



# CENTRAL BANKING LEGISLATION

## CHAPTER 1. GUARANTEE OF RIKSDAG AND SPHERE OF ACTIVITY

Art. 1. In accordance with Article 72 of the Constitution of the Realm, the Sveriges Riksbank is placed under the guarantee of the Riksdag.

Art. 2. The Riksbank, which in accordance with special regulations issued thereon is exclusively authorized to issue bank notes, shall carry on banking in conformity with the present Act.

Further, the Riksbank may carry on printing at its printing works and paper production at its paper mill.

The Riksbank may not take part in or carry on any kind of business other than that expressly permitted to the Bank by the present Act.

## CHAPTER 2. CAPITAL, RESERVE FUND AND PROFITS

Art. 3. The capital of the Riksbank shall be fifty million honor.

Art. 4. The reserve fund of the Riksbank shall be twenty million honor. If the reserve fund falls below that amount, at least ten per cent of the Riksbank's yearly net profit shall be allocated to the reserve fund until it reaches the amount prescribed.

An. 5. The Riksdag is entitled to decide upon the disposal of the yearly net profit of the Riksbank, subject, however, to the due observance of the provisions of Article 4.

<sup>1</sup> Lag for Sveriges Riksbank (Act No. 437) of June 30, 1934, as amended through July 31, 1966. In the version published here, the word Chapter corresponds to the Swedish word *Kapitel* and the word Article (Art.) to the sign §. For the Swedish text of the original Act, see *Svenske Författningssamling*, 1934: 437.

## CHAPTER 3. ISSUE OF NOTES

An. 6. In conformity with Article 72 of the Constitution of the Realm, notes issued by the Riksbank are legal tender within the Realm and are redeemable by the Riksbank at their face value

The redemption of the notes of the Riksbank shall take place at the head office of the Bank.

Art. 7. [Repealed]

Art. 8. The Riksbank shall issue notes in denominations of five, ten, fifty, one hundred, and one thousand honor, and may also if and when the Board of Directors of the Riksbank deem it expedient, issue notes in the denomination of ten thousand honor. Further, if the demand for subsidiary coin has increased in consequence of exceptional circumstances, the King in Council may, if and when it is deemed necessary, upon the recommendation of the Board of Directors of the Riksbank, permit the Riksbank to issue notes for one krona; such notes must, however, be withdrawn from circulation as soon as possible.

An. 9. The Riksbank may issue notes to an amount corresponding to double the amount of the Riksbank's gold reserve, calculated in the manner specified in Article 11, and, in addition, to an amount of three hundred and fifty million honor.

If an increase in the right of issue is deemed necessary in consequence of exceptional circumstances, the King in Council and the Riksdag acting jointly or, if the Riksdag is not in session, the King in Council alone may, upon the recommendation of the Board of Directors of the Riksbank and after consultation with the Board of Directors of the National Debt Office, permit the Riksbank to issue notes to an additional amount of not more than three hundred and fifty million honor. Such permission granted by the King in Council between the sessions of the Riksdag shall, unless it is ratified by the Riksdag within twenty days after the commencement of its next ensuing session, become void at the expiration of the said period. The Board of Directors of the Riksbank are under obligation as soon as possible to withdraw from circulation notes to an amount corresponding to what may have been issued by reason of an increase in the right of issue thus granted.

Art. 10. That portion of the Riksbank's notes in circulation which exceeds the Bank's gold reserve must be covered by the following assets:

- (a) easily realizable government securities;
- (b) bonds of the Sveriges Allmänna Hypoteksbank (General Mortgage Bank of Sweden) and of the Konungariket Sveriges Stadshypotekskassa (City Mortgage Bank of the Kingdom of Sweden), as well as such other Swedish bonds as are quoted on stock exchanges abroad;
- (c) such gold coin and bullion deposited abroad or in transit therefrom, duly insured, as is not included in the gold reserve in conformity with Article 11;
- (d) bills payable within the Realm or abroad;
- (e) such deposits with banks or bankers abroad as fall due within six months, less any sums owing by the Riksbank to banks or bankers abroad;
- (f) advances for a fixed period not exceeding three months or at not more than three months' notice made against such government securities and bonds as are defined under (a) and (b) as well as, up to an amount not exceeding one hundred million honor, against other security;
- (g) balances resulting from subscription or lending to the International Monetary Fund.

Art. 11. As constituting the gold reserve of the Riksbank shall be considered all gold coin and bullion belonging to the Riksbank and held in Sweden as well as, up to an amount corresponding to fifteen per cent of the total gold reserve, gold coin and bullion belonging to the Riksbank and deposited abroad or in transit therefrom, duly insured: The gold reserve may not be allowed to remain below one hundred and fifty million honor.

#### CHAPTER 4. BANKING ACTIVITIES

Art. 12. The Riksbank carries on banking at the head office in Stockholm and at branch offices within the Realm.

Art. 13. The Riksbank may buy and sell gold and silver.

Gold bullion delivered to the Royal Mint for the Riksbank's account shall be paid for by the Bank at the value of gold in Swedish currency, i.e., at the rate of two thousand four hundred and eighty honor per kilogram of fine gold, less one quarter per cent, for the minting charges and such other prescribed fees as are payable to the Royal Mint; the Board of Directors of the Riksbank may, however, if and when they deem it justified, exempt the seller from all or part of the minting charges.

Art. 14. The Riksbank may buy and sell foreign exchange of a maximum maturity of one year.

\* See footnote 3, above.

Art. 15. The Riksbank may raise credits abroad as well as grant credits to foreign central banks and to the International Monetary Fund. Further, the Riksbank may deposit funds with banking firms abroad and accept deposits from such firms with or without interest.

Art. 16. The Riksbank may buy and sell:

- (a) Swedish Government bonds and other Swedish Government securities;
- (b) other Swedish bonds;
- (c) easily realizable foreign government bonds and other government securities;
- (d) easily realizable foreign bonds other than government bonds, provided that they fall due within one year. The Riksbank may also negotiate the purchase and sale of such bonds and securities.

Further, the Riksbank may acquire shares of the Bank for International Settlements up to an amount decided by the King in Council and the Riksdag.

Art. 17. The Riksbank may:

- (a) discount bills falling due within six months;
- (b) make advances on bonds, shares or other securities for a fixed period not exceeding six months or at not more than three months' notice; municipalities and similar public bodies may, however, obtain advances, subject to the conditions of payment stated above, without other collateral than their own notes of hand;

- (c) make advances redeemable at a fixed date within six months against pledge *either* constituted by way of transfer of a warehouse warrant or receipt of the kind mentioned in the Warehouses and Warehouse Warrants Act *or* granted in merchandise deposited in a public weigh-house or lodged for safekeeping with a third party who has undertaken to hold them, or their value, at the disposal of the Riksbank, provided that the party who has issued the warrant or receipt or has undertaken the obligation is found to be solvent;
- (d) open credits in current account, for a period not exceeding twelve months, against bonds issued by the Swedish State, the Sveriges Allmänna Hypoteksbank (General Mortgage Bank of Sweden) or the Konungariket Sveriges Stadshypotekskassa (City Mortgage Bank of the Kingdom of Sweden) or, up to an amount of fifteen million honor, against other security.

Art. 18. From special funds placed under the administration of the Riksbank the Bank may grant loans in conformity with special regulations issued thereon.

<sup>s</sup>In accordance with a decision of the Riksdag of May 7, 1930 and a Royal Decree of May 9, 1930, the Riksbank may acquire such shares up to a nominal amount of twenty million Swiss francs.

Art. 19. The Riksbank may accept at its head office and at its branch offices:

- (a) deposits on checking account without interest repayable on demand;
- (b) deposits on deposit account without interest repayable on demand or at a date fixed when the deposit is made; receipts for such deposits shall be issued in a specific name.

Nevertheless, the Board of Directors of the Riksbank may allow firms who discount bills with the Riksbank and do not themselves carry on banking to receive interest on funds deposited on checking account.

Where the circumstances call for it, the Board of Directors of the Riksbank may also allow interest to be paid on deposits in cases other than those stated in the preceding paragraph. The Board of Directors of the Riksbank may also make arrangements to facilitate bank clearings.

Art. 20. The Riksbank is under the obligation to receive funds, without interest, on behalf of the Treasury and to make payments from the credit balance of the Treasury in accordance with special regulations issued thereon.

Art. 21. The Riksbank is under obligation to issue at the head office as well as at the branch offices free of charge, against payments, drafts on the Sveriges Riksbank in Stockholm payable on presentation. The Riksbank may also receive at all offices funds to be paid out elsewhere.

Art. 22. The Riksbank may carry on collection business.

Art. 23. The Riksbank's liability with regard to the exchange and redemption of coins is subject to special regulations laid down.

Art. 24. The Riksbank may accept for safekeeping gold and silver, in coin or bullion, as well as bonds, shares and other securities and goods under seal. The Riksbank is under obligation to accept for safe deposit at the head office such securities as are lodged for that purpose by State authorities or are deposited with the Riksbank in accordance with special regulations.

Art. 25. The Riksbank may acquire such real estate as is intended for the Bank's offices, its printing works or paper mill.

Further, with a view to safeguarding a claim, the Riksbank may buy at public auction or on the Stock Exchange such property as is distrained or pledged for the claim and may also accept in payment of the claim property, whether pledged as guarantee for the claim or not. Property thus acquired shall be disposed of when it is deemed expedient to do so, and in any case when it is possible to sell without a loss.

#### CHAPTER 5. CLOSING OF BOOKS AND PUBLICATION OF STATEMENTS

Art. 26. The books of the Riksbank shall be closed at the end of each calendar year.

The Riksbank's real estate, office equipment and collection of coins and medals shall not be included in the balance sheet.

Art. 27. Immediately after the end of each month a statement shall be drawn up showing the assets and liabilities of the Riksbank under separate headings. This statement shall then without delay be printed and distributed with the Official Gazette.

Further, as at the seventh, fifteenth, twenty-third and last day of each month or, if such day falls on a Sunday or a holiday, as at the preceding working-day, there shall be drawn up and published in the Official Gazette a statement of the Riksbank's gold reserve, such assets as are specified in Article 10, the notes in circulation and the unutilized portion of the right of issue.

#### CHAPTER 6. BOARD OF DIRECTORS AND ADMINISTRATION

Art. 28. The Riksbank is administered by seven Directors, who, as well as deputies, are appointed or elected in conformity with Article 72 of the Constitution of the Realm and Articles 70 and 71 of the Riksdag Statutes

Art. 29. The Chairman of the Board of Directors of the Riksbank shall receive out of the funds of the Riksbank an annual fee to an amount equal to that to which each of the other Directors is entitled, in accordance with the decision of the Riksdag, and in addition two thousand honor a year.

Art. 30. A Cabinet Minister or a Director of the National Debt Office may not be a Director of the Riksbank nor Deputy Governor.

Art. 31. Non-Swedish subjects, persons under guardianship, or bankrupts, may not be Directors of the Riksbank.

A Director of the Riksbank may not be a director of any Swedish bank other than savings banks and the Post Office Savings Bank, nor of any foreign bank except those in which the State, through the Riksbank or other institution, is part owner.

The provisions of the present article concerning Directors are likewise applicable to the Deputy Governor.

Art. 32. The Directors may not receive instructions with regard to the administration of the Riksbank from anyone except the Riksdag and its Banking Committee in cases in which that Committee is competent to give instructions on behalf of the Riksdag; the Directors are not obliged to

Art. 72 of the Constitution of the Realm and Arts. 70 and 71 of the Riksdag Statutes are published below, pp. 670-67I and p. 672.

account for their functions as Directors to anyone except to the Riksdag or its Banking Committee and Auditors.

The Riksdag decides on the granting of discharge to the Directors of the Riksbank

With regard to the responsibility of the Directors and the Deputy Governor elected by the Board of Directors of the Riksbank, special provisions have been enacted.

Art. 33. If the King in Council, either upon the recommendation of the Board of Directors of the Riksbank or else when it is otherwise deemed necessary to do so, has authorized a representative to confer with the Board of Directors of the Riksbank on some special matter, the Board may discuss with the representative of the King in Council but must not take any decision in his presence.

Art. 34. The boards of management of the branch offices are appointed by the Board of Directors of the Riksbank in conformity with such regulations as the Riksdag may issue.

Art. 35. The following affairs of the Riksbank shall be kept secret: credit transactions and such matters as are mentioned in Articles 14, 15 and 16, as well as other matters concerning the relations of clients with the Riksbank or any other credit institution; questions concerning monetary policy the publication of which might, in the opinion of the Board of Directors, be prejudicial to the Riksbank; questions concerning the manufacture and control of bank notes and the administration of the funds of the Riksbank.

Discussions and decisions on such questions shall be recorded in separate minutes, the purport of which shall not be made public before the expiration of fifty years from the date of the minutes unless the Banking Committee or Auditors of the Riksdag or the Board of Directors of the Riksbank find that this may take place earlier without prejudice to the Riksbank.

Art. 36. The Directors of the Riksbank, the Deputy Directors, the members of the boards of management of the branch offices, as well as the officials of the Riksbank, shall observe secrecy with regard to such questions as shall be kept secret in accordance with the present Act.

Nevertheless, the Board of Directors of the Riksbank may advise the Royal Banking Inspectorate and the Royal Savings Banks Inspectorate of such circumstances in connection with the administration of the Riksbank as the Board may find to be of importance for the exercise of the offices of the said Inspectorates.

Art- 37. After the end of each year, the Board of Directors of the Riksbank shall submit to the Banking Committee of the Riksdag a report on the position, business and administration of the Riksbank. This report shall be printed and made public.

Further, as at or before September 15 of each year, the Board of Directors of the Riksbank shall submit a report on the same matters to the Auditors of the Riksdag.

The report on the examination of the administration of the Riksbank which is submitted by the Auditors of the Riksdag shall, by direction of the Board of Directors of the Riksbank, be printed, made public, and submitted to the Riksdag with such observations and explanations as it may occasion.

Art. 38. Such rules as are necessary for the administration of the Riksbank in addition to the present Act are laid don by the Riksdag in special regulations.

## The Constitution of the Realm

(June 6, 1809, as amended)

### ARTICLE 72

The Riksbank remains under the guarantee of the Riksdag and is administered in accordance with Acts laid down jointly by the King in Council and the Riksdag by Directors appointed ad hoc.

The Board of Directors of the Riksbank shall consist of seven members, of whom the King in Council appoints one, with one deputy, for a period of three years at a time and the remaining six, with six deputies, are elected by the Riksdag for such period and in such manner as are specified by the Riksdag Statutes. The Director appointed by the King in Council shall be Chairman of the Board of Directors of the Riksbank but may not hold any other office in the management of the Riksbank. A Director who is not granted discharge by the Riksdag shall vacate office. The Director, as well as the deputy, appointed by the King in Council may be removed when the King in Council deems it expedient.

The Directors of the Riksbank shall elect from among themselves one Governor of the Riksbank and from among or outside themselves one Deputy Governor to replace the Governor in case of his absence, with the powers and duties of a Director.

The Riksbank is exclusively authorized to issue notes that shall be legal tender within the Realm. Such notes shall be redeemed by the Riksbank on demand in gold at their face value. Suspension of this obligation may, however, if considered absolutely necessary in consequence of war, threat of war, or a serious financial crisis, be granted for a fixed period by the King in Council and the Riksdag acting jointly or, if the Riksdag is not in

The Constitution of the Realm (*Regeringsform*), sometimes referred to as the Instrument of Government, is one of the four fundamental laws of Sweden. session, by the King in Council alone, on the recommendation of the Board of Directors of the Riksbank and after consultation with the Board of Directors of the National Debt Office. Such suspension granted by the King in Council between the sessions of the Riksdag shall, unless it is ratified by the Riksdag within twenty days after the commencement of its next ensuing session, become void at the expiration of the said period.

## ARTICLE III, PARAGRAPH 2

The Directors of the Sveriges Riksbank and of the National Debt Office and the Auditors of the Riksdag may not, in or for the exercise of their duties, receive orders from anyone except the Riksdag, and in accordance with its instructions, nor may they be called to account or responsibility except by decision of the Riksdag.

## The Riksdag Statutes

(June 22, 1866, as amended)

### ARTICLES 41, 70, AND 71

Art. 41.—(1) It is incumbent upon the Banking Committee to investigate and inquire into the management and state of the Sveriges Riksbank and the National Debt Office and to propose and, wherever the Riksdag has delegated such power to the Committee to make, regulations on the management of the Sveriges Riksbank and the National Debt Office. The Committee shall propose what is necessary to meet the needs of the National Debt Office. The Committee, furthermore shall make reports and present proposals with reference to those matters referred to the Committee from the Chambers which concern the use of loan funds administered by the National Debt Office.

(2) It devolves upon the Committee, moreover, to make reports and present proposals with regard to matters referred to the Committee from the Chambers concerning the enactment, amendment, interpretation or repeal of laws and statutes relating to the Sveriges Riksbank as well as other banking establishments and to the currency of the Realm, and also such matters concerning the organization and condition of the general economy or particular branches of economic life as are not of a nature to be handled in another committee.

*[The third paragraph, omitted here, concerns the functions of the Banking Committee in respect of expenses of the Riksdag.]*

The Riksdag Statutes (*Riksdagsordning*), sometimes referred to as the Riksdag Act, comprise one of the four fundamental laws of Sweden.

Art. 70.—(1) Those six Directors of the Riksbank who are to be elected by the Riksdag in accordance with Article 72 of the Constitution of the Realm are elected during ordinary sessions of the Riksdag for a period beginning with the date of election until another election has taken place during the third year thereafter. Two of the Directors elected by the Riksdag shall vacate office each year. If a Director elected by the Riksdag has vacated office before the expiration of his term of office or if he has not been granted discharge, a new election shall take place for the remainder of the period for which he was elected.

*[The second paragraph, omitted here, concerns the election of directors for the National Debt Office.]*

(3) The Directors of the Riksbank shall be elected by forty-eight electors, of whom each Chamber shall select twenty-four from among its members. The elections shall take place by secret ballot. An election for a longer term of office shall take place before an election for a shorter term. A Director vacating office is eligible for re-election.

(4) The Directors may themselves elect from among themselves one Vice-Chairman; the person presiding over the meetings of the Board of Directors of the Riksbank shall have the deciding vote in the event of an equality of votes in favor of two divergent opinions on questions which are made subject to voting at the meetings of the Board of Directors.

Art. 71. At the same time and by the same procedure as the Directors are elected by the Riksdag in accordance with Article 70, one deputy shall be elected for each Director elected by the Riksdag, to replace the latter in case of his absence; the deputy of a Director who is elected Governor of the Riksbank shall not enter office, however, unless the Deputy Governor elected by the Board of Directors in accordance with Article 72 of the Constitution of the Realm is also absent. If both a Director and his deputy elected by the Riksdag are absent, the Board of Directors shall call upon another deputy to enter office.

## Special Regulations on the Riksbank's

### Right to Issue Notes, 1966<sup>1</sup>

In place of Article 9 and the first paragraph of Article I1 of the Riksbank Act of June 30, 1934 (Act No. 437), the following special regulations shall be valid from July 1, 1966 up to and including June 30, 1967.

Art. 1. The Riksbank may issue notes to an amount not exceeding nine thousand nine hundred million honor.

Art. 2. If an increase in the right of issue is deemed necessary in consequence of exceptional circumstances, the King in Council may, when the Riksdag is not in session, upon the recommendation of the Board of Directors of the Riksbank and after consultation with the Board of Directors of the National Debt Office, permit the Riksbank to issue notes to an additional amount of not more than seven hundred million honor. Such permission granted by the King in Council shall, unless it is ratified by the Riksdag within twenty days after the commencement of its next ensuing session, become void at the expiration of the said period.

Art. 3. As constituting the gold reserve of the Riksbank shall be considered all gold coin and bullion belonging to the Riksbank

'Lag med särskilda bestämmelser om riksbankens sedelutgivning (Act No 128) of April 29, 1966. These provisions are temporary and have been extended each year since the first law (No. 248 of May 28, 1948) was passed.

### The Liquidity and Cash Ratio Act, 1962

Art. 1. If deemed indispensably necessary in order to achieve the aim fixed for the monetary policy of the Riksbank, the King may, at the request of the Board of Directors of the Riksbank and in accordance with what is said in this Act, ordain that liquidity ratios or cash ratios shall be observed. An ordinance shall be valid for a fixed period or until further notice.

The Riksbank issues the regulations necessary for the application of the ordinance.

Lag om likviditetskvot och kassakvot för vissa kreditinrättningar (likviditets- och kassakvotslag), given Stockholms slott den 25 maj 1962 (Act Concerning Liquidity Ratios and Cash Ratios for Certain Credit Institutions, No. 256 of May 25, 1962). As amended by Act No. 210 of May 26, 1965. In the version given here, the word Article (Art.) corresponds to the sign § and the Swedish word *bankaktiebolag* has been translated as commercial bank.

Art. 2. An ordinance concerning liquidity ratios may include the commercial banks, the savings banks, the agricultural credit associations, the Post Office Savings Bank or the postal giro service. An ordinance concerning cash ratios may include the commercial banks, the Post Office Savings Bank or the postal giro service.

As regards the commercial banks, the savings banks and the credit associations, the ordinance may be limited to cover only those institutions whose funds or total assets reach a certain amount, determined separately for each kind of institution. When justified in view of special circumstances, an individual credit institution may be exempted.

Art. 3. The liquidity ratio is the ratio at a given date of calculation between the net amount of the liquid assets of the credit institution, determined according to Article 4, and the total liabilities of the institution with the exception of those mentioned under Article 5.

Art. 4. The sum of the following assets shall form the basis for the calculation of the net amount of liquid assets:

- (a) cash in hand together with deposits with the Riksbank and the National Debt Office;
- (b) domestic checks and bank money orders in transit;
- (c) deposits in those credit institutions which could be subject to an ordinance on liquidity ratios;
- (d) Treasury bills, bonds and other debt certificates issued by the Government, all at market value;
- (e) bonds issued by the General Mortgage Bank, the City Mortgage Bank and the Residential Credit Bank, as well as bonds issued after January I, 1959 by mortgage companies for housing loans, all at market value; and
- (f) short-term claims on foreign banks and bankers, as well as foreign bills rediscountable in the Riksbank to the extent that they have not been rediscounted or sold.

The net amount of liquid assets consists of the sum mentioned in the preceding paragraph reduced by:

- (a) debts to the Riksbank and liabilities on account of domestic bills rediscounted in the Riksbank;



- (b) debts to those credit institutions which can be subject to an ordinance on liquidity ratios; in the case of credit institutions whose liabilities consist mainly of deposits from a special group of credit institutions, such deposits are deducted only up to the extent that a credit balance with an institution in the group has been included in the assets in the preceding paragraph (c);<sup>2</sup>
- (c) short-term debts to foreign banks or bankers.

<sup>2</sup> This provision would be applicable to the Sparbankernas Bank and the Jordbrukets Bank. These two banks act as central banks for the savings banks and the agricultural credit associations, respectively, and their deposits therefore come mainly from those two groups of institutions.

When justified in view of the circumstances the Riksbank may decide that other assets be included among the liquid assets or that certain kinds of liabilities in accordance with the second paragraph may not be deducted when calculating the net amount. The Riksbank may also decide that assets in foreign currency, after deduction of debts in such currency, shall not be included among the liquid assets by more than what corresponds to a certain percentage of the total liabilities of the credit institution with the exceptions mentioned in Article 5.

Art. 5. In calculating the liquidity ratios the following liabilities are deducted from the liabilities:

- (a) debts that have been deducted in accordance with Article 4;
- (b) credits granted but not utilized-
- (c) guarantees;
- (d) deferred debentures which, with the King's permission, are not regarded as deposits;
- (e) loans obtained from the National Pensions Insurance Fund in connection with relending.

When justified in view of the circumstances, the Riksbank may permit other kinds of liabilities to be exempted.

Art. 6. The minimum percentage of the liquidity ratio shall be determined by the Riksbank. The percentage may not exceed twenty-five in the case of the savings banks and the agricultural credit associations and fifty in the case of other credit institutions.

When deemed appropriate the Riksbank may divide the credit institutions concerned into groups for which different percentages may be determined. The division into groups shall be based either on the total amount of liabilities of the institutions except those mentioned under Article 5 or on the type of business.

Art. 7. The cash ratio shall be the ratio at a given date of calculation between the deposits of the credit institution with the Riksbank and the total liabilities of the institution, with the exception of those mentioned under Article 5.

The minimum percentage to which the cash ratio shall amount shall be determined by the Riksbank. The percentage may not exceed fifteen. The provision in the second paragraph of Article 6 may be applied in this case also.

Art. 8. Irrespective of an ordinance by virtue of this Act, commercial banks, savings banks and agricultural credit associations shall observe the reserve requirements laid down in the Banking Act, the Savings Bank Act and the Act on Agricultural Credit Associations.

Art. 9. A credit institution that is or could be subject to an ordinance by virtue of this Act is under obligation to furnish the Riksbank on demand with such information as the Riksbank deems appropriate in order to judge if an ordinance is necessary and to determine and calculate the ratios.

Regulations on the dates of calculation as well as on the obligation to submit information are issued by the Riksbank.

Art. 10. If the liquidity ratio or cash ratio maintained by a credit institution is smaller than that stipulated, the institution shall, when demanded by the Riksbank, pay interest on the deficit to the State. The interest is calculated for the period from the preceding date of calculation or, if no preceding calculation has taken place, from the coming into force of the ordinance to the date of calculation at which the deficit was established. The rate of interest is determined by the Riksbank; it may not exceed four per cent per annum in the case of liquidity ratios, and in the case of cash ratios it may not exceed a rate equivalent to three percentage points above the Riksbank's lowest discount rate for bills up to three months.

When applying the provisions of the preceding paragraph, the Riksbank may allow the balancing of surpluses and deficits during a certain period (balancing period). In that case the interest shall be calculated on the average deficit at the dates of calculation within the balancing period and for that period.

If an agricultural credit association has not maintained the liquidity ratio, the Riksbank may grant exemption from the obligation to pay interest stipulated in this Article, provided that all agricultural credit associations together have complied with the liquidity requirements. What is said in the previous sentence shall be applied analogously, in the case of liquidity ratios as well as cash ratios, to the Post Office Savings Bank and the postal giro service. When justified in view of special circumstances, an institution may also in other cases be relieved, entirely or partially, from the obligation to pay interest.

Art. 11. Appeals may not be made against decisions taken by the Riksbank in conformity with this Act.

1. This Act shall enter into force on July 1, 1962, when the Act of June 3, 1949 (No. 314) authorizing the King to issue under certain conditions special regulations on the liquid assets of banking companies expires.
2. The new Act shall be valid up to and including June 30, 1968. The provisions of the Act shall be valid before it comes into force in respect of such measures as are necessary for the application thereafter.
3. The provisions of the earlier Act shall continue to be applicable to circumstances relating to its period of validity.
4. An ordinance issued by virtue of the new Act may not be in force after the expiration of the Act

## The Investment Ratio Act, 1962

Art. 1. If because of extraordinary conditions it is deemed necessary in order to secure long-term credits for the State or for housing, the King may, at the request of, the Board of Directors of the Riksbank and in accordance with what is said in this Act, ordain that investment ratios shall be observed. An ordinance shall be valid for a fixed period or until further notice.

The Riksbank shall issue the regulations necessary for the application of the ordinance.

Art. 2. An ordinance concerning investment ratios may include the insurance companies, the savings banks, the Post Office Savings Bank, the postal giro service or the boards administering the National Pension Insurance Fund.

In respect of the insurance companies and the savings banks, the ordinance may be limited to those institutions which have funds or a balance sheet total reaching an amount specified separately for each kind of institution, or those institutions whose business meets certain requirements. When special circumstances warrant, a credit institution may be exempted from the ordinance.

Art. 3. The investment ratio is the relation between the change during a period fixed in advance (period of calculation) in the investments of the institution according to Article 4 (priority investments) and the change during the same period in the total of the investments of the institution with the exceptions given in Article 5.

The changes shall be calculated on a cash basis or from face values or, in those cases where such values are not applicable from other values, according to the regulations issued for application of the ordinance.

Art. 4. In computing the investment ratio, priority investments shall be:

- (a) cash, checks and bank deposits after deduction of bank debts;
- (b) government bonds or other government debt instruments;
- (c) bonds issued by the General Mortgage Bank, the City Mortgage Bank and the Residential Credit Bank, as well as bonds issued after January 1, 1959 by mortgage companies for housing loans;
- (d) loans secured by mortgages on property or on leasehold rights where the greater part of the buildings are used as dwellings; loans granted during the period of the ordinance may, however, be classed as priority investments only if they are related to new buildings;

Lag om placeringskvot för vissa kreditinrättningar (placeringskvotslag), given Stockholms slott den 25 maj 1962 (Law Concerning Investment Ratios for Certain Credit Institutions, No. 257 of May 25, 1962). As amended by Act No. 211 of May 26, 1965. In the version given here, the word Article (Art.) corresponds to the sign in the Swedish text.

(e) loans which are fully guaranteed by municipalities or similar public bodies and which are granted for buildings the greater part of which are used as dwellings; loans granted during the period of the ordinance may, however, be classed as priority investments only if they are related to new buildings;

(f) properties owned by the credit institution of which the greater part are used as dwellings, after reduction for mortgage loans encumbering the property; properties acquired during a period when an ordinance according to this Act is in force shall be considered as priority investments only if the buildings are new or to the extent that the value of the property is equivalent to that of another property which meets the requirements and which has been sold.

Credits to municipalities are considered equivalent to lending according to (e), to the extent that such lending corresponds to the calculated value of land leased on leasehold terms.

In special circumstances the Riksbank may permit other investments to be considered as priority investments, provided that they are related to new buildings used predominantly for dwellings.

Art. 5. In calculating the investment ratio, the following items are deducted from the total investments of the credit institution:

- (a) debts, deducted according to Article 4;
- (b) loans granted by life insurance companies against policies;
- (c) loans granted by the National Pension Insurance Fund in connection with relending;<sup>2</sup>
- (d) relending loans granted by the institution.

In special cases the Riksbank may permit other kinds of assets to be exempted in the calculation of investment ratios.

Art. 6. The minimum percentage of the investment ratios is determined by the King. The percentage may not exceed eighty. When appropriate the credit institutions falling under the provisions of this Act may be divided into different groups with different percentage ratios for each group. The division into groups shall be based on the size of their total investments or on the type of business. If during the period of calculation the investment total should diminish, the investment ratio shall be replaced by the provision that, except for the exemptions listed in Article 5, the percentage of the investment total consisting of priority investments shall not be reduced.

Art. 7. A credit institution for which investment ratios are or can be prescribed is under obligation to furnish the Riksbank on demand with

<sup>2</sup> Banks extend loans to contributing employers under the National Pension Insurance system (relending); such loans are subject to given rules and are refinanced by a loan from the National Pension Insurance Fund to the bank.

such information as the Riksbank deems appropriate in order to judge if an ordinance is necessary and to determine and calculate the ratios. Regulations on dates of calculation as well as on the obligation to submit information shall be issued by the Riksbank.

Art. 8. If a credit institution has not maintained the stipulated investment ratio or met the requirements of the third paragraph of Article 6, the institution shall, when demanded by the Riksbank, pay interest on the deficit to the State for the calculation period in which the deficit arose. For subsequent calculation periods interest is calculated on the deficit remaining after deduction of surpluses during these periods. Interest is not to be charged for more than five years from the calculation period in which the deficit arose, nor for any period after the ordinance has expired without being immediately followed by a new ordinance. The rate of interest is two per cent a year.

When applying the preceding provisions, the Riksbank may allow the balancing of surpluses and deficits during a certain period (balancing period). In that case the balancing period replaces the calculation period in the calculation of interest.

If the Post Office Savings Bank or the postal giro service have not maintained the investment ratio, the Riksbank may grant exemption from the obligation to pay interest, provided that the two institutions taken together have complied with the investment requirements. When justified in view of special circumstances, an institution may also in other cases be relieved, entirely or partially, of the obligation to pay it, interest.

Art. 9. Appeals may not be made against decisions taken by the Riksbank in conformity with this Act.

1. This Act shall enter into force on July 1, 1962 and be valid until June 30, 1968. The provisions of the Act shall be valid before it comes into force in respect of such measures as are necessary for the application thereafter.

2. An ordinance issued by virtue of this Act may not be in force after the expiration of the Act.

### **The Interest Control Act, 1962 <sup>1</sup>**

Art. 1. The King may, at the request of the Board of Directors of the Riksbank, ordain that the stipulations set forth below concerning the Riksbank's authority to require reports, to prescribe maximum interest rates, to prescribe minimum interest rates and to require an application for permission before the issue of certain instruments of indebtedness, shall be applied entirely or partially if, because of extraordinary conditions, it is deemed necessary in order to achieve the aim fixed for the monetary policy of the Riksbank.

Art. 2. In this Act every payment that is a remuneration for the lending of money and does not cover only special costs in connection with the loan, is considered as interest.

Art. 3. The provisions of this Act do not affect interest the calculation or determination of which is subject to special provisions by law or other public statute or otherwise by royal decision.

Art. 4. The Riksbank may prescribe the obligation to report. In respect of deposits, the obligation may apply to credit institutions or others which receive deposits on accounts commonly used by banks. In respect of the lending of money, it may apply to commercial banks, savings banks, agricultural credit associations, the Post Office Savings Bank, the postal giro service, insurance companies and the boards administering the National Pension Insurance Fund. Interest-bearing insurance claims on life insurance companies, due for payment, are also considered as deposits.

The obligation to report may cover rates of interest and other conditions applied to deposits or to lending and also changes of interest rates on deposits and increases of interest rates on loans. In the last case, it may also be prescribed that the report shall be made not less than eight days in advance of the day when the change is intended to come into force and that it shall give the reasons for the change.

Art. 5. The Riksbank may fix maximum or minimum rates on deposits mentioned in Article 4 and maximum rates on loans from the credit institutions mentioned in the same Article. Different rates may be fixed for different types of deposits or loans.

Regulations in accordance with this provision may be issued for a definite period no longer than six months. The period may be prolonged for further periods of no more than six months.

<sup>1</sup> Lag om räntereglering och emissionskontroll (ränteregleringslag), given Stockholms slott den 25 maj 1962 (Act Concerning Control of Rates of Interest and Bond Issues, No. 258 of May 25, 1962). As amended by Act No. 212 of May 26, 1965. In the version published here, the word Article (Art.) corresponds to the sign 5 and the Swedish word *bankaktiebolag* has been translated as commercial bank.

Art. 6. The Riksbank may prescribe that bonds, deferred debentures or other debt instruments designed to be sold in the market must not be issued without the permission of the Riksbank. Debt instruments of the National Debt Office are exempted from this provision.

Art. 7. The control of the observance of this Act shall be carried out by the authority appointed by the King for this purpose.

Those subject to the provisions of maximum or minimum rates of interest must on request give the authority all the information which is deemed necessary by the authority in order to carry out the control.

Art. 8. A credit institution which has exceeded the maximum rate prescribed by the Riksbank shall, on the request of the Riksbank, pay to the State twice the amount by which the interest has differed from the maximum.

The provisions of this Article shall also be applicable when credit institutions or others which accept deposits according to Article 4 have paid interest at a rate higher than a maximum rate or lower than a minimum rate prescribed by the Riksbank.

When justified in view of special circumstances, the obligation to pay may be dispensed with entirely or partially.

Art. 9. If bonds, deferred debentures or other debt instruments mentioned in Article 6 are issued without permit, the issuer shall at the request of the Riksbank pay to the State an amount corresponding to one half of one per cent of the total amount issued for each year of the maximum currency of the loan .

What is said in Article 8, third paragraph, shall be applied also in this case.

Art. 10. Information obtained under Articles 4 and 7 must not be disclosed unless this is necessary to achieve the purpose of those provisions.

Art. **U**. Appeals may not be made against decisions taken by the Riksbank in conformity with this Act.

The King enacts the further regulations necessary for the application of this Act

1. This Act shall enter into force on July 1, 1962, when the Act of December 7, 1951 (No. 767) concerning control of rates of interest, etc., expires.
2. The new Act shall be valid up to and including June 30, 1968. The provisions of the Act shall be valid before it comes into force in respect of such measures as are necessary for the application thereafter.
3. The provisions of the earlier Act shall continue to be applicable to circumstances relating to its period of validity.
4. An ordinance issued by virtue of the new Act may not be in force

after the expiration of the Act. What is provided in the Act about the consequences of violations of the maximum or minimum rates or of the obligation to obtain a permit before issuing certain debt instruments or of the obligation to observe secrecy shall, however, be valid also after the expiration of the Act.

5. Regulations issued by virtue of Article 5 shall not be an obstacle to the application of agreements on interest entered into before the coming into force of the regulation. An agreement may be applied, if there is a right to terminate it, during a period corresponding to the term of notice and otherwise as long as the agreement runs. Regulations under Article 6 shall not be applicable to debt instruments offered to the public before the regulation had come into force.