Åsbrink		2003	
1884				1924			1964			2004	2003–2005 Lars Heikensten
1885				1925			1965			2005	
1886				1926			1966			2006	
1887				1927			1967			2007	
1888				1928			1968			2008	
1889				1929			1969			2009	
1890				1930			1970			2010	
1891		1885–1886 Pehr J von Ehrenheim		1931			1971			2011	
1892				1932			1972	1970–1973 John Ericsson		2012	
1893		1886–1890 Carl Magnus Casimir Lewenhaupt		1933			1973	1973–1976 Krister Wickman		2013	
1894				1934			1974	1974–1976 Pierre Vinde (appointed 26/08/1974)		2014	
1895				1935			1975			2015	
1896				1936			1976	1976–1979 Carl-Henrik Nordlander		2016	
1897		1890–1908 Pehr J von Ehrenheim		1937			1977			2017	
										2018	2014–Susanne Eberstein (term of office until new election following the general election in 2022)

1. Until 1949 formally called 'first deputy' (Wetterberg 2009)

### Executive Board members since 1999

The current Sveriges Riksbank Act has been in place for two decades, and 18 people have served as Executive Board members. Several members have served for more than one term of office, which was initially six years, but can now be five or six years. When the first Executive Board was elected, however, the terms of office were divided up between one and six years, and the idea at the time was that one member would be replaced each year. However, this has not been the case. Even though several members have been elected for more than one term, several have opted to leave the Executive Board during their current term of office, including two governors of the Riksbank.

Table A3. Members of the Executive Board of the Riksbank 1999–2019

		Term(s) of office	Title	Note
1	Urban Bäckström	1 Jan 1999–31 Dec 2004	Governor of the Riksbank	Left 31 Dec 2002
2	Lars Heikensten	1 Jan 1999–31 Dec 2003, appointed Governor of the Riksbank for the period 1 Jan 2003–31 Dec 2008	First Deputy Governor of the Riksbank, Governor of the Riksbank from 2003	Left 31 Dec 2005
3	Eva Srejber	1 Jan 1999 – 31 Dec 2002, 1 Jan 2003 – 31 Dec 2008	First Deputy Governor of the Riksbank from 1 Jan 2003	Left 29 March 2007
4	Villy Bergström	1 Jan 1999–31 Dec 2001, 1 Jan 2002–31 Dec 2007	Deputy Governor of the Riksbank	Left 31 Dec 2005
5	Kerstin Hessius	1 Jan 1999–31 Dec 2000	Deputy Governor of the Riksbank	
6	Lars Nyberg	1 Jan 1999–31 Dec 1999, 1 Jan 2000–31 Dec 2005, 1 Jan 2006–31 Dec 2011	Deputy Governor of the Riksbank	
7	Kristina Persson	1 May 2001–30 Apr 2007	Deputy Governor of the Riksbank	
8	Irma Rosenberg	1 Jan 2003–31 Dec 2008	First Deputy Governor of the Riksbank from 25 April 2007	
9	<b>Stefan Ingves</b>	1 Jan 2006–31 Dec 2011, 1 Jan 2012–31 Dec 2017, 1 Jan 2018–31 Dec 2022	Governor of the Riksbank	
10	Svante Öberg	1 Jan 2006–31 Dec 2011	First Deputy Governor of the Riksbank from 30 Jan 2009	
11	Barbro Wickman-Parak	21 May 2007–20 May 2013	Deputy Governor of the Riksbank	
12	Lars E O Svensson	21 May 2007–20 May 2013	Deputy Governor of the Riksbank	
13	Karolina Ekholm	15 March 2009–14 March 2015	Deputy Governor of the Riksbank	Left 10 Oct 2014
14	<b>Kerstin af Jochnick</b>	1 Jan 2012–31 Dec 2017, 1 Jan 2018–31 Dec 2023	First Deputy Governor of the Riksbank	
15	<b>Per Jansson</b>	1 Jan 2012–31 Dec 2016, 1 Jan 2017–31 Dec 2021	Deputy Governor of the Riksbank	First member to be appointed for a 5-year term of office
16	<b>Martin Flodén</b>	22 May 2013–21 May 2018, 22 May 2018–21 May 2024	Deputy Governor of the Riksbank	
17	<b>Cecilia Skingsley</b>	22 May 2013–21 May 2019, 22 May 2019–21 May 2025	Deputy Governor of the Riksbank	
18	<b>Henry Ohlsson</b>	12 Jan 2015–12 Jan 2021	Deputy Governor of the Riksbank	

Note: Current Executive Board members are in bold.

Source: The Riksbank