



[Translated version]

## Committee Terms of Reference

### **Role of the State in the payment market**

Decision at a government meeting on 10 December 2020.

#### Summary

An inquiry chair is to review the role of the State in the payment market and consider what its role should be like in the future. This is to be done in the light of a broad and thorough analysis of

- what its role has been like in the past and what it is like today;
- changes in the financial and payment markets resulting from technological development and digitalisation;
- new payments methods and less use of traditional means of payment in the form of notes and coins (cash); and
- the payment market of the future.

The remit of the inquiry chair includes

- charting what the payment market is like today and how it is regulated and assessing what the payment market of the future will be like, based on developments in Sweden and in other countries;
- charting the division of roles between the State and the business sector in the payment market and considering the future role of the State in the payment market;
- considering what it means that certain means of payment have the status of legal tender and the need for this;
- considering the need for the Riksbank to issue digital central bank money, called “e-kronor”, and

- considering whether legislative proposals or other measures are necessary and proposing them, where appropriate.

The inquiry chair's remit is based on the Riksdag's announcement about the role of the State in the payment market (Committee Report 2018/19:FiU44, Riksdag Comm. 2018/19:293). A reference group consisting of representatives of all political parties in the Riksdag will be attached to the inquiry.

The inquiry chair is to report on the inquiry's remit by 30 November 2022.

### **A payment market in change**

An effective system for making payments is essential to the national economy. The State has long played a central role in the payment market, mainly through the Riksbank but also through other authorities. For instance, the Riksbank issues generally used and accepted means of payment in the form of notes and coins in Swedish kronor (cash), i.e. central bank money, and provides a system for settlement of payments (Chapter 5, Section 1 and Chapter 6, Section 7 of the Sveriges Riksbank Act [1988:1385]). The Riksbank is also responsible for preserving the value of money through its task of maintaining price stability (Chapter 1, Section 2 of the same Act). In this way the State works to ensure that cash meets the three fundamental criteria for money, i.e. being a unit of account, a store of value and a means of payment.

For society, it is of central importance that payments can be made in an effective and legally certain way. Households, companies and the public sector need access to payment services that make it possible to pay for goods and services. For example, households must be able to pay bills, companies must be able to carry out business transactions and pay salaries and the public welfare system must be able to pay benefits to individuals. In this respect, a functioning and accessible payment system is a wholly essential and fundamental public service.

As a result of technical technological development, mainly through digitalisation, new means of payment that are being provided by private actors have emerged at a rapid pace in the payment market. Electronic payments in 'commercial bank money' are now the most way by far of making payments in the economy. This applies both to payments between private actors and to payments to and from the public sector. In principle,

international payments are made solely in commercial bank money. Given current developments in the payment market, the dominance of electronic payments in commercial bank money will increase. These developments are leading to less use of cash, which affects the function of cash as a means of payment.

New cross-border payment systems are also emerging, some of which are wholly or partly separate from state or supranational currencies. Examples include “stable coins”, such as Libra, and payment services such as ApplePay, Wechat and Alipay.

Continued technological development and digitalisation in financial and payment markets is essentially positive. When it comes to developments in the basic functions of the financial market – managing risks, saving, borrowing, insuring, investing and paying – these developments are creating conditions for new innovative solutions, which make cheaper, better and more consumer-friendly products and services possible. When it comes to developments in the payment market, this market meets households’ and companies’ needs for flexible and cheap payment solutions. It is, however, important that these developments do not take place at the expense of, for example, financial stability, consumer protection, work to counter money laundering and financing of terrorism or work to address incorrect public sector payments. In view of the importance that the possibility of making payments has both for individuals and for the economy, the existing means of payment should be secure and available to the whole of the population. The central payment system is to be regarded as of critical national importance from a protective security perspective. It is therefore important that the payment system also functions in future peacetime crises as well as during elevated preparedness and, ultimately, war and that it also has a high level of information security and protection of personal integrity.

In an overall assessment there are grounds to assume that the role of the State in the payment market must be developed and reappraised. Against this background, there is a need to review the role of the State in the payment market and consider what its role should be like in the future.

#### **Remit to chart the payment market**

Digitalisation in the payment market is increasing and the use of cash is decreasing. This can affect overall financial stability, the infrastructure for

payments, the public's need for access to central bank money, preparedness during crises and in wartime, payment management and payment provision services, including the scope for money laundering and financing of terrorism, and cash management. It can also have effects on public confidence in the payment system and ask new questions about integrity, information management, protective security and cyber security.

The inquiry chair is therefore to

- chart what the payment market is like today and how it is regulated;
- assess what the payment market of the future will be like, based on developments in Sweden and in other countries;
- analyse and describe the consequences for Sweden of the emergence of new payment systems that are wholly or partly separate from state or supranational currencies;
- analyse and chart security and integrity aspects of both private and state digital payment systems; and
- analyse and assess the ability of the payment market to maintain critical functions during peacetime crises and during elevated preparedness and, ultimately, war.

#### **Remit to consider the future role of the State in the payment market**

An effective and secure payment market is of major public interest. However, the payment market is characterised by “network effects” and economies of scale, which has led to a concentrated payment market with a few private actors. In a payment market like this, it is natural for the State to have an important role in maintaining confidence and promoting competition and security.

The inquiry chair is therefore to

- chart the division of roles between the State and the business sector in the payment market and consider the future role of the State in the payment market, especially the role of the State as the provider of central infrastructure for the payment system, the issuer of central bank money, the recipient of payments and maker of payments, both within the public sector and in relation to the private sector, taking account of the work to address incorrect public sector payments;

- consider whether additional requirements need to be applied to clearing and settlement systems, credit institutions and payment service providers, as well as to suppliers of services to these companies, so as to promote sound competition, retaining high consumer protection, and so that the payment system will be secure and accessible to all, especially in the light of increasing digitalisation and the effects of the new payment services regime that makes new categories of services possible;
- consider how the State, including the Riksbank, can ensure an effective and safe payment market, both in normal situations and during peacetime crises as well as during elevated preparedness and, ultimately, war;
- consider what requirements need to be applied in order to ensure that everyone in society is able to make their payments, including e.g. people living in digital exclusion, residents of sparsely populated areas, people who have inadequate knowledge of Swedish, older people and people with disabilities, taking account of sustainable development;
- consider how to design the role of the State in the payment market, taking account of the requirements that follow from Sweden's membership of the EU and international organisations;
- follow relevant work streams at EU level, including the Retail Payments Strategy (COM (2020) 592) and the Regulation on Markets in Crypto-assets (COM (2020) 593); and
- consider whether legislative proposals or other measures are necessary and propose them, where appropriate, ensuring that any proposals made are accommodated within the existing public authority structure.

#### **Remit to investigate the meaning of and need for legal tender**

Cash issued by the Riksbank has the status of legal tender and the main rule is that payment by these means of payment has to be accepted. Under case law, exceptions to the main rule can be made in statutes and in most contractual relationships.

The inquiry chair is therefore to

- consider what it means that certain means of payment have the status of legal tender, including what obligations there are for public authorities and other public activities, for example, to accept them;
- consider whether there is still a need for certain means of payment to have the status of legal tender and, if so, whether the meaning of the

expression legal tender should be changed from its present meaning;  
and

- consider whether legislative proposals or other measures are necessary and propose them where appropriate.

#### **Remit to investigate the need for digital central bank money**

Digitalisation in the payment market is increasing and the use of cash is decreasing. This can affect financial stability, the infrastructure for payments, the public's need for access to central bank money, preparedness during crises and war, payment management and payment provision services including the scope for money laundering and financing of terrorism, cash management and public confidence in the payment system.

The inquiry chair is therefore to

- analyse the relationship between digital central bank money, traditional central bank money (cash) and foreign currencies;
- analyse the relationship between digital central bank money and EU law, including the role of the European Central Bank;
- analyse advantages and disadvantages of digital central bank money, especially the effects for the public, the effects on monetary policy and financial stability, the effects on the activities of credit institutions and competition in the payment market, the effects on society's preparedness during crises and war and the effects on work to counter money laundering and financing of terrorism;
- consider the need for the Riksbank to issue digital central bank money, called "e-kronor", especially taking account of the international development of digital central bank money;
- consider whether digital central bank money should be legal tender in Sweden; and
- consider whether legislative proposals or other measures are necessary and propose them where appropriate.

#### **Remit to review the provisions on rounding**

There are provisions on rounding in the Act on the rounding of certain öre amounts (1970:1029) and the Act on the rounding of certain financial claims to whole kronor, etc. (1972:180). These Acts have been amended several times, but there has never been an overall review of the provisions on

rounding from a substantive, editorial or linguistic perspective. Therefore, it is now time to make such a review.

The inquiry chair is therefore to

- consider whether there is a need to adapt the provisions on rounding to modern conditions and, if so, to propose legislative amendments.

### **Impact assessment**

The inquiry chair is to consider whether the inquiry's proposals of measures or legislative amendments are consistent with Sweden's membership of the EU, especially considering that Sweden does not have the euro as its currency. The inquiry chair is to monitor developments in the payment market and continuously analyse their impacts. In addition, the inquiry chair is to present an analysis of the macroeconomic, distributional, political and budgetary effects of the proposals. If the proposals have an impact on the central government budget, the inquiry chair is to propose financing.

### **Contacts and reporting of remit**

The inquiry chair is to stay informed about, and take account of, relevant ongoing work in the Government Offices, the Riksbank, the Swedish National Debt Office and other authorities. In particular, the inquiry chair should follow the processing in the Government Offices of the Riksbank Committee's report A new Sveriges Riksbank Act [En ny riksbankslag] (SOU 2019:46) and adapt the inquiry's proposals to the deliberations made in the legislative matter.

The inquiry chair is to stay informed about and follow work being done on implementation of the EU's Directive on the accessibility requirements for products and services (Inquiry S 2020:05). The inquiry chair is also to take account of work at EU level, research and international experience concerning the various issues.

A reference group consisting of representatives of all political parties in the Riksdag will be attached to the inquiry. When carrying out the inquiry's remit, the inquiry chair is to obtain information from public authorities, companies and organisations that may be affected by the various substantive issues.

The inquiry chair is to report on the inquiry's remit by 30 November 2022.  
(Ministry of Finance)