The world’s oldest central bank is celebrating its 350th anniversary
How the Riksbank contributes to financial stability

Kerstin af Jochnick
First Deputy Governor of the Riksbank

Sveriges Riksbank
29 January 2018
Theme: financial stability

• Relevant due to the current review of the Sveriges Riksbank Act

• Task of analysing the Riksbank’s responsibility for financial stability
Central banking is about the provision of liquidity

• Providing loans to banks during the day
• Accepting deposits from or providing loans to banks in the slightly longer term
• Providing loans to individual banks on special terms in temporary emergency situations
Promoting a stable and efficient financial system

Three core tasks:

• Issuing banknotes and coins
• Responsibility for RIX – the Riksbank's system for large-value payments
• Acting as lender of last resort – emergency liquidity assistance

Also close relationship between monetary policy and financial stability
Issuing banknotes and coins

Cash in circulation

The Riksbank’s responsibility for the handling of cash

E-krona?

Note. SEK billion (at year-end).

Source: The Riksbank
Responsibility for RIX – the Riksbank's system for large-value payments
Acting as lender of last resort

Through...

• the possibility of creating money in Swedish kronor and
• holding a foreign currency reserve ...

...the Riksbank is able to provide liquidity in a crisis
How the Riksbank works to fulfil its tasks

• Analyses financial companies, infrastructures and markets, as well as the links between them, both under normal circumstances and in times of crisis

• Builds crisis preparedness – above all through exercises
Essential that the Riksbank can use its tools flexibly in a crisis

Contributes to promoting both financial stability and the impact of monetary policy

- Unclear legislation
- Development work on new liquidity instruments

→ Linking instruments to specific purposes should be questioned
Analysis of financial stability necessary for monetary policy decisions
Broad discussions on systemic risk issues are valuable

• Regular analyses of the financial system
• The Riksbank contributes to the public debate on systemic risks
• Several authorities with different responsibilities provide different perspectives
• Vital to have good forms for discussion, cooperation and consultation
The Riksbank's voice on liquidity issues should carry special weight

Because:

• Central role in supplying liquidity to society
• Lender of last resort – often acts first in a crisis
• Natural role to comment on decisions and regulations that affect how likely it is that the Riksbank will have to intervene

→ Different forms: e.g. Finansinspektionen could have a stronger obligation to consult, the Riksbank could be expected to make recommendations, etc.
International cooperation important to promote financial stability

• International perspective increasing in significance – regulations, systemic risks
• Comprehensive central bank cooperation
• The Riksbank participates in about 80 committees and groups
• Some of these are purely central bank forums, e.g. BIS and ECB
Broad task and flexibility in the use of instruments

Broad assignment of contributing to financial stability

- Clarify responsibility in contributing to analysing the risks in the financial system
- The Riksbank's voice on liquidity issues should carry special weight
- Take effects on international cooperation into consideration

Flexibility in performing tasks

- In particular, question the linking of instruments to specific purposes
THANK YOU!